



# ILO EVALUATION

- Evaluation Title: **Employment creation through small and medium-scale enterprise development in Free State, South Africa – Midterm evaluation**
- ILO TC/SYMBOL: **SAF/10/01/FLA**
- Type of Evaluation : **Midterm**
- Country(ies) : **South Africa**
- Date of the evaluation: **June 2014**
- Name of consultant(s): **Valerie Flanagan**
- ILO Administrative Office: **CO-Pretoria**
- ILO Technical Backstopping Office: **ENTERPRISES**
- Date project ends: **12/2014**
- Donor: country and budget US\$ **6 million**
- Evaluation Manager: **Gugsa Farice**
- Key Words: **Small enterprise, enterprise development**

This evaluation has been conducted according to ILO's evaluation policies and procedures. It has not been professionally edited, but has undergone quality control by the ILO Evaluation Office.

# **The Free State SME Development Initiative**

## **Independent Midterm Review**

*Compiled by:*

Valerie Flanagan

**Project No: SAF/10/01/FCA**

**Project Title: The Free State SME Development Initiative**

**Total Budget: Euro 4,500,000**

**Donor: Government of Flanders**

**Starting Date: January 1<sup>st</sup> 2011**

**End Date: June 30<sup>th</sup> 2014**

**Executed by: ILO Country Office for Botswana, Lesotho, Namibia, South Africa and Swaziland**

**Implemented with: The Department for Economic Development, Tourism and Environmental Affairs (Detea), Free State**

## **Executive Summary**

### **Summary of the project purpose, logic and structure**

The Free State SME Development Initiative is a programme of activities aimed at promoting employment creation through Small to Medium Enterprise (SME) development. This initiative is funded by the Flanders International Cooperation Agency (FICA) to the amount of 4,5m Euros and is being implemented over 42-months, six of which involved an inception phase with consultations to finalize project design.

The aim of the initiative is to strengthen the capacity of the Free State Provincial Government and its stakeholders in the private sector and civil society to promote entrepreneurship by implementing a range of initiatives in support of SME development. The overall project objective is to create decent employment opportunities for historically disadvantaged population groups in the province. The overall project outcome is aimed at creating sustainable community-based small businesses that will have created at least 5,000 decent jobs over the project lifecycle.

The intervention strategy consists of four systemic levels of intervention:

- Meta-level interventions that aim at changing mind-sets, value systems and perceptions held by stakeholder groups in the Free State Province
- Macro-level interventions that aim at facilitating a more conducive regulatory framework for doing business
- Meso-level interventions that aim at boosting the breadth and depth of local supply with Business Development Services (BDS)
- Micro-level interventions that aim at 'pulling' businesses into the market exchange for BDS.

In order to effect this, the project has four key activity areas:

1. To nurture a stronger culture of entrepreneurship among the population of the Free State Province, with a focus on youth and women
2. To create a more conducive policy, legal and regulatory framework (PLRF) for the start-up and operations of SME in the Free State Province
3. To strengthen the capacity of local organizations to provide sector-specific BDS geared towards SME at community level; and
4. To stimulate BDS uptake among prospective and emerging entrepreneurs and their employees living and working in these communities.

### **Present Situation of the Project**

The inception phase for the project began in January 2011 and ended on 30 June 2011. This laid the foundations for the execution of the implementation phase, which began on 1 July 2011. During this phase, the Project Management Unit (PMU) and the Project Steering Committee were established and sector, target group and target municipality profiles were drafted to inform the selection of sectors, sub-groups and municipalities. This was done in close consultation with local stakeholders.

The implementation stage followed, with the focus of activities in the first 18 months on nurturing a culture of entrepreneurship, on fine-tuning the policy, legal and regulatory framework surrounding SMEs and on boosting the capacity of business development service providers (BDSPs). The plan

for the second 18 months is to focus on demand side interventions to stimulate service uptake and successive small business start-up and growth in the priority sectors.<sup>1</sup>

### **Purpose, scope and clients of the evaluation**

In terms of the Agreement between Government of Flanders (Kingdom of Belgium) and the ILO, a mid-term evaluation of the project must be carried out. This set forth that an evaluation should include a survey of the key stakeholders and partners to the initiative as well as a comprehensive review of the project documents.

The independent evaluation was undertaken in accordance with the ILO Evaluation Policy adopted by the Governing Body in November 2005, which provides for systematic evaluation of projects in order to improve quality, accountability, transparency of the ILO's work, strengthen the decision making process and support to constituents in advancing decent work and social justice.

The Mid-Term Review (MTR) covers the six-month inception phase from 1 January to 30 June 2011 and the implementation phase from 1 July 2011 to the time of this review in November/December 2012. The overall objective of evaluation is to analyse progress made towards achieving the intended outcomes, to identify lessons learned and to propose recommendations for improved delivery of quality outputs and achievement of outcomes in the last 18 months of the project. Finally, if progress is found to be satisfactory for the current project, the MTR would also make recommendations for a possible Phase 2 beyond June 2014, if such an extension was deemed feasible.

The primary clients of the evaluation include the Government of Flanders, the South African Provincial Government, ILO constituents, the ILO and the project staff, as well as other relevant stakeholders in the ILO offices (Regional Office for Africa –ROAF, Pretoria; and ILO departments at the Head Quarters).

### **Methodology of evaluation**

The evaluation was carried out through a desktop review of project documents and deliverables and a visit to South Africa (Pretoria, Bloemfontein and Welkom) for consultations with ILO Pretoria management and staff, constituents, FICA implementing partners, beneficiaries and other key stakeholders. This therefore included all ILO and non-ILO stakeholders involved in the project, i.e., government departments and partners from the private and civil sectors.

The draft evaluation report was shared with the key project stakeholders and their feedback and comments requested and incorporated therein.

A full set of project documents was provided by the project team and reviewed by the evaluator. Interviews with all key stakeholders were conducted, which provided a fair representation of the project progress to date. There were no significant limitations in the data collection. The only area that had limited input was in terms of lessons learned given the early stage of the project's implementation. In addition, interviews with private sector stakeholders in Matjhabeng who could comment on the economic potential of the area would have been helpful, as well as interviews with

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<sup>1</sup>ILO Project document, p. 24

stakeholders involved in the municipalities who have responsibility for the environment, waste or green sector.

## **Main finding and conclusions**

### **Brief overall assessment of the project's performance**

The key findings of the Mid-Term review are summarized below:

#### ***Relevance and strategic fit***

The evaluation finds that the project does have significant relevance to South African National development plans, Provincial growth and development strategies, the South African Decent Work Country Programme (DWCP) and the United Nations Development Assistance Framework (UNDAF) in South Africa. It is also supportive of the broader national growth and development strategies drafted by the national government and the Free State Provincial government. The project specifically aims to promote sustainable enterprises, which also ties in with Government priorities to address poverty and unemployment, which is articulated in the National Development Plan and in the New Growth Path Strategy. Insofar as it strives to target disadvantaged communities, it is also well-aligned with this objective in the national strategy. The Free State SME Development Initiative adds value to the broader development goals of all of these institutions to eradicate poverty and to engage the government and its social partners in economic development activities that are broadly beneficial of all citizens in the Free State area.

#### ***Validity of design***

The evaluation finds that the project design follows the logic of South African government policy in terms of the focus on SMEs as the driving force of job creation, as opposed to the nurturing of new business startups. The project design as outlined in the project document is logical and coherent. It was evident through the interviews, however, that the design process needed to take more cognizance of local stakeholder interpretations of the definition of SMEs, who they felt should be the target beneficiaries of the project and which sectors it should encompass.

#### ***Project progress and effectiveness***

The evaluation finds that the project is being implemented according to plan and the expected outputs and outcomes have been achieved, though with some setbacks in terms of stakeholder support among some constituencies. The main obstacles to achieving the outputs and outcomes in the future are the varying attitudes toward the project, which differ from stakeholder to stakeholder and which, at the middle management level, can rise and fall depending on the individual's political affiliation and their positive or negative association with the project. The project design can and should continue to achieve the proposed targets, but the timeframe in which these are to be implemented may (a) be too short for the full impact to be realized, and (b) risk leaving behind some stakeholders and alienating them from the project.

Based on discussions with the stakeholders, the project clearly has important relevance for the region in terms of the groundbreaking work it has achieved in developing materials and systems that have fostered the onset of a more entrepreneurial attitude among the people of the Free State.

The research outputs are also of a high caliber and the project team has clearly invited well-qualified, competent teams of experts to complete the research for the SME Observatory and the curriculum pertaining to the launch of the Grade 10 modules. There is broad agreement among the stakeholders that the caliber of this work is excellent and much needed within the broader development community in the Free State.

The project team has also actively disseminated the project's aims and objectives among its partners and stakeholders through several research and sector studies validation workshops and other formalized processes. Based on the review of the project documents and stakeholder interviews, consultation, on paper, has taken place but in practice, there is an element of disconnect between the project and some stakeholders who feel that there could be better alignment between the programme objectives and the objectives of the government in terms of its focus on SMEs vs SMMEs at the early stage or start-up level. This will need to be better handled in the future through a more consultative stakeholder management approach at the mid-management level where support for the project is not as strong as at the senior level.

### *Efficiency of resource use*

The evaluator finds the human resources deployed to the project to be well-qualified for the work and having substantial experience in development projects of this nature. The project has also been well-funded by the Flemish government to ensure that the project can utilize external resources of a very high caliber to conduct research and provide other support.

### *Effectiveness of management arrangements*

The technical and financial resources appear to be more than adequate to fulfill the project plans. There is a reasonable budget to support the appointment of a well-qualified team and to contract with external service providers to conduct the research. To date, the Chief Technical Advisor has utilized the services of research teams within the University of the Free State as well as independent consultancies with special expertise in curriculum development for the Department of Education. Training providers who supported the project, Jika Training and the National Institute Community Development and Management, have a long and reputable track record in training and capacity building of youth. Their association with the project, along with a committed management team, has resulted in an effective approach to implementing the project activities and achieving the desired outputs.

### *Impact orientation and sustainability*

The impact and sustainability of the intervention was recognized as being difficult to assess accurately at this stage, given the relatively short timeframe in which the project had been in operation on the ground. The project's interventions to date appear to be heading on a very sustainable path over time given the high level of commitment by the Department of Education to support the new curriculum and the corresponding interest of the higher officials in DETEA in absorbing the activities of the project in its own directorates.

The long-term success of the project will rely on the absorptive capacity of the local institutions, but assuming that the "willingness" is there to maintain the sustainability of the project, there is a strong likelihood that it will have long-term relevance. Given the early stage of the programme's implementation, there is still room to address the issue of its longer-term sustainability.

Overall, the evaluator finds that the project is moving on a path toward achieving its desired outputs and outcomes.

## **Recommendations and lessons learned**

### ***Lessons Learned***

Based on document review, stakeholder interviews and observations by the Evaluation Mission, the following key lessons emerged:

- Starting earlier to obtain buy-in from key stakeholders, such as the Department of Education, in hindsight, could have improved the flow of work from some of the consultants involved in the development of curriculum materials. This resulted in some work having to be re-designed, which was a costly exercise. There were also some hurdles with regard to the research in the tourism sector, which could have gone more smoothly if the purpose of the research had been better communicated to the municipalities prior to the study taking place.
- The project's effective use of a social media platform to create more interest among the youth in schools targeted by the project has been an extremely useful approach in terms of the future success of the project. The "buzz" created through the platform has resulted in increased awareness and buy-in for the project, with many youth in the schools looking forward to the new curriculum.
- An effective approach in promoting entrepreneurship among youth was to use a self-selection process where youth involved in the ILO training interventions were allowed to choose whether they wished to go forward and did so because they were interested in community service and not because they felt this would lead to some form of funding.

It is also notable that the project's three-year timeframe has eased pressures for early wins and has made it possible for the project to be implemented with realistic timeframes and with a view to achieving the more ambitious goals in the project period. Having a well-resourced project will also enable the project to attract well-qualified service providers to continue to produce high-quality deliverables.

### ***Recommendations***

1. Due to the inconsistencies in perspectives (negative and positive) toward the project at the senior official and middle management levels, which in many cases resulted from factors outside of the project's control (e.g., missed meetings, or changes in personnel), the project team needs to develop a stakeholder management plan that will be more effective in maintaining consistent buy-in for the project throughout the remaining period.
2. The project CTA should reconvene a stakeholder workshop at the middle management and operational level within the partner institutions to take stock of achievements to date and to confirm the planned way forward to ensure that expectations at this level are also realistic and manageable.
3. The project plan should be reviewed and revised to accommodate stakeholder objectives that did not appear to be taken into account in the project orientation to ensure that the appropriate activities are prioritized without losing the overall aim of the programme.

4. The project should develop a clearer approach in terms of how the research outputs can be used more effectively to achieve Output 2.1 in which Provincial policy-level bodies can make better-informed decisions about SME development. While the research has been disseminated widely, there is a risk that it will not be used to inform future policy, but will rather languish on the shelves of those that receive the information, but do not have the impetus to use it. This suggests that there needs to be a clearer link between the outcome of the research and the purpose for which it was developed.
5. A more broadly acceptable procurement process should be developed in the selection of service providers, which may involve agreement from the Steering Committee as to whether their selection needs to be more closely aligned to government Broad Based Black Economic Empowerment (BBBEE) policy and practice.
6. Engagement with the business development services community will need to be stepped up to ensure that the objectives of Output 3.1 will be achieved within the project period; this will also improve the level of visibility of the project within the partner municipalities and begin to deploy much needed support among small businesses, both formal and informal, found in these areas, particularly among informal street traders, which is a key concern of the Mangaung Municipality.
7. It is the view of the evaluator that based on the findings of the mid term review that the project should be extended to a Phase 2, which will enable the project team to consolidate its activities and interventions into a distinct programme, to entrench the new school curriculum and to develop a sustainability plan that may extend the activities of the project through other initiatives, such as the business plan competition, which could raise considerable sponsorship funding to continue some of the present activities of the project.



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## List of Acronyms

ANC	African National Congress
BBBEE	Broad Based Black Economic Empowerment
BDS	Business Development Services
BDSP	Business Development Service Provider
BCCI	Bloemfontein Chamber of Commerce and Industries
BMF	Black Management Forum
CAPS	Curriculum Assessment Policy Statement
CTA	Chief Technical Advisor
DETEA	Department for Economic Development, Tourism and Environmental Affairs
DWCP	Decent Work Country Programme
FICA	Flanders International Cooperation Agency
HOD	Head of Department
ILO	International Labour Organization
LED	Local Economic Development
MDGF	Millennium Development Goal Fund
MTR	Mid-Term Review
NAFCOC	National African Chamber of Commerce
NEDLAC	National Economic Development and Labour Council
NICDAM	National Institute Community Development and Management
PLRF	Policy, Legal and Regulatory Framework
PMU	Project Management Unit
SCORE	Sustaining Competitive and Responsible Enterprises
SABC	South African Broadcasting Company
SETYSA	Social Entrepreneurship for Township Youth in South Africa
SME	Small to Medium Enterprise
SMME	Small, Medium and Micro-Enterprises
UN	United Nations
UNDAF	United Nations Development Assistant Framework
WEDGE	Women's Entrepreneurship Development and Gender Equality programme

# 1. Introduction

## Brief Overview of Project Background

The Free State Small to Medium Enterprise (SME) Development initiative is an ambitious programme aimed at promoting entrepreneurship and stimulating small and medium-sized enterprise (SME) development as a means to promote economic development and employment creation in Mangaung Metro Municipality and Matjhabeng Local Municipality in the Free State Province in South Africa.

