



Evaluation Summary



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Employment creation through small and medium scale enterprise development in Free State – Midterm Evaluation

Quick Facts

Countries: *South Africa*

Midterm Evaluation: *June 30, 2014*

Mode of Evaluation: *Independent*

Administrative responsibility: *ILO Pretoria*

Technical Area: *EMP/ENTERPRISE*

Evaluation Management: *Chantel Bellerose*

Evaluation Team: *Valerie Flanagan*

Project End: *January 2015*

Project Code: *SAF/10/01/FLA*

Donor: *Flanders International Cooperation Agency (US\$ 6,025,516,777)*

Keywords: *Employment creation, enterprise development*

Background & Context

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) for 4,5m Euros and 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 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.

The project has four key activity areas in this regard:

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 capacity of local organizations to provide sector-specific BDS for SMEs at the community level; and
4. To stimulate BDS uptake among prospective and emerging entrepreneurs and 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.¹

Purpose, scope and clients of the evaluation

In terms of the Agreement between Government of Flanders (Kingdom of Belgium) and the ILO, a midterm 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.

This midterm evaluation covers the six-month inception phase from 1 January to 30 June 2011 and the implementation phase from 1 July 2011 to December 2012. The overall objective of evaluation is to analyze 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.

¹ILO Project document, p. 24

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

Main Findings & Conclusions

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 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 is logical and coherent. It was evident through the interviews, however, that the design process needed to take into consideration local stakeholder interpretations of the definition of SMEs, who they felt should be the target beneficiaries, and the sectors involved.

Project progress and effectiveness

The project was found to be 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 are varying stakeholder attitudes, causing fluctuations in support toward 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.

The research outputs are 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.

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 human resources deployed to the project were found 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.

Recommendations

The findings point to an extension of the project into a Phase 2, which should enable the project 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 sustainable sponsorship funding. In addition, it was recommended that the project team consider the following:

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 to better use research outputs and 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.

Lessons learned can be found in the full report.