



ELEVENTH ITEM ON THE AGENDA

**Evaluation of the InFocus Programme on
Boosting Employment through Small
Enterprise Development****1. Introduction and background**

1. The evaluation of the InFocus Programme on Boosting Employment through Small Enterprise Development (IFP/SEED) is presented herewith in keeping with the ILO evaluation strategy examined by the Governing Body in November 2002 and with the provisions of the 2002-03 Programme and Budget adopted by the International Labour Conference. This is an independent evaluation grounded in transparent and objective information collection from a variety of sources and clear separation from line management.
2. The present evaluation assesses how IFP/SEED is progressing towards its objectives to promote employment through micro and small enterprise development (SED). The evaluation reviewed all major work areas and considered the validity of their design with reference to the programme's larger mandate, their strategy, their delivery of key achievements, and lessons learned. In addition, three of the five cross-cutting themes have been analysed – job quality, association building and gender equality – with attention to their integration across major work areas.
3. IFP/SEED was established in 2000. The programme builds upon several decades of SED work within the ILO, in particular the well-established Start Your Business and Improve Your Business training modules. It caters to all businesses: micro, small and medium-sized enterprises, small cooperatives and producer groups, homeworkers and self-employed, men and women in formal and informal businesses, producing independently or as the smallest units in global production chains.
4. The evaluation involved an initial desk review and rounds of interviews with government, employer and worker representatives from different regions; IFP/SEED core staff members; management and focal points within headquarters and different field offices; members of collaborating ILO units; and contacts in partnering organizations. Country-level case studies of operations in Ghana, Senegal, Sri Lanka and Costa Rica were used to assess the usefulness and provide feedback on how IFP/SEED's technical work complements and reinforces the ILO's overall small enterprise development work at policy, markets and services levels within member States.

5. The evaluation has been thoroughly documented in an evaluation report, available to members of the Governing Body on request. This paper summarizes the conclusions and recommendations with emphasis on those issues of particular interest at governance level. The evaluation has led to a number of actions by programme management and follow-up continues within the programme itself.

2. Conclusions and recommendations

2.1. Knowledge and support to member States for small enterprise development

6. Small enterprise development is highly relevant to the ILO's Decent Work Agenda. The IFP/SEED strategy has expanded ILO knowledge, advocacy and service to member States in important areas.
7. The adoption of the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189) specified four main components of an ILO policy to small enterprise development, namely the policy and legal framework, an enterprise culture, an effective service infrastructure and supporting organizations of employers and workers. Successful small enterprise development rests on a comprehensive set of conditions, policies, tools and services that need to operate in an integrated manner.
8. The IFP/SEED strategy has integrated methodologies to address low levels of productivity and income, particularly in developing countries. Enhancing the capacity of small enterprises to sustain and improve the quality of existing jobs as well as to generate new ones has emerged as a central theme that directly supports the Decent Work Agenda. The direct outputs of IFP/SEED are considerable and represent a major extension of ILO knowledge and methods for supporting small enterprises. Country case studies and project documentation also indicate that most of these products have been applied with positive results.
9. At the country level, the outcomes of IFP/SEED are seen in better business practices, enhanced working conditions and strengthened enterprise viability in often adverse economic and political environments. At the micro level, attention is focused on generating sustainable demand for small enterprise services.
10. IFP/SEED has engaged in country policy reviews and reform measures and linked micro and small enterprise policies to broader poverty reduction and employment-generation strategies. In particular, it has set as a priority country action programmes that engage national stakeholders to address policy and regulatory issues at micro, meso and macro levels.
11. Less prominent but significant and growing has been work in improving the enabling environment for small enterprises and their workers. Strengthening institutional support for employment relationships within the small enterprise sector has emerged as a prominent component of IFP/SEED's thematic work but one which needs greater attention in the next phase.
12. IFP/SEED work in business development services (BDS) has matured in recent years, with major initiatives moving demonstrably towards market-based approaches. These build upon a solid understanding of existing BDS markets, assessing local service providers' needs and potential, and accelerating cost-recovery to the point of profitability.

13. The integration of gender and poverty is evident in IFP/SEED thematic work and field activities; both cross-cutting priorities have received significant levels of resources and technical support. However, more documentation is needed to indicate how strategically both are being addressed within the core work areas.

Recommendations

14. In line with the Global Employment Agenda, IFP/SEED should distil the ILO's comparative advantage within the SED community as a facilitator of issues and themes relevant to the creation of more and better jobs for women and men. The means to increase productivity and improve job quality should be argued in a clearer and more comprehensive manner so as to highlight ILO comparative advantage.
15. IFP/SEED should build upon its work in product development by according more emphasis on promoting policies and strategies for micro and small enterprise development. This includes developing products and services of the highest quality at affordable prices, but also comparative analysis of country policies, monitoring of trends, building a database, serving as a centre for the collection and diffusion of knowledge.
16. IFP/SEED should more visibly position itself as a means of achieving decent work in micro and small enterprises in the larger sense, incorporating informal sector and local economic development strategies to address poverty and employment.

2.2. National and international partnerships used strategically

17. IFP/SEED has pursued an integrating approach built upon internal and external partnerships. While the level of collaboration is considerable and has proven effective in fostering innovative products, collaboration aimed at shared priorities over a longer period has emerged as a priority for IFP/SEED partners and the Office.