Employment creation through SME development is a policy priority of the government of South Africa. The project seeks to strengthen the capacity of provincial government, stakeholders in the private sector and civil society to make these policy priorities actionable, by implementing a range of initiatives in support of SME development. It is designed along a systemic approach that acknowledges the inter-linkages between the various stakeholder groups and correspondingly advocates a multi-level intervention mix.

This initiative is funded by the Flanders International Cooperation Agency (FICA) to the amount of 4,5m Euros and is being implemented over a 42-month period. The first six months involved an inception phase with consultations to finalize the project's overall design and implementation plan.

## Project Rationale

The Free State Provincial Growth and Development Strategy, Vision 2030, cites unemployment as the most serious problem confronting the local economy.<sup>2</sup> The declining mining industry and shrinking agricultural sector has hit this economy hard in terms of the loss of employment and livelihoods for a large segment of the population previously supported by these sectors. Up until the last decade, mining's contribution was 16% of provincial output, but this has dropped to only 9% in 2010. Unemployment in the sector has also declined from 180,000 in 1980 to only 33,000 in 2010, leaving a serious void that has yet to be filled with alternative economic activities.

Likewise, the agricultural sector's contribution to the economy has dropped from 5.3% in 1996 to just below 3.8% in 2010. Despite this relatively low contribution, the sector generates approximately 19.2% of all formal employment opportunities in the province. Growth, however, has been constrained by the dominance of large-scale commercial agriculture that increases concentration, centralisation and mechanisation of production and consequently uses less employees. Trade, by the same token, contributes relatively little to the economy (11%) but sustains almost 60% of the informal business sector.

Recognizing these challenges, the Free State Small to Medium Enterprise (SME) Development Initiative was conceived to provide support to the Provincial government and its stakeholders to develop policies and programmes to promote SMEs and to encourage an entrepreneurial mindset among young people. The choice to make the Free State Province and these two municipalities the focal point of this programme was driven by the extreme challenges the provincial and local governments face in terms of unemployment and poverty and the bleak future faced by many of the Province's youth.

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<sup>2</sup> Draft Provincial Growth and Development Strategy, Free State Vision 2030, p. 7

Without focused interventions targeting the stimulation of jobs within existing businesses and in sectors with potential for growth, the economy is unlikely to grow sufficiently to absorb the rising number of school leavers that enter the job market hoping to find employment. The province currently records the highest unemployment rate in the country among the adult working population. More than 30% of this population is unemployed and estimates are that youth unemployment in the age group of 15 to 34 is as high as 50%.

The rationale for this project is therefore premised upon the high unemployment existing among the primarily historically disadvantaged population groups and the need to promote employment that is strategic, viable and sustainable. The focus on SMEs, as opposed to micro-enterprise or newly established businesses – which are considerably higher risk – is considered by the South African Government to be a more strategic means to combat unemployment and therefore these are the primary focus of the initiative.

### Brief Overview of the Initiative's Objectives and Interventions

The overall development objective is to contribute to the creation of decent employment opportunities for historically disadvantaged population groups in the two target municipalities – Mangaung and Matjhabeng - in Free State Province. The overall project outcome is sustainable small businesses that create decent and green jobs.

The intervention strategy was fostered out of a “system enterprise development” approach, which involves four systemic levels of intervention, which details the project objectives:

- **On the meta level**, the project seeks to nurture a stronger culture of entrepreneurship among the people living in Free State Province, with particular emphasis on youth and women. The expected outcome is a more entrepreneurial mindset among women and men in the Free State.
- **On the macro-level**, the project seeks to create a more conducive policy, legal and regulatory framework (PLRF) for the start-up and operations of SME in the Free State Province. The principal outcome of project interventions at this system level is a financially and institutionally sustainable market exchange for industry- specific BDS geared towards SME – here with focus on supply side interventions.
- **On the meso-level**, the project seeks to strengthen the capacity of local organizations to provide sector- specific business development services (BDS) geared towards SME. The principal outcome of project interventions at this system level is a financially and institutionally sustainable market exchange for industry- specific BDS geared towards SME – here with focus on supply side interventions.
- **On the micro-level**, the project seeks to stimulate BDS uptake among prospective and emerging entrepreneurs and their employees. The main project outcome at this system level is again a financially and institutionally sustainable market exchange for industry-specific BDS geared towards SME – but this time with focus on demand side interventions.

The key performance measurements that will track progress toward these outcomes are the number of SMEs started (target: 2,000) and the number of SMEs grown (target: 1,000) by the ultimate project beneficiaries.

To date, the main activity clusters of the project have been focused on:

- The development of a mass-media based entrepreneurship promotion programme

- Introduction of class-room based modular entrepreneurship education
- The establishment of an SME observatory that informs policy planning and coordination
- The facilitation of a SME policy dialogue mechanism at province level
- The alignment of provincial level and municipal level SME policies

The schedule for engaging in the project activities and achieving progress toward the outcomes of this approach is set forth in a work plan schedule (included in the Annexures) that covers the period from project inception to completion of the project in the second quarter of 2014.

## **2. The Evaluation**

### **Objective, Purpose and Scope of the Evaluation**

In November 2012, the ILO Pretoria Office commissioned Valerie Flanagan to undertake an external Mid-Term Review of the Free State SME Development Initiative. The terms of reference for this evaluation are contained in Annexure 1.

The Mid-Term Review covers the six-month inception phase from 1 January to 30 June 2011 and the implementation phase from 1 July 2011 to the time of this review in November/December 2012. The overall objective of evaluation is to analyse progress made towards achieving the intended outcomes, to identify lessons learned and to propose recommendations for improved delivery of quality outputs and achievement of outcomes in the last 18 months of the project. Finally, if progress is found to be satisfactory for the current project, the Mid-Term Review would also make recommendations for a possible Phase 2 beyond June 2014, if such an extension was deemed feasible.

#### **2.1 Methodology**

The method of evaluation involved a desktop review, interviews with key stakeholders and an analysis of the present economic and political environment in which the project finds itself.

A first step in this evaluation was to conduct a desktop review of project documents, implementation strategies and plans, and progress reports compiled to date. This was followed by a more in-depth review of the programme's achievements and outcomes through interviews with stakeholders and consideration of the current economic and political environment, which may have an impact on the ability of the project to achieve its planned objectives in the desired timeframe. Annexure 4 provides an overview of the Project Implementation Plan, research compiled to date by the project team, and progress reports submitted by the team along with supporting documents providing evidence of completion and/or progress toward achieving the planned outputs. The sections that follow draw from this review and, firstly, summarize the interviews with the various stakeholders and thereafter provide a combined perspective on the progress of the project to date.

The independent MTR covered all outcomes of the project with particular attention to synergies across components. The key outputs assessed were directed at those activities and interventions undertaken since the start of the initiative and where relevant the MTR makes recommendations regarding the extent to which the programme was achieving its mandate based on the following:

- 1) Relevance and strategic fit
- 2) Validity of design

- 3) Project effectiveness
- 4) Efficiency of resource use
- 5) Effectiveness of management arrangements
- 6) Impact orientation and sustainability
- 7) Lessons learned

The exact evaluation questions can be found in the Terms of Reference (Annexure1).

The evaluation included a visit to South Africa (Pretoria, Bloemfontein and Welkom) for consultations with ILO Pretoria Office management and staff, constituents, FICA implementing partners, beneficiaries and other key stakeholders. These interviews, along with the review of all project documents, materials and research outputs formed the basis for the evaluation and analysis.

Interviews were conducted with project role players in the ILO's Pretoria Office and with the Chief Technical Advisor (CTA) in Bloemfontein and project staff. In addition, the CTA provided introductions to various other stakeholders associated with the project in the two target municipal areas of the Province. A meeting with the donor was also concluded, which involved the Representative of Flemish International Cooperation Agency (FICA) and the Representative of the Flemish government in South Africa. A list of interviewees can be found in Annexure 2.

## **2.2 Evaluation Findings**

### **Assessment of the Project's Performance**

In order to understand the present progress toward achieving the above, the project's performance was assessed as follows:

#### ***Project relevance to national development plans, DWCP and UNDAF***

The project has significant relevance to South African National development plans, Provincial growth and development strategies, the Decent Work Country Programme and the United Nations Development Assistance Framework.

The project was well-designed to correlate with the higher level development indicators of the South African Decent Work Country Programme and resulted in a comprehensive project document outlining the rationale for and implementation of the programme activities. The project contributes to Outcome 4 of the Decent Work Country Programme agreement signed by the ILO and Government of South Africa. This outcome is associated with the need to create sustainable enterprises that support the principle of decent work. The project outputs have been carefully inter-linked in the design and implementation strategy of the programme.

The project is supportive of the broader national growth and development strategies drafted by the national government and the Free State Provincial government. The project specifically aims to promote sustainable enterprises, which also ties in with Government priorities to address poverty and unemployment. This objective is articulated in the National Development Plan and in the New Growth Path Strategy. Insofar as it strives to target disadvantaged communities, it is also well-aligned with this objective in the national strategy. This project is the only one of its kind in the Free State, but it has relevance to other government projects and has borrowed lessons from projects such as the social enterprise project and the public procurement and social economy

projects. Lessons learned and best practices were taken from these projects and used to help roll out this project in the Free State.

There is broad agreement among the stakeholders in the Free State Province that the project has high relevance to the objectives of the provincial government and to the business and labour stakeholders who were engaged at an early stage of the implementation process. The research compiled by the project that forms part of the SME Observatory, in particular, was highlighted as having greatly benefited the Department of Economic Development, Tourism and Environmental Affairs. The findings of the research studies were cited by the Department as “fitting directly into our mandate, especially with regard to developing SMEs and key sectors within the province.” The Department of Education, which was highly supportive and active in driving the project, referred to the programme content as being 85% relevant to the current curriculum of the Department relating to Grade 10 to 12 learners in Economic and Management Sciences. The Department of Social Development was also highly satisfied with the progress to date in promoting social entrepreneurship models among youth entrepreneurs in the Province and the intensive training cycle of youth and child care workers on how to develop social business ideas and business plans.

The United Nations Development Assistance Framework (UNDAF) programme in South Africa was extended to 2012 from its original period running from 2007-2010. The Framework was designed to work in alignment to the national development priorities of South Africa and to assist in developing the country’s expertise in analyzing issues through its reports, its advocacy role in promoting the Millennium Development Goals and its commitment to a pro-poor agenda.

The outcomes of the UNDAF 2007-2010 are expected to ensure that:

1. Democracy, good governance and administration are strengthened;
2. Government and its social partners are supported to ensure accelerated economic growth and development for the benefit of all;
3. National and sub-regional institutions are strengthened to consolidate the African agenda, promote global governance and South-South cooperation;
4. Government’s efforts to promote justice, peace, safety and security are strengthened;
5. Programmes and measures to eradicate poverty are intensified.

The Free State SME Development Initiative is aligned to the UNDAF framework’s efforts to support programmes that assist in eradicating poverty and which engage the government and its social partners in economic development activities that are broadly beneficial of all citizens in the Free State area. This is borne out though the initiative’s focus on promoting a change in mindset among youth in a large number (over 60) of schools throughout the two targeted municipal areas. Correspondingly, entrepreneurship and SME development are being promoted hand in hand with local government, the province, business associations and civil society as a means to accelerate economic development in the Province.

#### Complements other ILO programmes in South Africa

The initiative, by design, also complements other ILO programmes that have a similar mandate. It is notable that the Chief Technical Advisor (CTA) in Bloemfontein has commissioned the services of a Women’s Entrepreneurship Development and Gender Equality (WEDGE) expert to conduct a gender mainstreaming exercise in the Free State area. He also has engaged ILO Sustaining Competitive and Responsible Enterprises (SCORE) experts to help the project team in promoting rural tourism initiatives. This supports the overall aim of the project management team to work



together at all levels and to leverage existing resources within the ILO, rather than having to source these on the open market.

### Strategic fit with FICA country strategy for South Africa

The project is well-aligned to the Flanders International Cooperation Agency developmental strategies, which have as their top concern the issue of youth development. The Flemish government has a long history of working together with three provinces in South Africa, KwaZulu Natal, the Free State and Limpopo. The government's strategy is linked to the first country strategy paper leading up to the present 2011 agreement. Their strategy has moved away from focusing on many small projects to working with the provinces on a maximum of two projects per province. In the Free State, the Province wanted to focus on SME and HIV AIDS-related projects. These are contained in the new country strategy papers and include the Free State SME Development Initiative.

### Validity of Design

Validity of design refers to the extent to which there is a causal link to the intended outcomes that in turn link to the broader development objectives of the stakeholders, whether the present progress is achieving the desired outputs and whether the targets and indicators have been sufficiently defined for the project.

### Causal Link with the Intended Outputs/Outcomes of the Project and the Broader Development Objectives of the Stakeholders

The present outputs of the project consist primarily of research reports, stakeholder validation workshops and the consolidation of the planned introduction of the entrepreneurship training modules in Grade 10 pilot schools in 2013. The research outputs to date include:

- "Efficiency and effectiveness of past and ongoing SME development initiatives in the Free State Province", which consists of four interrelated reports (synthesis, literature review, field work and annotated bibliography)
- "International best practice in the establishment and operations of SME observatories"
- Global Review of SME Observatories
- Position Paper: Opportunities and Constraints for development of the tourism sector in Mangaung and Matjhabeng Municipalities
- An analysis of the supply and demand of products and services to nurture a culture of entrepreneurship amongst the youth of the Free State Province
- Stock-take of South African and Free State specific policies, laws and regulations with a direct bearing on SME development
- Analysis of value-chain upgrading opportunities for the creation of employment in the agribusiness sector in Mangaung and Matjhabeng municipalities
- Unrecognized Experts in the Waste System: Challenges and Opportunities for Small Business Development and Decent Job Creation in the Waste Sector in the Free State
- Opportunities for employment creation through SME Development in the Construction Sector
- Potential of Non-Profit Organizations in the Free State Province to Adopt a Social Enterprise Approach



- An analysis of the coordination and collaboration between SME development programs in the Free State
- A Review of Challenge Funds of the International Labour Organization and the Youth Employment Network

The outputs and outcomes of the project do have causal links to the broader development objectives of the project in a number of different ways:

The SME research in general has provided the project team with a sound basis for developing its approach to the SME Observatory and to better understanding the regulatory and business environment in which SMEs currently operate. The papers were widely distributed to the project stakeholders and partners and these have provided these institutions and organizations with information that can and should help to inform policies and strategies aimed at SME development.

The tourism industry research provided the Matjhabeng Municipality with the basis for its own tourism strategy, which did not exist prior to the completion of the research. This was a useful tool for the municipality and, in terms of the stakeholder interviews, suggests that such an approach can be replicated in the municipality's other strategic sectors.

The waste research contributed to a clearer approach for the municipalities to adopt in terms of organizing the "waste pickers" and developing more formalized linkages with the commercial buyers or users of waste. This also provided the various stakeholders in the waste sector with a better understanding of the challenges confronting individuals involved in this sector and approaches that could be used to convert informal businesses into formalized ones where more decent standards of work can emerge, as well as additional employment. This was cited as an area of high importance by the municipalities and thus assists them in the achievement of their broader objectives to organize this sector.

The research relating to the regulatory environment is a useful resource, but has not yet had an effect on changes that will impact on an SME's experience in this environment. It is anticipated that more work in this area will take place in the first quarter of 2013. Other sector-based research has laid the groundwork for developing more targeted interventions in partnership with the various stakeholders later in the project.

The research outputs and curriculum development materials have greatly advanced the objectives of project stakeholders, such as the Department of Education and Department of Social Development in terms of the project's aim to positively impact on youth. This is both in terms of the potential to change attitudes and mindsets toward entrepreneurship among youth as well as among other role players (e.g., staff, teachers employed by the Department, school administrators, etc.) in these institutions.

In terms of impacting on the stimulation of enterprises within the social enterprise sector, the research and capacity building conducted among youth involved in the Department of Social Development's youth outreach programme has resulted in several already promising business cases for young entrepreneurs wishing to establish a business in this sector. Such an approach has provided the department with useful lessons for their future interventions of this type and which will advance the overall goals of the project and its partners.

The evaluator finds that the above outputs are causally linked to the overall objectives of the project to strengthen the capacity of the Free State Provincial Government and its stakeholders in

the private sector and civil society and to promote entrepreneurship by implementing a range of initiatives in support of SME development. This will likely lead to the creation of decent employment opportunities for historically disadvantaged population groups in the province and the creation of sustainable community-based small businesses.

### Adequacy of the Design Process

The project design follows the logic of South African government policy in terms of the focus on SMEs as the driving force of job creation, as opposed to the nurturing of new business startups. The project design document carefully outlines the logic behind the design of the programme and engagements with the tri-partite stakeholders found within NEDLAC, which includes labour, business chambers and government.

Stakeholders in the Free State, however, voiced some concerns regarding the “blurry effect” created by the definition of SMEs, which did not accommodate how the very important micro-enterprise sector fit into the overall project plan. The project’s design may have differed somewhat had the various stakeholders been more closely involved in the original design process (it may have been that local consultation was conducted, but in terms of the project’s implementation, other individuals representing these stakeholders emerged). While it was possible to get the stakeholders to agree that the argument for the focus on SMEs was clearly rational, there were still strong counter-positions suggesting that the province’s toughest challenges were at the development of the micro-business level. One interviewee from DETEA felt that it was important that funding and resources be seen to be targeted at the lower levels as opposed to those that were already in some stable position in business. The advisor to the Premier, with whom the project team regularly consults, also expressed his view that the project needed to be more visibly impacting on the broader SMME community<sup>3</sup>.

The Mangaung business associations supported the notion that the definition of SMEs was problematic – in fact, most of the stakeholders interviewed did not understand how to define it. Many businesses forming part of the associations are characterized by inconsistent work flows and therefore many employ people cyclically, meaning that depending in the time of the year, they may qualify as SMEs and at other times SMMEs. It was also pointed out that because businesses in the Free State tend to be smaller, they are more likely to fit the definition of micro-enterprise. This implies that these types of enterprises are no less important than those that match the more strict definition of an SME. Thus, in terms of the project design, it should be considered that the definition of the ILO project beneficiaries could be broadened to include micro-enterprises.

From a job creation perspective, interviews with project stakeholders suggest that the project design could have been better informed if it had focused its research on why micro-enterprises aren’t growing more and increasing their workforce. The findings of the research conducted by the University of the Free State regarding the emergence of SMEs in the province points to a need to not exclude micro-enterprises, and even some informal ones, as this underestimates their contribution to the economy and potentially to jobs. Once this is explored in more depth, it will be possible to look at how the ILO’s interventions can better help them.

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<sup>3</sup>Stakeholders interviewed often interchangeably used SMME for SME and vice versa. The term SME (not inclusive of micro-enterprises) and its pertinence to this project has been repeatedly emphasized by the ILO project team; however, the strong attachment to and habitual use of the term SMME and its association with micro-enterprises has been hard to entrench or change in many stakeholders’ thinking.

Over and above this, there were viewpoints expressed that the project did not take enough direction from the strategic initiatives of either the municipality or the DETEA. These would include, for example, the infrastructure developments currently underway, such as the Bloemfontein Airport development and N8 Corridor Plan, and other LED strategies that each of the two institutions were currently driving. From a sector standpoint, it was also suggested that the focus on the sectors selected by the project were not entirely in alignment with those in DETEA and that these were less strategic than some that had been identified through their own research and work at the grass roots level. In particular, there was a sense on the part of the municipality that the main focus initially should be on the informal traders and how to provide a more enabling environment for them to operate formally and within acceptable boundaries of trade. (Subsequently, however, the CTA and the Director of the SME Unit for the Municipality have met to address the various issues raised and have now embarked on a clearer path of cooperation around this and other initiatives.)

Finally, several stakeholders felt that in terms of the two areas selected, Matjhabeng and Mangaung, the project did not appear to be aligned with the Provincial development plan, which is more eastward looking and focusing on the N8 and Lesotho corridors, as well as developing the petro-chemical industry. There have also been some strides made in terms of promoting the green economy, which involve a tyre recycling plant and a plant to undertake the conversion of plastics into recycled products. These are considered quite substantial projects and the project design did not take into account how it could leverage on these approaches and promote SME development within this context.

What the above suggests is that the design process needed to take more cognizance of stakeholder interpretations of the definition of SMEs, who should be the target beneficiaries of the project and which sectors it should encompass. Not having done so has created some negativity in attitude toward the project among key stakeholders, such as those in DETEA, the Premier's office and the Mangaung Municipality.

### Perceived Validity of Targets and Indicators

The indicators and targets established for this project are very detailed and have been directly linked to the project's strategy map and the corresponding activities to be engaged in through a systematic process. This approach has been a helpful tool to communicate the achievements of the project to the steering committee and to ensure that the project is on track.

The main concern in terms of reaching the project targets is that while the targets are regarded as achievable, the timeframe may be too short to realize the relatively ambitious numbers, such as jobs created (5000) and numbers of SMEs started and grown (2000 and 1000, respectively).

Stakeholders from the University of the Free State, the business chambers, Premier's Office and the DETEA were in agreement that project design was reasonable, but that the timeframe for implementing the activities and realizing the targets may be a bit short. All felt that the project should be extended to a second phase to ensure that the activities of the project can be fully entrenched and their impact sustainable.

The business associations from Mangaung felt that there should be a corresponding analysis of the people the project is trying to help. In their view, it was not sufficiently rationalized whether it was more effective, or realistic, to create 5,000 jobs in the Free State through one company, or through a large number of companies creating a small number of jobs each.

For most of the stakeholders, the targets set for the project appear to be regarded as somewhat ambitious in terms of the scale and timeframe in which these should be reached and the manpower required to manage this increasingly complex project. There are concerns, too, that the focus of the project is not entirely relevant in terms of its target groups, however, there were clearly gaps in communication resulting from stakeholders not attending information sessions or gatherings where project updates and the bigger picture could be presented.

The above indicates that the targets are well-defined, but somewhat unrealistic given the timeframe in which to achieve them.

### Adequacy of the Project Design

Based on the results achieved, which were in line with the activities and outputs outlined in the project plan, the project design was realistic, but the activities required to achieve them might have been implemented faster than was reasonable in terms of keeping stakeholder buy-in high. There was a notable negative thread running through the project stakeholders, which suggests that the project design was not wholly supported by all of the stakeholders. This was in part due to the fact that stakeholders did not always participate as requested or invited or were simply not available to attend important meetings. The project team was obliged to press on with the activities despite this and at the time of the review, there were a significant number of stakeholders interviewed who felt “left out” of the process.

This situation can ultimately impact on the level of participation of stakeholders in the future, which is an unfortunate circle in which to move the project around. This particularly relates to the provincial stakeholders, such as DETEA, Mangaung Municipality and the Premier’s office. It will be helpful to revisit the project stakeholders and re-engage them with them to better communicate the objectives and rationale for the activities of the project to ensure that there’s a more entrenched buy-in into the project in the future.

### Project Effectiveness

Project effectiveness is associated with whether the project outputs and outcomes have been or are likely to be achieved and whether these are being produced and delivered as per the work plan.

Extent to which the expected outputs and outcomes been achieved or are likely to be achieved

The evaluation finds that the project is being implemented according to plan and the expected outputs and outcomes have largely been achieved and is on track, though with some setbacks in terms of stakeholder support among some constituencies, which is discussed later in the report.

Overall, the project is largely moving on a path toward achieving its desired outputs and outcomes.

### ***Outcome 1: A more entrepreneurial mindset among the people in Free State Province.***

In terms of this Outcome, there are two desired outputs: **Output 1.1** aims to achieve an increasing appreciation among the people of the Free State as to the merits of entrepreneurship. Good progress on this output was evidenced in the well-developed programme of activities that engaged over 60 schools within the Free State in the introduction of the new training materials developed by the project. This included formally engaging with the Department of Education to introduce these materials in the schools’ curriculum. A parallel initiative with the Department of Social

Development more directly impacted youth on through an exercise to build capacity and promote awareness of entrepreneurial opportunities through a capacity building exercise conducted with the National Institute of Development and Management (NICDAM), which provided training to selected entrepreneurs interested in developing social enterprises.

The project has also been highly effective in promoting attitudes toward entrepreneurship within the main business associations in the two target municipalities. All of the associations have been actively involved in and consulted through the research relating to the targeted business sectors and good awareness has been raised within the associations' constituent groups.

In terms of **Output 1.2**, which relates to people having nurtured their entrepreneurial talent, the groundwork for achieving this has been laid through the project's progress in introducing classroom-based entrepreneurship education in Grade 10. This will be extended to Grade 11 in 2013 and will follow a similar pattern of aligning the business studies and economic curriculum with the entrepreneurship curriculum toolkit, StartUp&Go and promoting the adoption of these materials among the teaching community within the pilot schools. Teachers enthusiastically attended the training session during their spring break and, according to the Provincial Department of Education, are fully onboard with the curriculum training methodology. As noted by one of the training providers interviewed, however, this will require continuous coaching and mentoring to ensure that the more participative teaching methodology is effective and practicable in the classroom, given the entrenched classical teaching styles of the participating teachers.

Another area of concern is that the youth training provided by NICDAM was too short and limited to have a sustained impact. The training programme would be better designed if longer and more detailed modules were offered. Integrating a mentorship plan would also help to guide the learners through the business development process and thereafter help them in making the businesses sustainable.

In terms of the impact on change in perception about entrepreneurship among the targeted audience, it will only be later in the project when this can be measured. The share of young people linking up with local BDS providers for support service after having been exposed to classroom-based entrepreneurship education will in all likelihood be reached given the very successful design and introduction of the training modules and support from the teaching community. With more focus on services available to students post-graduation, it is likely that many of those that do not find a job will use the information and knowledge they've gained from the project to seek support from BDS providers.

### ***Outcome 2: A more coherent provincial-level and municipal level policy and regulatory framework for SME development***

There are two desired outputs in terms of this outcome: **Output 2.1** relates to the extent to which the project has been able to influence Provincial policy-level bodies to make better-informed decisions about SME development. Thusfar, the project has completed a number of studies that can assist the provincial bodies in their ability to do so. The project has made available to them a number of useful reports and studies. These include:

- "Efficiency and effectiveness of past and ongoing SME development initiatives in the Free State Province", which consists of four interrelated reports (synthesis, literature review, field work and annotated bibliography)
- "International best practice in the establishment and operations of SME observatories"

- Global Review of SME Observatories
- Position Paper: Opportunities and Constraints for development of the tourism sector in Mangaung and Matjhabeng Municipalities
- An analysis of the supply and demand of products and services to nurture a culture of entrepreneurship amongst the youth of the Free State Province
- Stock-take of South African and Free State specific policies, laws and regulations with a direct bearing on SME development
- Analysis of value-chain upgrading opportunities for the creation of employment in the agribusiness sector in Mangaung and Matjhabeng municipalities
- Unrecognized Experts in the Waste System: Challenges and Opportunities for Small Business Development and Decent Job Creation in the Waste Sector in the Free State
- Opportunities for employment creation through SME Development in the Construction Sector
- Potential of Non-Profit Organizations in the Free State Province to Adopt a Social Enterprise Approach
- An analysis of the coordination and collaboration between SME development programs in the Free State
- A Review of Challenge Funds of the International Labour Organization and the Youth Employment Network

The project team has also engaged in a “Red Tape Reduction Initiative”. The aim has been to identify regulatory bottlenecks experienced by existing SMEs and to facilitate discussions to promote a more streamlined process of registration and compliance. This was more favourably introduced within the Matjhabeng Municipality than in the Mangaung Metro Municipality. In the case of the Mangaung, there was a sense that the exercise was more a fault-finding mission as opposed to one designed to be constructive. This resulted in a worrying level of alienation that has impacted negatively on the project’s appearance to this institution.

**Output 2.2** relates to the extent to which the project has achieved synergies and scale effects between parallel SME development initiatives within other branches of government. The project engaged an external service provider to produce a comprehensive report on the policies, laws and regulations that have a direct bearing on SME development and has made this available to its partners and other stakeholders. This is a useful, though lengthy, guide, which is helpful as a reference tool. Correspondingly, there was also an attempt to conduct research to determine the present issues confronting SMEs within this regulatory environment, but given the relatively low numbers of respondent SMEs, this has not provided the project with more “real” experiences to determine areas that need serious attention. Such research will, however, need to inform further work in this area and unless there is a clear need identified to do things differently, it does not seem that the status quo will be significantly altered.

The effect of the above activities therefore has not been substantive enough to directly impact on the present regulatory or policy environment within the Provincial government, but has laid the basis for constructive discussions to take place in terms of areas for collaboration and improvement of the development frameworks and legislation governing SMEs.

### ***Outcome 3: A market exchange for industry specific BDS geared towards SME***

There are three outputs associated with this outcome. **Output 3.1** aims to assist entrepreneurs at the community level to access business finance. In order to have some impact on this and in line

with the project plan, the project team has primarily been focusing on conducting research into the targeted sectors of agribusiness, construction, social economy, waste and tourism to develop a knowledge base relating to the business and employment creation opportunities available in these sectors. The intention is that this should inform the areas where the project can better facilitate access to finance using such risk mitigators as business development capacity and training providers to promote more competitive business practices. To date, however, there has been limited progress on this output other than the research deliverables that will inform future activities. The research, however, is of a high caliber and was highly participative in terms of the stakeholders involved and should contribute to significant progress in the next stage of the project.

**Output 3.2** refers to the extent to which entrepreneurs at the community level have access to business training and advisory services. Again, a strategy to address this is currently being developed through the various pieces of research that address both the limitations of SMEs and entrepreneurs to thrive and grow as well as the limitations of the programmes and interventions currently available to them to deliver valuable services that can contribute to this growth.

At the present time, there are clearly advances in the waste and tourism sectors to develop forums in which exchanges of information and services can be made. The upcoming business plan competition will also accelerate more formalized exchanges in the other sectors and will in all likelihood lead to better partnerships with industry leaders who can provide coaching and mentorship to SMEs and entrepreneurs who emerge as winners and runners up in the competition.

Over and above this, **Output 4.1** seeks to ensure that emerging and established entrepreneurs can develop innovative business ideas and models. The extent to which the project has been able to achieve this is limited given the time in which the project has been operating. It is, however, on track according to its project plan and activities relating to the upcoming business plan competition. The Chief Technical Advisor has already initiated discussions with financial institutions that can play a role in future interventions where fundable business plans may emerge. It is likely therefore that the project will continue to make good progress on this output.

In summary, the stakeholders at the senior level have exhibited a high level of support and buy-in for the project. Based on these discussions, the project clearly has important relevance for the region in terms of the groundbreaking work it has achieved in developing materials and systems that have fostered the onset of a more entrepreneurial attitude among the people of the Free State.

The research outputs are also of a high caliber and the project team has clearly invited well-qualified, competent teams of experts to complete the research for the SME Observatory and the curriculum pertaining to the launch of the Grade 10 modules. While there were some challenges initially with some of the research and curriculum development, the institutions and individuals involved demonstrated a high degree of commitment to producing the required work to the satisfaction of the project managers. There is broad agreement among the stakeholders that the caliber of this work is excellent and much needed within the broader development community in the Free State.

The project team has also actively disseminated the project's aims and objectives among its partners and stakeholders through several research and sector studies validation workshops and other formalized processes. Based on the review of the project documents and stakeholder interviews, consultation, on paper, has taken place but in practice, there is an element of disconnect between the project and some stakeholders who feel that there could be better alignment between the programme objectives and the objectives of the government in terms of its focus on SMEs vs SMMEs at the early stage or start-up level. This will need to be better handled in the future through

a more consultative stakeholder management approach at the mid-management level where support for the project is not as strong as at the senior level.

As indicated above, the project is largely on track in achieving the outputs set out, but there have been some setbacks in terms of stakeholder support among some constituencies. The main obstacles to achieving the outputs and outcomes in the future are the varying attitudes toward the project, which differ from stakeholder to stakeholder and which, at the middle management level, can rise and fall depending on the individual's political affiliation and their positive or negative association with the project.

For example, the level of buy-in from the Mangaung Municipality was very weak at the time of the review. With Mangaung a critical stakeholder, this is a tenuous position for the project to be found in, though attitudes do change quickly as was found in a follow up interview with the project team in which the negative perceptions were allayed.

At the early stage of the introduction of the project to the Matjhabeng Municipality, there was also resistance to the project being implemented in the area. With intervention from the project team's external political advisor, the situation was turned around and has stabilized very positively. This demonstrates, however, how quickly attitudes can change and the need for continuous stakeholder management to be made a priority. The project was also weakly supported by DETEA at the lower management levels, which also poses a risk if this attitude cascades upward.

Stakeholder perceptions and buy-in to the project is the biggest risk to the success of the project's delivery on its outputs and outcomes in the future. Again, better stakeholder management should result in the successful completion of the project.

### Correlation Between Outputs Achieved and the Work Plan

Thusfar, the outputs produced have been delivered according to the workplan. As indicated previously, the research deliverables have been completed as planned and these have been validated among the stakeholders as originally envisaged. There were some setbacks in terms of the waste management strategy and participation of key stakeholders as well as the Red Tape Reduction initiative, which was not as well received as it should have been due to negative perceptions created at the middle management level of the Mangaung Municipality. It may therefore be useful to re-introduce the purpose of the exercise to the local economic development manager and city manager to ensure that they fully understand the rationale for the initiative and the positive outcome desired. Thereafter, it may be possible to re-introduce the Red Tape Reduction Initiative with more positive effect.

### Quantity and Quality of the Outputs

The caliber of the outputs associated with the research and entrepreneurship modules has been very high. These have been accompanied by well-developed monitoring and evaluation systems that will inform changes and improvements to the training modules as they are being implemented in the schools.

The main beneficiary of the entrepreneurship programme modules has been the Department of Education. The project outputs addressed the need to improve the business education curriculum to cater more for entrepreneurship as a career choice. A well-designed set of curriculum modules emerged, as well as supporting training materials in the form of videos of educational games and



exercises. The success of the training modules was largely due to the intensive efforts made to design and re-design the curriculum to ensure that the focus on entrepreneurship was fully aligned with the Curriculum Assessment Policy Statement (CAPS) for Business Studies. The CAPS outlines what must be taught in which term and in which week and although there is little focus on entrepreneurship and entrepreneurial characteristics the innovative solution was to align the startUP&go curriculum to existing textbooks, but through a more experiential learning methodology with a focus on games and exercises.

The service providers used to conduct the research were highly regarded within the community of stakeholders, the only concern being the bias toward historically advantaged groups producing the outputs and which potentially did not fully appreciate grass roots perspectives. The research outputs have been captured both electronically and in hard versions, an ample amount of which are available on demand at the headquarters of the project team in Bloemfontein. The format is consistent and gives the overall project data a sense of organization and purpose. It is easy to envisage the use of the research in the SME Observatory as a well thought through library of data relating to SME development.

In the months ahead, it will be important for the project team to encourage the use of these resources as a planning and development tool among the project stakeholders, which will be the real benchmark of the quality of the work. It will also be important to address whether any gaps in the research can be filled by existing data already produced by some of the project partners. It may be useful to expand the quantity of research to be contained in the Observatory by including other studies outside of those generated by the project reference studies. This will give the Observatory a sense of comprehensiveness as a “go-to” library covering the full spectrum of SME development.

### Stakeholder Perceptions of the Outputs

As indicated earlier, stakeholder perceptions have varied widely from stakeholder to stakeholder. Initially, there was much negativism expressed in terms of the project design and interpretation of the region’s challenges over and above youth and job creation. In this regard, there is a notable disconnect between how the original design and aim of the project was envisaged and the ensuing perceptions on the part of the stakeholders as to where the project should be applying its resources and achieving its outputs.

The more critical perceptions were at times broad and at other times very specific. For example, there was significant sensitivity expressed relating to the “From Red Tape to Smart Tape” initiative, which in the Mangaung Municipality was regarded as an exercise to find fault with the systems and regulatory environment within the municipality and not constructive or even necessary. This perception would not advance the achievement of the output 2.2 relating to the synergies and scale effects between parallel SME development initiatives within other branches of government.

In other situations, the views expressed were broadly critical of the focus on SMEs, as opposed to SMMEs, which includes micro-enterprises and startups. There was also a sense that the project was not well-integrated into the strategic forums and planning committees of the departments and that the project therefore was operating in a silo as opposed to in tandem with other initiatives. This pointed to a negative perception in terms of the outputs of the project, which should have more impact on SMMEs.

There were also differing perceptions within departments where the head of a department could be entirely supportive of the project, but in lower management echelons, there was very weak support

for the project. At the same time, those in higher official levels often did not attend meetings or include the project team in planning sessions, so there were numerous occasions when the project was left to operate outside of the strategic planning environment where its outputs were lost on the stakeholders.

Those stakeholders who were more directly a beneficiary of the project outputs tended to be more favourably disposed to the project than those that were on the periphery of these. For example, the Departments of Education and Social Development were highly supportive and enthusiastic about the project – primarily due to the direct application of the curriculum materials that will be used in the pilot school's future teaching curriculum – while those in the DETEA, Premier's Office, Mangaung Municipality and Mangaung business associations were not as enthusiastic given the more indirect benefits of the research and the other information sharing interventions. It is also notable that in terms of the Turin visit, no one from the latter institutions was able to attend and therefore did not benefit from the comradery and team building that the others experienced. In fact, despite having been invited, some stakeholders were quite resentful of not being included in the trip.

Stakeholder receptiveness to the project was very much affected by the political situation at the time the project was introduced. There were some changes in staffing that led to new appointments that were not fully onboard with the purpose and intended outputs of the initiative. To those that were not introduced to the project at the outset, it did not appear to them that the initiative was well-aligned to the development objectives of the government and in some cases was found to be a duplication of other work already being undertaken by different departments, units or directorates.

It is because of this lack of consistency that the recommendations point to a need to re-engage with the stakeholders and to institute a stakeholder management plan that will address future relationships regarded as critical to the initiative's success.

### Effectiveness of the Project Team in Implementing the Project

The project team has been highly effective in achieving the project outputs according to the project plan. They are all well-respected and well-liked throughout the stakeholder community and the caliber of their work was regarded highly. The team works well together and is highly supportive of each of their roles in implementing the various activities of the project.

Despite the criticisms sometimes leveled at them in terms of the project design and their consultative processes, there is strong evidence to show that they have consistently and diligently invited the stakeholders to all relevant meetings and events, including steering committee meetings. Very often stakeholder representatives would not show up at these meetings or events and therefore were not as well-informed about the project as they could have been. While this suggests that there should not be room for criticism of the project where stakeholders have not been participating, by the same token, it suggests that more impetus should be given to them to encourage them to participate better in the future.

Outside of this, the project plan has been effectively implemented through the combined efforts of all members of the project team. There were no major issues arising in terms of the planned activities in the coming quarter.

## Gender Representativeness of the Project

The project plan targets men and women equally and ensures participation from both genders in all of the planned activities. To this end, the project events and workshops continuously track participation based on gender and these demonstrate that there is good participation from both men and women. The upcoming business plan competition strives to be more inclusive of youth and women and will be actively targeting these constituencies through the project partners.

The only comment relating to the possibility that gender may be an issue was made by the representative of the Black Management Forum in Majhabeng, who felt that men tended to dominate workshops and events. This is not regarded as a problem of the project, however, but that of the region, which was characterized by a long history of development associated with the mining industry, and this has naturally tended to favour the rise of males in most economic activities. Women will therefore need more encouragement to participate in government and private sector initiatives such as this.

## Geographic Representativeness of the Project

Mangaung Municipality has an advantage in terms of geographic proximity to the project headquarters in Bloemfontein. Both Municipalities, however, receive the same amount of attention and there has not been critical feedback to suggest that Matjhabeng is being under-served by the project.

In fact, the Matjhabeng Municipality and local stakeholders have embraced the project much more strongly than in Mangaung, though this may change as the project is more aligned to the different strategic planning forums and structures. At this point in time, it appears that the proximity to the project team does not currently have a bearing on the implementation of the project in either area.

## Effectiveness of Backstopping Support

The evaluation finds the backstopping support to be effective. The project management team in Bloemfontein feels well-supported by the ILO's backstopping resources. There are currently no issues arising in this regard and the relationship between the CTA and Pretoria ILO office is a strong one.

## Unintended Results of the Project

It was not originally envisaged that the project would be the first to comply with the unit standards requirements of the National Qualifications Framework. This has had the unintended consequence of providing a unique entrepreneurship education model that can be easily used by any other province. The Enterprise Development Specialist of the ILO pointed out that one of the unintended benefits of the project, particularly in terms of entrepreneurship education, is that other provinces are now interested in this project and how they can become involved in a similar initiative.

## Internal and External Factors that may have influenced the Outcomes of the Project

There were no apparent internal or external factors that have influenced the ability of the ILO to meet its projected targets, other than those cited with regard to the political dynamics of the Province and the rather fast pace that the project was implemented. This type of situation, as indicated early in the report and later in the recommendations, can be mitigated against by

engaging in more frequent stakeholder meetings, ensuring that the project maintains a high profile within strategic planning bodies and there is more emphasis on communicating with stakeholders more consistently.

### **Achievement of Outcomes/Objectives and Progress Made**

Overall, the project has largely achieved its desired outputs and good progress is being made towards achieving the outcomes, which is evidenced by the research reports, stakeholder validation workshops and consultations with the project partners, and the development of the training modules and materials for use in the Grade 10 curriculum. The year ahead will also provide useful feedback in terms of the built-in monitoring and evaluation methodology, which will test the efficacy of the training approach and determine what works/doesn't work as the year progresses. The various interventions and outputs have laid the foundations for the more intensive project activities associated with the business plan competition, sector approaches to SME development and the mass media campaign that will reach a growing audience of young people, which will take place in the coming quarter.

### ***Efficiency of resource use***

The evaluation considered the efficiency of resource use in terms of whether the resources, time, expertise and funds have been allocated strategically to provide the necessary support to achieve the broader project objectives.

### **Adequacy of Human Resources**

The project resources have been adequate to achieve the project outcomes and deliverables to date. The ILO staff resources currently based in Pretoria was, however, not being optimally used and this post will be moved to Bloemfontein in early 2013. This will assist the CTA and his team in providing more support to the project in terms of stakeholder management and monitoring and evaluation.

The evaluator finds the human resources deployed to the project to be well-qualified for the work and having substantial experience in development projects of this nature. The project has also been well-funded by the Flemish government to ensure that these project can utilize external resources of a very high caliber to conduct research and provide other support.

In terms of the stakeholders' perspectives on the efficiency of resource use, stakeholders outside of the ILO were mostly concerned with the scope and breadth of the project and whether the present resources would be able to deliver on the outcomes and outputs in the relatively short timeframe for completion of the project activities. As indicated earlier, an important challenge for the project is how to realize the high level of impact projected in such a short timeframe. Again, this points to an extended period into a Phase II to entrench the interventions and ensure that they are sustainable.

The evaluation also pointed to establishing more research partnerships among the broader academic community, which could result in more synergies in terms of where government is investigating similar economic development opportunities. The aim should be to work together to identify gaps in research areas and coordinating such research so that more organizations can benefit from it. The aim would be to engage in more natural exchanges of information and to

promote a responsiveness to local, regional and provincial needs that can be proactive rather than reactive.

### Progress Toward Achieving Schedule of Activities

The evaluator finds that the project's activities and operations are in line with the schedule of activities contained in the project work plan. These activities have resulted in the desired progress toward reaching the planned outcomes. The only area where there was some concern raised is in terms of the Red Tape Initiative, which may have to be revisited in the coming months in order to bring this on track.

### Adequacy of Funding and Budgetary Allocation

The project is well-supported by the Flanders government in terms of available funding to achieve its objectives. In the first year, the funds were underspent due to the delay in starting the project, which was due to the individual appointed to take the position having cancelled at the last minute. Since that time, a new CTA was appointed and sufficient progress has subsequently been made. Funds that were not used in the first year, however, were rolled over into the next financial year, but this has not affected the present project team's delivery of the planned outputs and since, project expenditures is in line with expected budgetary plans. Given the project budget and resources allocated, it is likely to deliver on all of the activities and outcomes.

### *Effectiveness of management arrangements*

#### Adequacy of Technical and Financial Resources

As indicated above, the technical and financial resources appear to be more than adequate to fulfill the project plans. There is a reasonable budget to support the appointment of a well-qualified team and to contract with external service providers to conduct the research. To date, the project has utilized the services of research teams within the University of the Free State as well as independent consultancies with special expertise in curriculum development for the Department of Education. Training providers who supported the project, Jika Training and the National Institute Community Development and Management, have a long and reputable track record in training and capacity building of youth.

#### Management and Governance Arrangements

This project, along with other initiatives managed by the ILO Pretoria office, forms part of its overall responsibility for promoting the objectives of the Decent Work Country Programme for South Africa. The Deputy Director in the ILO's Pretoria office prepares quarterly reports for NEDLAC based on the progress reports and other project documents prepared by the team. The partners within NEDLAC provide strategic inputs and advice where required. Thusfar, this has proven to be an effective relationship, given the various roleplayers' understanding of their roles and their corresponding responsibility to ensure that the project is successful.

The project officers in the ILO Pretoria office have provided effective monitoring and evaluation support and there is an administrative/financial officer assigned to the project to handle the project finances. Project financial reports have been regularly submitted to the Deputy Director advising whether project expenditure is on target.

The Chief Technical Advisor for the project has the responsibility for the overall management function. He delegates tasks and operational direction to his two staff, with whom he has regular interaction and meetings. This has proven to be an effective management approach and has resulted in a high degree of commitment from the project officers and ILO staff who work effectively as a team.

The Steering Committee overseeing the project has an important role in terms of providing strategic direction and focus. The role of the committee could be more effective if the role players had a better attendance record. There is recognition on the part of some officials that there attendance records need to be improved and therefore more effort will be made in the coming months to attend meetings more regularly.

Overall, the evaluator finds that the project has the technical and financial resources adequate to fulfill the project plans and that the management arrangements have been developed and are being implemented effectively.

### Effectiveness of Monitoring and Evaluations Systems

The evaluator found that there was a sound monitoring plan and evaluation system in place for the project. Above and beyond this, the project has developed an effective tool to monitor the performance of the curriculum tools developed and to determine its impact on a very large cross-section of students (approximately 25,000), which included (1) those involved in the StartUp&Go programme through their business studies, (2) those that took business studies but did not participate in the programme and (3) students that did not take business studies as a subject. This will be extremely valuable data not only to the project but to the South African government as a whole.

The CTA is working closely with the service providers designing the entrepreneurship training modules to build in a system for monitoring the efficacy of the training tools and their impact on students over a longitudinal period. This will assist the project team in evaluating where the training has been most effective and also in terms of the impact of this intervention on changing entrepreneurial attitudes. This system will also help to track the number of businesses started by youth graduating from the course and whether the businesses are sustainable and growing. Information will be collected starting at the end of 2013 and in the succeeding years in the life of the project.

From a project specific viewpoint, the Enterprise Unit projects in South Africa currently use a balanced scorecard approach, along with tools such as strategy maps and other planning instruments that highlight results areas, cause and effect relationships, and key indicators for each result area. This appears to work well for the CTA given the close adherence to the project plan. The project regularly uses the strategy maps to report on activities and output achievement.

Recently, the Enterprise Unit in ILO Pretoria also introduced a software program that will be used for ILO enterprise development projects in South Africa from December, SCIFORMA S4. This is a software programme that provides a project management system, compares results, and can notify managers as issues arise, such as a time overrun. This system eliminates the human element so there is no favoritism or arbitrariness in terms of how a project is measured. The data can be used to compare projects, since they are all reporting to the same outcomes. It can also be used as a tool to assess what are the costs per job created, why is one project manager or region doing better than

the other. This is a useful management tool for those overseeing multiple projects with similar objectives and enables them to benchmark project managers against each other.

There are several officials in the ILO Pretoria office who have a role in monitoring the project. The Deputy Director maintains a careful watch on the actual budget expenditure against planned, which helps to determine whether the project is giving action to the plan. The late start of the project resulted in the project not meeting its budgetary targets, which was quickly picked up on by the Deputy Director. This resulted in immediate action to rectify the budget allocations year to year. He also makes regular presentations to the National Economic Development and Labour Council on each of the ILO's projects that have relevance to the DWCP. He is supported by the CTA, when appropriate, and any challenges or obstacles to the performance of the initiative can be addressed at this very senior level.

The Director in the ILO Pretoria office reviews progress reports and has overall responsibility for the project and oversight of its progress in implementation. He provides leadership and direction at the senior official level.

#### Adequacy of Administrative, Technical and Support Staff

To date, the project has received a high level of political support from the ILO Pretoria Office. The project team has made use of ILO technical specialists, as indicated earlier, involved in similar initiatives operating within southern Africa. For example, the present CTA for the WEDGE Southern Africa project will be visiting the Free State and advising how to improve the inclusiveness of women in the project activities. In addition, the project has been allocated a dedicated financial and administrative officer who provides very efficient support to the project in terms of preparing contracts and ensuring timely payments are made to service providers.

#### Adequacy of Support from Political, Technical and Administrative Role Players among National Partners/Implementing Partners

The ILO also has strong support from its partner constituents, including organized labor and business, the Department of Education, DETEA, the Provincial government, and business associations. It also regularly reports on its activities to the National Economic Development and Labour Council (NEDLAC) to update the national stakeholders on the project's contribution to the DWCP.

From a management perspective, the Project Team clearly needs an additional staff resource to assist in managing stakeholder relations and streamlining communications among them. Most importantly, the role should be to ensure that the project has high visibility in all of the key strategic planning committees and clusters. As was highlighted in the interview with the HOD of DETEA, he was unable to follow up on each and every meeting to ensure that the CTA had been invited to participate. It was therefore his recommendation that the CTA should ensure that they have a schedule of all dates for these meetings, which should be planned for a full 12 months starting in 2013. This would include the Cluster Executive Committee meetings and the HOD Forum meetings where all of the HODs from all of the Departments convene and discuss their strategies.

Extent to which Project is integrated with other ILO programmes and with other Donors in the Country/Region to increase its Effectiveness and Impact

At the donor level, the Flanders government takes a close interest in the project and is very hands on and approachable. They have also linked the project with other Flemish initiatives. Most recently, the National Treasury has invited project proposals to a fund of R25m of FICA funds that over the years have been given to South Africa under bilateral programs and for various reasons have not all been spent. National Treasury and FICA are now making these funds available for capacity building of national partners of ongoing FICA funded projects or for other national capacity building efforts. The project recently made a presentation to the Steering Committee and National Treasury with three proposals to build capacity of local partners. They also linked the ILO with Exchange, a programme engaging business people and researchers around the world in exchanging their development challenges.

The ILO has also been able to draw extensively on its expertise accumulated through its involvement in numerous SME development projects in South Africa and in the sub-region, namely the Social Entrepreneurship for Township Youth in South Africa (SETYSA) project, the Cooperative Facility for Africa, the Youth Employment Promotion Facility and the Women Entrepreneurship and Gender Equality (WEDGE) Project, the Millennium Development Goal Fund (MDGF) Culture and Development programmes in Mozambique and Namibia, and the Sustaining Competitive and Responsible Enterprises (SCORE) South Africa project.

#### Involvement of Relevant Stakeholders in achieving Project Outcomes

In some cases, stakeholders do not feel they have been adequately involved in the project. For example, there were some concerns raised initially by the middle management level government stakeholders in DETEA and the Mangaung Municipality, as well as the business associations in Mangaung, as to their not having been as involved as they would have liked in terms of contributing to the project outputs. This, again, points to the need for better stakeholder management, which would recognize the contributions these stakeholders could make.

There was acknowledgement, however, on the part of the HOD of DETEA, as well as his managers, that they bear much of the responsibility for the lack of integration of the project with other stakeholders' initiatives. DETEA, in particular, has not invited the CTA to key functions, events, and planning committee meetings as originally envisaged and on many occasions members of the department have not been able to attend meetings or events organized by the project team. The Premier's Office could have also been more actively engaged, but acknowledged that their representatives often did not attend meetings as scheduled.

The HOD of DETEA has indicated a renewed commitment to better positioning the project in the strategic planning structures within the Department. This was evidenced in a recent email to direct his staff to ensure that the project is included in all future meetings and events pertaining to their role in supporting SME development in the Province. The Chief Director of Overseas Development Aid in the Premier's office has also indicated that the project will be more closely involved in the Cluster and HOD Forums.

There were also some concerns raised as to whether the University of the Free State was the most appropriate organization to do the research for the project and that the business community could contribute more to such research. The business associations were not adequately included in the



outputs of the research assignments and while these were validated by the research providers, the sessions were not well attended and there is a risk of losing the support for the project activities if future efforts are not inclusive of the associations' membership. There was also an indication the research contained in the SME Observatory should be led by business, though it wasn't clear how they would do this and perhaps is more reflective of their desire to provide inputs to the research.

The Department of Education, on the other hand, has been very supportive and involved in the roll out of the project in the schools. The same viewpoint was expressed by the Department of Social Development. Both organizations were very positive in terms of their involvement. Those involved in the development of the videos and training materials believe that this has created a significant "buzz" within the communities involved and that youth there are excited about the innovative model being introduced to their schools.

The evaluator finds that the project has very effectively involved some stakeholders in its activities, but it needs to focus more attention on the involvement of the other key stakeholders, such as the business associations and Mangaung municipality, to ensure that they are engaged meaningfully and effectively.

### *Impact and Sustainability of the intervention*

The impact and sustainability of the intervention was recognized as being difficult to assess accurately at this stage, given the relatively short timeframe in which the project had been in operation on the ground. In addition, different work-streams do not lend themselves to generalizations when it comes to sustainability. For example, changing mindsets takes time and adaptation and thereafter adoption of education platforms relating to entrepreneurship takes times to take hold. Such aspects as this will take time to demonstrate change, which will likely be evidenced in the monitoring system currently being built into the training programme. The project's interventions to date, however, seem to be heading on a very sustainable path over time given the high level of commitment by the Department of Education to support the new curriculum.

The SME Observatory also needs to be looked at as a longer-term initiative given the need to formalize it and to house the right kind of materials in it. The value of the legal and regulatory reform exercise through the red tape initiative seems to be making good progress, despite some initial setbacks, and so does the interventions relating to business support services. The tools developed through the project are likely to be available and to continue to be used in the market long after the project is completed.

The long-term success of the project will rely on the absorptive capacity of the local institutions, but assuming that the "willingness" is there to maintain the sustainability of the project, there is a strong likelihood that it will have long-term relevance. This will, however, depend on what the institutions do to ensure this.

If the project is well-integrated with other provincial initiatives, it is likely that the project will be sustainable. There is a risk, however, that if it is seen as a stand-alone project, it won't survive on its own. The project team therefore must avoid this perception being developed or the other government stakeholders are not likely to support its sustainability.

For DETEA to take a role in the project's sustainability, the project team needs to be aware of the limitations of DETEA in terms of their capacity to adopt innovative SME approaches. From the interviews with officials there, a good starting point for the project to find a more permanent place

for itself would be to become more involved in the planned Provincial Economic Development Forum, which will consist of the five District and many local municipalities. On a quarterly basis, the plan is to discuss various work streams, such as tourism, SMME development, etc., and this will be a good opportunity for the project team to discuss how the various entities can latch onto the work of the ILO. It will be important for the ILO to in advance of this conceptualize how it sees the long-term sustainability of the programme becoming part and parcel of everyday development life within the Province.

### Strengthening of Capacity of People and National Institutions

The project has not yet been able to measure the depth of impact on the capacity building of people and the strengthening of the enabling environment associated with people and policies given the early stage of the project's implementation. The expanding library of research, however, that has been distributed to the stakeholders and project partners can only but contribute to an improved knowledge base.

Qualitative impact can be seen in terms of the improved strategic direction of the Matjhabeng Municipality, which has been able to use the tourism research to formulate a tourism strategy for the municipality. This has improved the ability of the local officials to develop other similar strategic approaches, which will in all likelihood impact on future economic development policies within the municipality.

Among the business association stakeholders, their involvement in the SME research enabled them to access the findings of this in a report, which was distributed more widely among their membership. While it can currently be measured the impact of such research on the recipients, those that have an interest in SME development will in all likelihood be able to make use of and learn from the data they have been provided.

### Sustainability of Project and steps to enhance the Sustainability of Project Components and Objectives

The activities associated with adoption of the entrepreneurship training modules in the participating high schools may need more emphasis to ensure the project has the right amount of traction and can become sustainable. The service providers involved in developing the modules and facilitating their use in the schools support the notion that the project should accommodate the need for more teacher training, particularly in terms of using more contemporary and innovative teaching methods. There is an entrenched mindset in the teaching community that has adopted a very textbook approach to the classroom and is not necessarily geared to using a participative style of teaching. The lack of this type of participative teaching may pose a challenge to the initiative and impact on its sustainability if not continuously reinforced. There was also some indications that teachers may be intimidated by the use of the English language as the teaching medium, which means that the language level of the teachers may become a problem later. Continuously coaching and mentoring teachers, however, will help to develop a routineness that also breeds a higher level of confidence about the materials.

The road shows will be important opportunities to visit the schools and to follow up with the teachers. This will also help the project to focus attention on giving teachers more mentoring as opposed to training and to help them to develop the skills they need to develop the participative style of teaching required by the programme materials.

The future sustainability of the programme relies very much on entrenching the programmes and interventions designed through the project and ensuring that the materials and tools developed for the entrepreneurship education curriculum are adopted and implemented as a fully-integrated modules.

Funding for the operations of the programme is unlikely to be provided by the various partner stakeholders, largely because they lack the resources to do so. The HOD of DETEA suggested that the programme may be best linked with an SME funding/lending model that was bolstered by the capacity building and incubator support that the ILO's programmes provided. The business plan competition, if successful, could also provide for a funding stream, based on sponsorships and other support funding from banks needing to fund bankable business plans found through such an exercise.

Again, because of the early stage of the programme's implementation, there is still room to address the issue of its longer-term sustainability. It would be advisable to consider a Phase 2 of the programme to enable the interventions to take hold and then a better-coordinated exit plan could be adopted. With the programme's current timeframes, the impact of the interventions will be difficult to measure – these measurements, in fact, will be the key selling point for sustaining the programme in the future.

## 2.3 Conclusions

The Project Team arranged for interviews with a wide range of stakeholders, representing those that they were aware harbored some negative attitudes as well as those that were clearly supportive and positive about the project. This provided a fair and balanced perspective of the project's achievements to date and brought to the fore that competing development agendas and complex stakeholder relationships must continuously be managed with care and sensitivity, particularly at the middle management and operational levels. The tides of support can move for or against the project with just one conversation, which demonstrates how easily and quickly perceptions can change.

The previous sections suggest that the project has largely been achieving its desired outputs and outcomes. Among the stakeholders at the senior official level, the project has had, and continues to have, good buy-in and support and is regarded as having important relevance for the region in terms of the ground-breaking work being achieved in developing materials and systems that will foster an entrepreneurial mindset among the people of the Free State.

There were a number of issues raised by the stakeholders that would seem best resolved by re-engaging with the institutions at a higher official level, either through the ILO Director in the Pretoria Office and the MEC reconvening to discuss the present direction of the initiative, or through systematic meetings with each of the stakeholder groups at the project team level. The aim should be to re-engage these organizations in a participative manner where their contributions and viewpoints can be seen to be important.

Lastly, the extension of the project for a further funding period was widely supported by the stakeholders. Most concurred that the exercise of getting stakeholder buy-in was a major task and the achievements of the project in this regard were substantive (and costly to re-do). The length of time allocated to achieve the project objectives was also regarded by many as too short and would risk the activities would be too rushed to be effectively introduced if the departure of the team was already imminent by the end of 2013. This is particularly a concern with regard to the success of

the SME Observatory, which is a major undertaking and requires substantial momentum to develop credibility throughout South Africa.

While not substantive issues that will prevent the project progressing along its trajectory, the main concerns raised by primarily operational level stakeholders can create a negative thread through the project and the Project Team should be sensitive to this. These concerns appeared to converge around four areas:

1. Whether the project should be engaging in short-term activities to achieve immediate “wins” as opposed to supporting activities that can have a longer-term impact;
2. The focus on SMEs as opposed to SMMEs;
3. The extent to which stakeholders are being engaged, which was felt to be somewhat weak or leading to a sense of being disconnected; and
4. The appropriateness of the selection of certain research institutions and individuals or constituencies to complete research deliverables.

Again, as pointed out earlier, what this suggests is that the project is generally regarded as highly successful where the stakeholders are directly impacted on and have good visibility of the deliverables. Where progress has been somewhat ambiguously perceived is where (1) political issues have clouded perceptions, and (2) engagement with the role players has not necessarily resulted in their understanding the bigger picture.

With the above feedback and considerations in mind, the following section provides lessons learned and recommendations to strengthen the project going forward.

## **2.4 Lessons Learned**

Based on the interviews with the stakeholders and review of the project documents, what appeared to work well and what could have worked better was as follows:

### ***What worked well...***

1. The recent intervention with the Department of Social Development was a useful approach to promote entrepreneurship among youth because it engaged them to participate based on their interest in social enterprises, rather than an attraction to being funded or some other “free” benefit. The young people were instead trained in terms of working together and establishing different types of businesses, including social enterprises. Thereafter, because the ILO was focusing specifically on the establishment of social enterprises, those that were interested were invited to participate further in the ILO training. This resulted in a self-selection process where those that came forward did this because they were interested in community service and not because they thought they were going to get money.
2. The ILO interventions clearly had a very positive and real impact on the strategic orientation of the LED Department of the Matjhabeng Municipality, which culminated in a tourism strategy that currently informs the Municipality’s strategic approach to the sector. The strategy was felt to be particularly effective in terms of the inclusion of the broader community in the development of the strategy, which lays the basis for stronger buy-in and support in the future.
3. The development the entrepreneurship training modules for Grade 10 learners from two local schools was more effective due to the Grade 10 learners’ direct participation in the

- filming of the entrepreneurship games that form part of the training material. This also has had the effect of creating a ripple across the small learner community around them. It was also helpful to have aligned the programme with a social media platform because this created more of a vibe in the Free State about the initiative.
4. It was a major achievement to get the Department of Education to buy into the entrepreneurship training concept, particularly given the high numbers of participating schools (over 60) in the Free State.
  5. The success of the intervention in the Matjhabeng area appeared to be largely due to the higher level of support coming both the private and public sector. The trip to Turin also achieved a much stronger bond with officials and stakeholders from the Municipality, which has greatly advanced the buy-in for the initiative. The Matjhabeng stakeholders also seemed to be more willing to acknowledge that the unemployment problem in the area was so significant that it required both private and public participation to fix it.
  6. The representative of the Department of Social Development felt that the programme's social enterprise training component has already contributed to clear benefits for a number of youth engaged in the development of social enterprises. These same youth are likely to find the business plan competition providing them with a new vehicle to access funding for their ideas.
  7. In the Matjhabeng region, the stakeholders interviewed included those representing business (the Black Management Forum and the Business Chamber) felt that the project was extremely valuable to the area, particularly given the decline of the mining industry. Their perspective was that the ILO had made great strides in getting the stakeholders around the table to speak constructively about how to address economic development in the area. The municipal official interviewed was particularly grateful for the support given in terms of the development of a tourism strategy.
  8. With the exception of the SMME Unit in the LED Directorate of the Mangaung Municipality, all of the stakeholders concurred that the materials and programmes generated for adoption by the Department of Education were exactly what was needed by youth in the Province. The official interviewed from the Department of Education was unequivocal that the programme greatly enhanced the Economics and Management Science teaching programme, which currently lacked a higher level of concentration on the act of being an entrepreneur. Not only that, the programme modules bring with it innovative and creative teaching methods that greatly enhanced a teacher's ability to get across important entrepreneurship and business concepts. There was clearly excitement and anticipation within the Department of the future achievements of the programme and the project has the full buy in and support from everyone involved in the project.
  9. The initiative's three year time frame has given the project a longer lead time in which to plan and implement its activities, which, along with a substantial resource base, has helped the programme progress more effectively as a consequence of the high caliber deliverables. The six-month inception period also allowed the ILO to troubleshoot some issues that arose early in the project and to not cut into the three-year cycle.

#### *What could work better...*

1. Discussions with the Department of Education would have avoided some problems with the initial development of the entrepreneurship curriculum materials and programme content. This resulted in the materials having to be redeveloped, which was time and resource-consuming.

2. There is also a concern that the integration of the school curriculum materials into Grade 11, following the successful introduction of these into Grade 10 in 2013, will not provide the team with enough time to adequately build capacity within the teaching community to effectively adopt and entrench the programme. As indicated by the service providers developing and disseminating the curriculum, this will require substantially more efforts to reinforce the training methodologies and to ensure that teachers have sufficient support and mentorship for a period until they become comfortable with the programme and confident of their ability to teach the modules.
3. Key government stakeholders were not coming to meetings as consistently as they should. The steering committee was not working as well as it should because people often missed meetings even though they had committed to come.
4. The tourism study did not go as well as it could have due to difficulties accessing information from the municipalities. This resulted in having to go outside the municipalities to get the information needed to complete the study, which was problematic for the researcher. The need for such information could have been better communicated by the ILO to the municipalities before or during the course of the study. Better follow through with the stakeholders involved in or who contributed to the research should be adopted to ensure that the expectations created will be addressed in the course of the initiative. It would also be useful to draw a correlation between the research and strategies developed and how these are taking into account the and recommendations and perspectives put forward by the stakeholders.
5. There was also a perception that there should be a more in-depth analysis of the people the project is trying to help, which a number of stakeholders felt could be holding the project perceptions back. For example, in the Free State, their feeling was that there needs to be more careful consideration of whether job creation can best be achieved through a few companies or through a lot of companies creating a small numbers of jobs.

## 2.5 Recommendations

It would be strongly recommended that the funders consider an extension of the project into a Phase 2, which will enable the project team to consolidate its activities and interventions into a distinct programme, to entrench the new school curriculum and to develop a sustainability plan that may extend the activities of the project through other initiatives, such as the business plan competition, which could raise considerable sponsorship funding to continue some of the present activities of the project. It may be advantageous to seek matching funding for the project through the Jobs Fund, which is a R9bn job creation fund also targeting job creation through enterprise development.

Key actions required that emerged from the interviews are:

- There is a need for re-engagement with the institutions at a higher official level, either through the ILO Regional Director in Pretoria and the Provincial MEC in the Free State, to discuss the present direction of the initiative. This may also include systematic meetings with each of the stakeholder groups at the project team level. The aim should be to re-engage these organizations in a participative manner where their contributions and viewpoints can be seen to be important, even if they are late participants in the project (relative to its launch).
- Concerns raised by the business associations, particularly in Mangaung, regarding the research outputs point to a need for more interaction with their constituencies who felt

left out after the research process was completed. Stakeholders were not entirely comfortable with the research outputs and there was an overarching sense that the research lacked objectivity. More attention needs to be given to the procurement processes and to ensure that the Steering Committee is aware of selection criteria used to appoint service providers.

- The initiative should be more broadly inclusive of the full SMME sector, which the project effectively does address, but it should be made more clear as to how its activities support this. It will also be important to re-engage with the stakeholders to manage expectations as to what the initiative aims to achieve. This will avoid future misunderstandings and negative perceptions that have emerged over what they think the initiative should be doing.
- The SMME unit in the LED department in the Mangaung Municipality had expressed serious reservations regarding the purpose and intent of the initiative and while an initial meeting has been held to once again clarify expectations, the importance of this stakeholder is such that a more senior level meeting should be arranged with the City Manager and her staff to restore the relationship.
- A more structured approach to disseminate research outputs to local stakeholders needs to be developed. This should include advice concerning how the research is going to be used effectively as a tool to achieve the goals of the initiative and the next steps to implement the findings/recommendations.
- More support to the teachers involved in the delivery of the entrepreneurship modules in the classroom should be provided and teacher training should be continuously reinforced at the early stages of the project or there is a high risk that teachers may not entrench or fully adopt the training modules.
- With regard to future activities of the project, the enterPPRIZE Job Creation Challenge will be a highly visible competition and will need to be managed well in terms of stakeholder expectations and collaboration with the various partner institutions to ensure that it receives a high level of support among these partners. Failure of the competition to deliver on its mandate to reach out to entrepreneurs with good support mechanisms and prizes could put the initiative in a bad light. It may be advantageous to launch the competition somewhat later, e.g., in early February, in order to (a) obtain more buy-in from the stakeholders and agreement around marketing approaches, (b) ensure that prizes are sufficiently attractive and valuable to the potential winners of the competition, (c) bring on board more sponsorships that can co-fund the competition (December and January are difficult months to find decision makers in large corporates who can approve such funding), and (d) to develop stronger links between the targeted sectors and sector champions who can play a role in the aftercare of the winning entrants. The latter will also assist in identifying the types of BDS services that will be more appropriate to the sectors, based on a better understanding of the sectors' weaknesses and opportunities.

Based on the above, it would be recommended that the following actions be taken:

1. Reconvene a stakeholder workshop to take stock of achievements to date and to confirm the planned way forward to ensure that expectations at this level are also realistic and manageable.
2. Revisit the project plan and accommodate the stakeholder views to ensure that the appropriate activities are prioritized without losing the overall aim of the programme.

3. Develop a stakeholder risk management plan to identify a more structured process of stakeholder engagement and how better to manage and interact with project stakeholders.
4. Develop a more broadly acceptable procurement process, which may involve agreement from the Steering Committee as to how the service providers are selected.
5. Consider an extension of the project into a Phase 2, which would ensure that the interventions are sustainable and have a sustainable impact in the longer term.



## Annexure 1: Terms of Reference

### Mid Term Review of the Free State SME Development Initiative (SAF/10/01M/FCA)

**1 September 2012**

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<b>Project code</b>	SAF/10/01M/FCA
<b>IRIS</b>	102514
<b>Award no</b>	500846
<b>Project duration</b>	01/01/2010 – 31/12/13
<b>Geographical coverage</b>	Free State Province, South Africa
<b>Donor</b>	Government of Flanders
<b>Budget</b>	€ 4.5 million
<b>Evaluation Period</b>	1 October-26 November 2012

#### **1. Introduction & rationale for the Midterm Review**

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The Free State SME Development Initiative (SAF/1-/01M/FCA) is a 42 months technical cooperation project funded by the Flanders International Cooperation Agency (FICA) with an overall allocation of €4'500'000 equivalent to US\$ 6'025'000 at the December 2010 UN exchange rate when the approval minutes was issued.

As per the Agreement between Government of Flanders (Kingdom of Belgium) and the ILO a mid-term evaluation of the project must be carried out. The project started in January 2011 with a 6-months inception phase coming to a completion on 30 June 2011. The actual project implementation phase commenced on 1 July 2011 and will run for 36 months until 30 June 2014. The mid-term review (henceforth referred to as MTR) will cover the 6 month inception phase from January 1 to 30 June 2011 and the implementation phase from 1 July 2011 to the time of the MTR in 2012.

By request of FICA, the MTR will be carried out in November 2012 in order for the findings to be available for the 2013 strategic planning and budget cycle of FICA.

The independent evaluation of the initiative is undertaken in accordance with the ILO Evaluation Policy adopted by the Governing Body in November 2005, which provides for systematic evaluation of projects in order to improve quality, accountability, transparency of the ILO's work, strengthen the decision making process and support to constituents in forwarding decent work and social justice.

The overall objective of evaluation is to analyse progress made towards achieving outcomes, to identify lessons learnt and to propose recommendations for improved delivery of quality outputs and achievement of outcomes in a Phase II. The evaluation provides an opportunity for taking stock, reflection, learning and sharing knowledge regarding how the project may improve the effectiveness of its operations.

## **2. Brief background on project and context**

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The Free State SME Development Initiative was designed to support the provincial government of the Free State to pursue broad-based wealth creation and promotion of decent work through the creation of decent employment opportunities through Small and Medium-scale Enterprises (SME) development. Employment creation through SME development is a policy priority of the government of South Africa.

The project seeks to strengthen the capacity of provincial government, stakeholders in the private sector and civil society to make these policy priorities actionable, by implementing a range of initiatives in support of SME development. It is designed along a systemic approach that acknowledges the inter-linkages between the various stakeholder groups and correspondingly advocates a multi-level intervention mix.

The overall development objective is to contribute to the creation of decent employment opportunities for historically disadvantaged population groups in the two target municipalities – Mangaung and Matjhabeng - in Free State Province. The overall project outcome is sustainable small businesses that create decent and green jobs.

The immediate project objectives are:

1. To nurture a stronger culture of entrepreneurship among the population of the Free State Province, with focus on Youth and women
2. To create a more conducive policy, legal and regulatory framework (PLRF) for the start-up and operations of SME in the Free State Province
3. To strengthen the capacity of local organizations to provide sector-specific business development services (BDS) geared towards SME at community level
4. To stimulate BDS uptake among prospective and emerging entrepreneurs and their employees living and working in these communities.

The immediate project outcomes are, firstly, a more entrepreneurial mindset among people in the Free State, secondly, a more coherent provincial-level and municipal level PLRF for SME development and, thirdly, a technically, financially and institutionally sustainable market exchange for selected sector-specific BDS. The key performance measures to track these outcomes are the number of SMEs reached by the project (target: 2,000) and the number of SMEs started or grown (target: 1,000) by the ultimate project beneficiaries.

The project will deliver the following outputs:

- Policy-level bodies make better informed decisions about SME development strategies
- Better synergies and scale effects between SME development initiatives in the Free State
- People in Free State have increased appreciation of the merits of entrepreneurship
- People have nurtured their entrepreneurial talent
- Entrepreneurs at community level have access to financial and non-financial support services to start and run their own small businesses
- People in the communities have developed and put into practice innovative business ideas and -models.

The key performance indicators of achievement to track these outputs are:

- the number of women and men reached through mass-media campaigns
- improved attitudes towards entrepreneurship
- share of students linking up with local BDS providers for support services after graduating from class-room based entrepreneurship education
- increased knowledge among provincial level stakeholders on the local SME sector
- stronger linkages between SME development projects
- number of entrepreneurs accessing business finance and Market opportunities
- number of entrepreneurs having enrolled for BDS

The main activity clusters of the project are:

- The development of a mass-media based entrepreneurship promotion programme
- Introduction of class-room based modular entrepreneurship education
- The establishment of an SME observatory that informs policy planning and coordination
- The facilitation of a SME policy dialogue mechanism at province level
- The alignment of provincial level and municipal level SME policies
- The introduction to market of industry-specific financial and non-financial BDS for SME
- The establishment of a challenge fund targeting community based organizations
- Social business plan/green business plan competitions for entrepreneurs
- The development of a performance measurement system to benchmark the initiative against other SME projects in Free State and South Africa.(Monitoring & evaluation systems attained)

**Link to the Decent Work Country Programmes**

The project is aligned and linked to the Decent Work Country Programme (DWCP) for South Africa 2010 – 2014 under constituents priorities *Strengthening Enterprise Development – SMMEs, Cooperatives and Social Enterprises (including on-going mentoring to entrepreneurs* under Priority 2: Promotion of Employment.

More specifically, the project is a direct response to Outcome 4 on *Sustainable and competitive enterprises (including cooperatives) create productive and decent jobs especially among women, youth and persons with disabilities* and it speaks to the following outputs:

- Output 4.1 Facilitated access by SMMEs to markets
- Output 4.2 Support for a coherent and enabling policy environment for the promotion of sustainable enterprises
- Output 4.3 Support for the upgrading and promotion of social economy enterprises
- Output 4.4 Support for the growth of rural based small and medium scale businesses
- Output 4.5 Support for increased competitiveness of large enterprises
- Output 4.6 Support for an enabling environment for women & youth entrepreneurs to grow their businesses

### **Project management arrangement**

The project is managed by an internationally recruited Chief Technical Advisor, based in Bloemfontein, the provincial capital of the Free State. Two national project coordinators (NPCs) are also based in Bloemfontein. In addition, a national programme officer (NPO) and a financial and administrative assistant (FAA) is based in the ILO Pretoria office. The total number of project staff is 5. The three staff based in Bloemfontein is located with the project counterpart the Department for Economic Development, Tourism and Environmental Affairs (Detea).

The CTA reports to the director of the ILO Pretoria and is technically backstopped by the Senior Enterprise Specialist in the Decent Work Support Team also in ILO Pretoria. The project falls under the global portfolio of the Job Creation and Enterprise Development Department (EMP/ENTERPRISE) of the Employment Sector.

## **3. Purpose, scope and clients of the Midterm Review**

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### **Purpose**

The MTR serves two main purposes:

- i. Give an independent assessment of progress to date of the initiative, assessing performance as per the foreseen targets and indicators of achievement at output level; strategies and implementation modalities chosen; partnership arrangements, constraints and opportunities
- ii. Provide recommendations for the remainder of the project in terms of strategies, institutional arrangements, partnership arrangements and any other area within which the evaluation team wish to make recommendation

## Scope

The independent MTR will cover all outcomes of the project with particular attention to synergies across components. The MTR will assess key outputs produced since the start of the initiative and where relevant make recommendations regarding:

- Progress made towards achieving the project outcomes
- Quality outputs in the project period
- Likelihood of reaching outcomes within the project period
- Internal and external factors that influence project implementation
- Management of the project, including staff management
- The extent of provincial government buy-in and participation in the project
- Strategic fit of the initiative in the context of the DWCP for South Africa
- Relevance of the initiative within national development priorities/frameworks
- Synergies with other SME programmes at provincial level
- Knowledge management and sharing
- Results based measurement and impact assessment systems
- Risk analysis and assessment in the political environment of SA

## Clients

The primary clients of the evaluation are the Government of Flanders as donor of the initiative, the Government of South Africa, constituents and the ILO office of South Africa – including the decent work support team - as the executing agent of the initiative and the Job Creation & Enterprise Development Department at HQ. The evaluation process will be participatory. The ILO office, the tripartite constituents and other parties involved in the execution of the project would use, as appropriate, the evaluation findings and lessons learnt.

## 4. Evaluation criteria and questions

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The evaluation will address ILO evaluation concerns such as

- i. relevance and strategic fit
- ii. validity of design
- iii. project progress and effectiveness
- iv. efficiency of resource use
- v. effectiveness of management arrangements and
- vi. impact orientation and sustainability as defined in the Office guidelines<sup>4</sup>.

Gender concerns will be based on the ILO Guidelines on Considering Gender in Monitoring and Evaluation of Projects (September, 2007). The evaluation will be conducted following UN

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<sup>4</sup> Evaluation Guidance – Planning and Implementing Evaluation for Results, Annex 2, ILO Evaluation Unit, June 2009

evaluation standards and norms<sup>5</sup> and the *Glossary of key terms in evaluation and results-based management* developed by the OECD's Development Assistance Committee (DAC). In line with the results-based approach applied by the ILO, the evaluation will focus on identifying and analysing results through addressing key questions related to the evaluation concerns and the achievement of the outcomes/immediate objectives of the initiative using the logical framework indicators.

## **Key Evaluation Questions**

The evaluator shall examine the following key issues:

### **8) Relevance and strategic fit**

- Project relevance to national development plans, DWCP, UNDAF and DWAA?
- How well it complements other ILO programmes in the South Africa?
- Strategic fit with the FICA country strategy for South Africa

### **9) Validity of design**

- Adequacy of the design process. Is the project design logical and coherent?
- Do outputs causally link to the intended outcomes that in turn link to the broader development objective?
- Have targets and indicators been sufficiently defined for the project?
- Considering the results that were achieved so far, was the project design realistic?

### **10) Project effectiveness**

- To what extent have the expected outputs and outcomes been achieved or are likely to be achieved?
- Were outputs produced and delivered so far as per the work plan? Has the quantity and quality of these outputs been satisfactory? How do the stakeholders perceive them? Do the benefits accrue equally to men and women?
- In which area (geographic, component, issue) does the project have the greatest achievements so far? Why and what have been the supporting factors?
- How effective were the backstopping support provided so far by ILO to the programme?
- Are there any unintended results of the project?
- What internal and external factors have influenced the ability of the ILO to meet projected targets?

### **4) Efficiency of resource use**

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<sup>5</sup> ST/SGB/2000 Regulation and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation

- Are resources (human resources, time, expertise, funds etc.) allocated strategically to provide the necessary support and to achieve the broader project objectives?
- Are the project's activities/operations in line with the schedule of activities as defined by the project team and work plans?
- Are the disbursements and project expenditures in line with expected budgetary plans? If not, what were the bottlenecks encountered? Are they being used efficiently?

## **5) Effectiveness of management arrangements**

- Are the available technical and financial resources adequate to fulfil the project plans?
- Is the management and governance arrangement of the project adequate? Is there a clear understanding of roles and responsibilities by all parties involved?
- How effectively the project management monitored project performance and results? Is a monitoring & evaluation system in place and how effective is it? Is relevant information systematically collected and collated? Is the data disaggregated by gender and by other relevant characteristics if relevant
- Is the project receiving adequate administrative, technical and - if needed - political support from the ILO Pretoria office and technical specialists and the responsible technical units in headquarters?
- Is the project receiving adequate political, technical and administrative support from its national partners/implementing partners?
- Is the project collaborating with other ILO programmes and with other donors in the country/region to increase its effectiveness and impact?
- Are all relevant stakeholders involved in an appropriate and sufficient manner?

## **6) Impact orientation and sustainability**

- Is the programme strategy and programme management steering towards impact and sustainability?
- Has the project started building the capacity of people and national institutions or strengthened an enabling environment (laws, policies, people's skills, attitudes etc.)?
- Assess whether project activities are sustainable and identify steps that can be taken to enhance the sustainability of project components and objectives

## **7) Lessons learned**

- What good practices can be learned from the project that can be applied in possible future phases and to similar future projects?
- What is the potential for agricultural business?
- For a possible second project phase what are the ILO, the donor and partners opinion about the following questions:
  - What works well?
  - What does not work well?

- What would you do the same?
- What would you do differently?

## 5. Methodology

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The evaluation will be carried out through a desk review and visit to South Africa (Pretoria, Bloemfontein and Welkom) for consultations with ILO management and staff, constituents, FICA implementing partners, beneficiaries and other key stakeholders. The independent evaluation team will review inputs by all ILO and non ILO stakeholders involved in the project, i.e. government departments and partners from the private and civil sectors.

The draft evaluation report will be shared with a select group of key stakeholders and a request for comments will be asked within a specified time. The evaluation team will seek to apply a variety of evaluation techniques – desk review, meetings with stakeholders, focus group discussions, field visits, informed judgment, and scoring, ranking or rating techniques. Subject to the decision by the evaluation team an evaluation knowledge sharing workshops with key partners may be organised.

### **Desk review**

A desk review will analyze project and other documentation provided by the project management. The desk review will suggest a number of initial findings that in turn may point to additional or fine tuned evaluation questions. This will guide the final evaluation instrument which should be finalized in consultation with the evaluation manager. The evaluation team will review the documents before conducting any interview.

### **Interviews with ILO staff**

The evaluation team will undertake group and/or individual discussions with relevant ILO staff including project staff. The evaluation team will also interview key ILO staff responsible for financial, administrative and technical backstopping of the Facility in ILO Pretoria. An indicative list of persons to be interviewed will be furnished by project management upon further discussion with the Evaluation Manager.

### **Interviews with key stakeholders in Pretoria and Mangaung and Matjhabeng Municipalities**

A first briefing and discussion will be held with ILO senior management in Pretoria including with the backstopping enterprise development specialist prior too visiting the project site in Bloemfontein. Travel to three project site will allow the evaluation team to undertake more in depth interview with local partners, reviews of the national strategy and the outputs and outcomes of the respective components. Following the visit to project sites a debriefing will be held with senior management in Pretoria.

## 6. Main outputs

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The evaluator will prepare the following reports in the course of executing his/her assignment:



1. An evaluation summary according to the ILO's template for summaries of independent evaluation reports (see annex)
2. First Draft Report
3. Final Report incorporating comments

The Evaluation Report should be presented as per the proposed structure in the ILO evaluation guidelines:

- Cover page with key project and evaluation data
- Executive Summary
- Acronyms
- Description of the project
- Purpose, scope and clients of the evaluation
- Methodology
- Clearly identified findings by criterion
- Conclusions
- Recommendations
- Lessons learned and good practices
- Annexes
  - Terms of Reference
  - Project Work plan
  - List of Meetings and Interviews
  - Any other relevant documents

All draft and final outputs, including supporting documents, analytical reports and raw data should be provided in electronic version compatible with Word for Windows. Use of the data for publication and other presentation can only be made with the agreement of ILO Pretoria. Key stakeholders can make appropriate use of the evaluation report in line with the original purpose and with appropriate acknowledgement.

## **7. Management arrangements, work plan & time frame**

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### **Composition evaluation team**

The consultant should have the following qualifications:

- Masters degree in business, development management, or related graduate qualifications
- A minimum of 10 years of professional experience in evaluating in midterm, final or post-project evaluations and/or impact assessment of externally funded projects.
- Experience in enterprise development
- Proven experience with logical framework approaches and other strategic planning approaches, M&E methods and approaches (including quantitative, qualitative and participatory), information analysis and report writing.
- Knowledge and experience of the UN System would be desirable

- South African country experience
- Experience in evaluating projects with ILO in Africa

**Management arrangements**

The evaluation team will report to the evaluation manager (Chantel Bellerose, [bellerose@ilo.org](mailto:bellerose@ilo.org)), who will work in close liaison with the regional evaluation focal point in ROAF and with the project technical back-stopper Andreas Klemmer, enterprise specialist and member of the Decent Work Support Team based in ILO Pretoria Office. The evaluation manager will draw on the support of the project manager for all logistical arrangements related to the evaluation exercise.

## Annexure 2: List of Stakeholders Interviewed

Donor Representatives		
Name	Title	Role in Project
David Maenaut	Flanders Government Representative	Donor Representative
Christel op de Beeck	Flanders International Cooperation Agency Representative	Donor Representative and member of Steering Committee
ILO DWT Pretoria		
Vic van Vuuren	Director	Steering Committee member and overall responsible for project and oversight of progress in implementation.
Joni Musabayana.	Deputy Director, ILO	Link to NEDLAC and budget oversight
Andreas Klemmer	Senior Job Creation & Enterprise Development Specialist, ILO	Steering Committee member and provides Technical Back-Stopping
Chantel Bellerose	National Programme Officer and Mid Term Review Evaluation Manager	None--assigned as Evaluation Manager by the ILO Regional Office for Africa (ROAF)
SiyabulelaKlaas	Finance and Administrative Officer	Administrative and financial support
FunekaMagagula	Programme Officer	Provides support to the CTA and his team, primarily in terms of monitoring and evaluation
SindileMoitse	Programme Officer, Focal point for South Africa, Coordinator for implementation of the Decent Work Programme in SA	Oversight for ILO projects in South Africa in relation to the Decent Work Country Programme and reporting to NEDLAC
ILO Project Team Office Bloemfontein		
Jens Dyring Christensen	Chief Technical Advisor, Free State SME Development Initiative	Steering Committee member and Project Manager of FS SME Initiative
Julie Williamson	National Project Coordinator, FS SME Development Initiative	Coordinates activities, research and events and any ad hoc requirements of the project
Winnie Sereeco	National Project Coordinator, FS SME Development Initiative	Coordinates events, activities and any ad hoc requirements of the project
Office of the Premier		
BafanaMthembu	Chief Director, Overseas Development Aid	Steering Committee member and liaison between project and Free State Premier's Office
BenLeuw	PA to the Premier of the Free State	Steering Committee member and liaison between the Premier's office and the project
Department for Economic Development, Tourism and Environmental Affairs (DETEA)		
Ikhraam Osman	Head of Department (HOD), Department of Economic Development, Tourism and Environmental Affairs (DETEA)	Steering Committee member and direct counterpart of the Project
ThabangSelemla	Director, Economic Development,	Steering Committee member and

	Department of Economic Development, Tourism and Environmental Affairs (DETEA)	liaison between project and the DETEA at the operational level
Abraham Jansen	Deputy Director, Economic Development Research, DETEA	Liaison between project and research directorate of DETEA
<b>Mangaung Municipality</b>		
Zinn Simpson	Deputy Director, SMME Unit, LED department	Current counterpart of the Project, Mangaung Municipality
<b>Matjhabeng Municipality</b>		
XolelaMsweli	Director, Matjhabeng Municipality, LED Directorate	Member of Steering Committee and counterpart of the Project, Matjhabeng Municipality
<b>Department of Education</b>		
Vivian Stadhauer	Deputy Director, and business and economics studies focal point, Department of Education	Direct counterpart, Free State Department of Basic Education
<b>Department for Social Development</b>		
Bongo Nazo	Department of Social Development	Direct counterpart, Free State Department of Social Development
<b>Business Chambers</b>		
Nancy de Sousa	President, Bloemfontein Chamber of Commerce and Industries	Steering Committee member, Stakeholder partner (business)
David Uwah	Black Management Forum	Stakeholder partner (business)
Mike Mollooyi	National African Chamber of Commerce and Industry	Stakeholder partner (business)
NorbertNyamsi	Black Management Forum, Matjhabeng	Stakeholder partner (business)
Mirna de Hart	President, Goldfields Chamber of Commerce	Stakeholder partner (business) Matjhabeng
<b>Independent Consultants to the Project</b>		
Peter Thulo	Independent Consultant	Radio Drama Script writer
Willem Ellis	University of the Free State (UFS)	Director, Centre for Development Support (CDS) and lead of UFS research assignments
Anita Venter	University of the Free State (UFS)	Research contributor, UFS research assignments
Nelia de Villiers	Sacred Heart Consulting	Entrepreneurship training material development
Anna Marie Mostert	Sacred Heart Consulting	Entrepreneurship training material development
Ria de Vililers	Jika Training	Entrepreneurship training material development
Alta Le Roux	National Institute Community Development and Management (NICDAM)	Training provider, youth enterprise development
Mahandra Naidoo	Simakade Tourism Consultancy and Independent Consultant	Conducted comprehensive research on tourism in the two municipalities
<b>Political Advisor</b>		
Donny Naddison	New Africa Consulting	Political advisor and assists in managing stakeholder relationships, non-voting member of Steering Committee

### Annexure 3: Stakeholder Interview Sheet

Title	
Role in Project	
Have you been involved since the project was first implemented? If not, when was your start date?	

#### Relevance and strategic fit of the intervention

**In your view, does the project have relevance to national development plans, DWCP, UNDAF and DWAA?**

*What evidence do you feel supports this?*

**How well does the project complement other ILO programmes in the South Africa?**

*Explain your answer and give evidence as to what you feel supports this*

**Strategic fit with the FICA country strategy for South Africa**

*Explain your answer and give evidence as to what you feel supports this*

#### Validity of Design

**Adequacy of the design process. Is the project design logical and coherent?**

*What do you feel validates this?*

*Give examples of what you feel was particularly relevant in terms of the design of the program and its relevance locally*

*Was there anything you feel that may have contributed to a better constructed programme?*

**Do outputs causally link to the intended outcomes that in turn link to the broader development objective?**

*Do you believe the present progress is achieving the desired outputs*

*Is there a direct correlation between the outputs and outcomes – e.g., could they have happened without the program activities?*

**Have targets and indicators been sufficiently defined for the project?**

*Are the targets and indicators still appropriate?*

*Is there anything else or different that you would measure?*

**Considering the results that were achieved so far, was the project design realistic?**

*Answer*

*In your view, what might be different in hindsight now?*

*Are there any factors in terms of the political or economic environment that may impact on the project's results?*

**Project Effectiveness**

**To what extent have the expected outputs and outcomes been achieved or are likely to be achieved?**

*Do you feel the project is adequately on track? What evidence do you have for this?*

*Are there any specific outputs or outcomes that you feel, at this juncture may not be achieved?*

*If so, what would these be?*

**Were outputs produced and delivered so far as per the work plan?**

*Do you regularly review the work plan to determine progress?*

*In your view, do you feel the project team is following the project plan in an effective manner?*

*If not, what do you feel needs to be done differently to keep the project on track?*

**Has the quantity and quality of these outputs been satisfactory?**

*Do you feel the caliber of the deliverables has been satisfactory?*

*Give examples to support your opinion*

**How do the stakeholders perceive them?**

*N/A for this interview, unless the interviewee has an opinion in this regard*

**Do the benefits accrue equally to men and women?**

*Demonstrate evidence, if possible*

*If women (and youth) do not appear to be benefiting equally, what may be preventing this?*

**In which area (geographic, component, issue) does the project have the greatest achievements so far? Why and what have been the supporting factors?**

*From your perspective, has the project had the same effect in each area?*

*What factors have made it easier or more challenging to deliver?*

*(Note how this correlate with progress reports)*

**How effective were the backstopping support provided so far by ILO to the programme?**

*Comment?*

**Are there any unintended results of the project?**

*Explain, if so*

**What internal and external factors have influenced the ability of the ILO to meet projected targets?**

*Explain if any such factors exist?*

Efficiency of resource use (primarily directed at HO and Regional Team)

**Are resources (human resources, time, expertise, funds etc.) allocated strategically to provide the necessary support and to achieve the broader project objectives?**

*Have there been any notable shortages in resources?*

*If so, how do you feel these may impact on the project's effectiveness?*

**Are the project's activities/operations in line with the schedule of activities as defined by the project team and work plans?**

*In your view, are the activities on schedule?*

*If not, what do you feel has caused the delay?*

*Are there any other factors that may affect the schedule?*

**Are the disbursements and project expenditures in line with expected budgetary plans? If not, what were the bottlenecks encountered? Are they being used efficiently?**

*Is the budget adequate in terms of the current implementation activities?*



*Do you feel the resources are being used efficiently, or have there been factors that have caused higher expenditure that was out of your control?*

## Effectiveness of management arrangements

### **Are the available technical and financial resources adequate to fulfil the project plans?**

*How do you feel about the technical and financial resources available to the project?*

*Is the project likely to remain in budget to achieve the desired outcomes?*

### **Is the management and governance arrangement of the project adequate? Is there a clear understanding of roles and responsibilities by all parties involved?**

*Is there a clear understanding of roles and responsibilities allocated between HO and CTA?*

*Note any cross-over or issues*

### **How effectively the project management monitored project performance and results? Is a monitoring & evaluation system in place and how effective is it? Is relevant information systematically collected and collated? Is the data disaggregated by sex (and by other relevant characteristics if relevant)?**

*Is there a monitoring and evaluation plan and methodology in use?*

*Is it being used an effective management tool?*

*Is the information being captured relevant and useful?*

*Is data being captured and disaggregated by gender and other*

*key demographics?*

**Is the project receiving adequate administrative, technical and - if needed - political support from the ILO Pretoria office and technical specialists and the responsible technical units in headquarters?**

*Primarily probe regional team perspectives, but also those on the ground*

**Is the project receiving adequate political, technical and administrative support from its national partners/implementing partners?**

*Do you feel the implementing partners have been effectively participating in the project?*

*What type of support do they provide?*

*Is there any support that you feel that they should provide, but they aren't providing currently?*

*If such support is required, what do you feel can be done to gain this?*

**Is the project collaborating with other ILO programmes and with other donors in the country/region to increase its effectiveness and impact?**

*Give examples of other ILO programmes that provide support or input to this project?*

*Is there any external support being utilized from outside the country that you feel has been particularly useful?*

*In what way would you say this project helps to enhance the success of other ILO programmes?*

**Are all relevant stakeholders involved in an appropriate and sufficient manner?**

*In your view, have local country stakeholders participated in an effective manner?*

*Which government departments or agencies have been particularly supportive?*

*What type of support do you feel has been particularly useful?*

## Impact and Sustainability of the intervention

### **Is the programme strategy and programme management steering towards impact and sustainability? (General Analysis)**

*Given the innovativeness of the programme, do you feel it is heading in the direction of sustainability?*

*What would be the most significant factors that would inhibit its sustainability?*

*What do you feel is most important to achieve to enable the programme to become sustainable in the longer term?*

### **Has the project started building the capacity of people and national institutions or strengthened an enabling environment (laws, policies, people's skills, attitudes etc.)?**

*Is there any evidence of this that you can share now?*

*What do you feel will be the most important contribution the project will make to creating a more enabling environment for entrepreneurship?*

*Where do you feel the project should focus more attention to achieve this?*

### **Assess whether project activities are sustainable and identify steps that can be taken to enhance the sustainability of project components and objectives**

*Do you feel that there are aspects of the programme that need attention in terms of contributing to their sustainability?*

*Are there any other stakeholders that you feel should be more actively engaged to ensure sustainability?*

*If finance is a contributing factor to sustainability, where do you feel this programme will best be sited in the future?*

## Lessons learned

**What good practices can be learned from the project that can be applied in possible future phases and to similar future projects?**

**For a possible second project phase what are the ILO, the donor and partners opinion about the following questions: What does not work well? What would you do the same? What would you do differently? (Requires feedback from all stakeholder partners and donors as well as ILO officials)**

*What appears to have worked well?  
What are the reasons for this?*

*What aspects of the project would  
you do the same?*

*What aspects of the project would  
you do differently?*

#### **Annexure 4: Project Plan**

(Follows on succeeding pages)

# Work Plan of the Free State SME Development Initiative

## IMPLEMENTATION PHASE (JULY 2011 - JUNE 2014)

Outcome	Output	Main activity clusters	Inception phase	IP	Year 1 (July 2011-June 2012)				Year 2 (July 2012-June 2013)				Year 3 (July 2013-June 2014)			
<b>Immediate outcome 1</b>  A more entrepreneurial mindset among the people in the Free State	<b>Output 1.1</b>  Increased appreciation among the people of the Free State of the merits of entrepreneurship	A.1.1.1. Analyze the supply with products and services to nurture a culture of entrepreneurship among the Youth of the Free State	Inception phase													
		A.1.1.2. Segment the target market for a youth entrepreneurship promotion initiative in the Free State and draw up profiles of priority														
		A.1.1.3. Consolidate the research findings in a draft report and validate its conclusions and recommendations as part of a stakeholder workshop														
		A.1.1.4. Based on research outcomes, develop mass-media based youth entrepreneurship promotion services														
		A.1.1.5. Pilot these interventions in the target municipalities														
		A.1.1.6. Monitor and evaluate the pilot														
		A.1.1.8. Review the pilot phase findings with stakeholders														
		A.1.1.9. Refine the interventions based on pilot outcomes														
		A.1.1.10. Upscale/replicate the interventions through the Free State														
	<b>Output 1.2</b>  People have nurtured their entrepreneurial talent	A.1.2.1. Analyze the supply with, and demand for classroom based entrepreneurship education products and services in the Free State														
		A.1.2.2. Consolidate the research findings in a draft report and validate its conclusions and recommendations as part of a stakeholder workshop														
		A.1.2.3. Based on research outcomes, develop a classroom based entrepreneurship education training module (possibly leaning back on														
		A.1.2.4. Facilitate the accreditation of the training materials														
		A.1.2.5. Print the training materials														
		A.1.2.6. Select schools/TEVT institutions for a pilot test														
		A.1.2.7. Organize awareness raising meetings for principals and teachers at school level/TVET centre level														
		A.1.2.8. Implement KAB awareness raising meetings for provincial level and municipal level line Ministry officials														
		A.1.2.9. Identify and select teacher-trainers														
		A.1.2.10. Train these teacher trainers														
		A.1.2.11. Advise pilot schools/TEVT institutions on how to incorporate KAB into their curricula														

Outcome	Output	Main activity clusters	IP	Year 1 (July 2011-June 2012)				Year 2 (July 2012-June 2013)				Year 3 (July 2013-June 2014)			
	<b>Output 1.2</b> <i>continued</i>	A.1.2.12. Establish a master-) trainer, trainer and trainee certification system	<i>Inception phase</i>												
		A.1.2.13. Coach trainer teachers on the job													
		A.1.2.14. Offer Refresher training for trainers													
		A.1.2.15. Certify standards- compliant trainers													
		A.1.2.16. Set up an onward referral system between pilot organizations and other BDS organizations to link student-graduates to follow-up support													
		A.1.2.17. Evaluate the outcomes of the pilot, and validate/review findings in a stakeholder workshop													
		A.1.2.18. Select high performing trainer teachers for the master trainer development programme													
		A.1.2.19. Train master trainer-teachers													
		A.1.2.20. Coach master trainer-teachers on the job on how to replicate and roll out entrepreneurship education trainer-teachers													
		A.1.2.21. Organize master teacher-trainer refresher training seminars													
		A.1.2.22. Certify standards-compliant master teacher-trainers													
<b>Immediate outcome 2</b> A more coherent provincial-level and municipal level PLRF for SME development	<b>Output 2.1</b> Provincial policy-level bodies make better informed decisions about SME development	A.2.1.1. A stock-taking exercise of publications on private sector development (and more in particular SME development) in Free State Province since 1994													
		A.2.1.2. Establishment of an online library of these publications (to be linked to the CDS website)													
		A.2.1.3. Consultations with public and private sector stakeholders in Free State Province on their information needs about the SME sector													
		A.2.1.4. Analysis of local and international best practice in the establishment and operations of SME observatories													
		A.2.1.5. Development of an outline for an information management system to periodically collect, process and publish information on the SME sector in Free State province													
		A.2.1.6. Validation of the outline as part of a stakeholder workshop, and review of the framework based on stakeholder feedback													
		A.2.1.7. Establishment of the information management system (likely under the CDS)													
		A.2.1.8. Operation of the management information system (likely through CDS, including collection and processing of data streams, data analysis and dissemination of findings among provincial-level and municipal level policy level stakeholders, organizations with a mandate for SME development and the public at large)													

Outcome	Output	Main activity clusters	IP	Year 1 (July 2011-June 2012)				Year 2 (July 2012-June 2013)				Year 3 (July 2013-June 2014)			
	<b>Output 2.2</b> Synergies and scale effects between SME development initiatives	A. 2.2.1. Review of the efficiency and effectiveness of past and ongoing SME development initiatives in the Free State province	<i>Inception phase</i>												
		A. 2.2.2. Validation of research findings, conclusions and recommendations in a stakeholder workshop													
		A.2.2.3. Establishment of an (LED) policy dialogue platform to facilitate an agreement on a plan of collective action in support of SME development in the Free State													
		A.2.2.4. Technical support for stakeholders to implement the plan of action, with emphasis on unlocking synergies and scale effects													
		A.2.2.5. Monitoring of the overall efficiency gains and increased effectiveness in the SME development initiatives of stakeholders, and dissemination of findings													
		A.2.2.6. Stock-taking of South African (and Free State specific) policies, laws and regulations with a direct bearing on SME development													
		A.2.2.7. Establishment of a baseline regards the current level of awareness and appreciation of these policies, laws and regulations among stakeholders (including SME)													
		A.2.2.8. Validation of the research findings, conclusions and recommendations in a stakeholder workshop													
		A.2.2.9. Based on research findings, facilitation of technical support to fine-tune SME specific laws and regulations													
		A.2.2.10. Facilitation of technical support to popularize the (revised) SME specific policies, laws and regulations													
		A.2.2.11. Monitoring of changes in the level of awareness of, and compliance with the SME policies, laws and regulations among SME stakeholders (including SME)													
<b>Immediate outcome 3</b> A market exchange for industry specific BDS geared towards SME	<b>Output 3.1</b> Entrepreneurs at community level have access to business finance	A.3.1.1. Commission analysis of value chain upgrading opportunities in the priority sectors, including the supply with (non-) financial BDS for SME to tap into this potential													
		A.3.1.2. Validate the research findings in a stakeholder workshop and jointly with local partners prioritize supply gaps for (non-)financialBDS in these value chains													
		A.3.1.3. In line with the findings, adapt the ILO business plan competition approach and tools to the priority sectors													
		A.3.1.4. Establish an implementation partnership agreement with a local stakeholder													
		A.3.1.5. Raise awareness about the upcoming competition among prospective and established SME in the target municipality districts													
		A.3.1.6.Leverage seed funding from the project for the business plan competition by way of securing sponsorships													
		A.3.1.7. Issue a call for proposals in one district municipality													
		A.3.1.8. Vet proposals and select high potential candidates													
		A.3.1.9. Award winners during a widely advertised official ceremony													
		A.3.1.10. Render technical support to award winners to implement their business plans													
		A.3.1.11. Monitor implementation progress and evaluate/document outcomes													
		A.3.1.12. Replicate the process in at least one more district municipality													



Project outcome	Project output	Main activity clusters	IP	Year 1 (July 2011-June 2012)				Year 2 (July 2012-June 2013)				Year 3 (July 2013-June 2014)			
	<b>Output 3.2</b> Entrepreneurs at community level have access to business training and advisory services	A.3.2.1. Building on the findings of the value chain analysis (A.3.1.1), and to narrow down the identified supply gaps, develop at least two sector-specific BDS geared towards SME	Inception phase												
		A.3.2.2. Train trainer consultants working for local BDS providers to pilot these services in the target municipality districts													
		A.3.2.3. Monitor and evaluate the pilot													
		A.3.2.4. Based on the pilot outcome, refine the BDS													
		A.3.2.5. Develop a lead trainer development programme to train lead trainers how to train trainers in the application of the new BDS													
		A.3.2.6. Develop a lead trainer and trainer certification system													
		A.3.2.7. Train lead trainers													
		A.3.2.8. Coach the lead trainers on the job while they train trainers working for local BDS providers													
		A.3.2.9. Facilitate Refresher Training of Lead Trainers seminars to narrow down remaining performance gaps of these resource persons													
		A.3.2.10 Assist these lead trainers to in turn implement Refresher Training of Trainers seminars													
		A.3.2.11. Certify lead trainers and trainer that are compliant with service delivery standards													
	<b>Output 4.1</b> Emerging and established entrepreneurs develop innovative business ideas and -models	A.4.1.1 In line with the findings of the value chain analysis (A.3.1.1.), adapt the challenge fund approach and tools to the priority sectors													
		A.4.1.2. Consult with local stakeholders on the modalities for implementing the facility, including hosting arrangements, priority sectors, selection process and funding													
		A.4.1.3. Establish an implementation partnership agreement with a local stakeholder													
		A.4.1.4. Raise awareness about the challenge fund among district based service providers													
		A.4.1.5. Leverage seed funding from the project for the challenge fund by way of securing sponsorships													
		A.4.1.6. Issue a call for proposals in one district municipality													
		A.4.1.7. Vet proposals and select high potential candidates													
		A.4.1.8. Sign funding agreements and disburse the first installment													
		A.4.1.9. Render technical support to local partner organizations to facilitate the implementation process													
		A.4.1.10. Monitor implementation progress and evaluate challenge fund outcomes													
		A.4.1.11. Replicate the process in at least one more district municipality													

**Annexure 5: Desktop Review**  
(Attached as separate document)