External partnership

18. In countries where programme activities take place, IFP/SEED has active working relationships with those government agencies responsible for enterprise policies and programmes. Collaboration with employers' organizations and small business associations is common. Joint action with workers' organizations is less widespread due in part to the many enterprises with few employees. Collaboration has increased in the past few years, as workers' organizations are gradually becoming more engaged in small enterprise development programmes.
19. IFP/SEED's work to expand the knowledge base and increase awareness of the challenges and constraints to organizing workers in the informal economy in selected industries sheds new light on approaches and strategies being implemented by the social partners to reach out to the informal economy.
20. IFP/SEED's mandate to reach vulnerable workers in the informal economy has prompted work with NGOs, for-profit service providers, media professionals as well as other providers and catalysts of private sector development. The flexibility to collaborate with non-traditional ILO partners has shown itself as highly appropriate to building effective and sustainable technical initiatives.

Internal partnership

21. Small enterprise development cuts across a number of issues and overlaps, and complementarities with other technical areas (such as cooperatives, social finance, training, employment-intensive investment and child labour) are common. The evaluation considered IFP/SEED's management practices to support integrated programming and found on three different levels (internal to IFP/SEED, internal across technical groups, and between headquarters and the field), that IFP/SEED has shown innovation in fostering collaboration and partnership.
22. Much of IFP/SEED's work is based in countries and coordinated with ILO field offices (particularly the small enterprise specialists) to identify and support priority areas. Using both extra-budgetary resources and the regular budget, IFP/SEED has partnered with some 16 technical units and maintains an active dialogue with field-based enterprise specialists in the ILO. Although much of its work has been linked to others in the employment sector, various forms of collaboration are under way with all other sectors and several cross-cutting units. Much of the cost of collaboration has been borne by IFP/SEED in developing new tools, manuals, joint studies, technical projects and new proposals.
23. These forms of collaboration were considered by most as beneficial. However, in synthesizing the messages received, a few concerns surfaced:
 - Partnership on a more substantive level should include joint planning in the proposal development stages and merging knowledge on a country or subregional level.
 - ILO budgeting procedures must facilitate shared implementation of technical cooperation projects.
 - Genuine reasons and interest in collaboration need to be reinforced by line management. This should include cross-sector partnerships.
 - "Ownership" of jointly supported technical tools, projects and other shared products needs more attention, particularly to avoid duplication and competition.
 - Competition for extra-budgetary funds makes ILO units reluctant to be cast in supporting roles as subcontractors to others who are more visible.
 - The TC RAM funding mechanism has not always rewarded partnership but this needs to be consistently supported. That is not to say that integration of technical work should be contrived.
 - More cooperation is needed on fielding multidisciplinary technical assistance, evaluations, and sharing of consultants.
24. Many of the issues raised do not apply uniquely to IFP/SEED; rather they suggest changes in Office-wide attitudes and practices to support longer term strategic partnership.

Recommendation

25. Building on successes with employers' organizations in Asia and Africa, IFP/SEED should increase dialogue with workers' organizations on gender issues, particularly related to women's higher rates of job loss, but also to the largely untapped potential of women micro-entrepreneurs engaged in group-based initiatives and self-managed women's organizations.

26. The Office can learn from the good practice and management style followed in IFP/SEED. Obstacles to wider and more systematic collaboration should be examined and issues highlighted in this evaluation addressed at departmental, sector and regional levels. IFP/SEED can build upon its initial successes in partnerships to deepen the level of joint collaboration. Within the Office attention should be given to joint resource use both at planning and implementation stages.

2.3. Country-level initiatives

27. At the programme level, IFP/SEED does not yet have a defined targeting policy and strategy to achieve beneficial outcomes for priority groups. The absence of such a policy contributes to SEED's work spreading thinly across an assortment of countries, sectors, occupational groups and employment statuses.
28. Of the large share of ILO regular and extra-budgetary resources allocated for small enterprise development approximately 64 per cent is centralized but with the trend pointing towards increased decentralization, particularly in Asia and the Americas (cf. figure and table in the appendix). IFP/SEED's challenge is to ensure coherence in an increasingly decentralized programme that relies on unpredictable workloads, diverse individual technical skills, and temporary staff vacancies. IFP/SEED's comparative advantage lies not in project management but in coordination and technical guidance in small enterprise development policies, methods and tools. Within this context, IFP/SEED should play a facilitating role in developing resource mobilization strategies based on technical capacities and subregional priorities.
29. Through regular review of existing projects and collaborative planning with the field, IFP/SEED could improve the continuity and complementarity of small enterprise development work across countries and support more pronounced subregional initiatives.
30. Policy advisory work is country specific. The ILO will achieve impact in the longer term where it collaborates with other major stakeholders at the national level. Operationalizing integrated country programmes requires specialized knowledge and expertise. The approach requires effective team work between experts, field and headquarters units and other partners. This is proving difficult to achieve operationally. Particularly challenging is pooling the appropriate mix of individuals to support an integrated programme. A second challenge has been to find effective means of engaging social partners in the larger policy arena, not just those areas that mirror closely their own interests.
31. Programming without strong emphasis on the country or subregional context misses out on synergies and potential to leverage success at one level to support work at another. IFP/SEED already has examples of country-level programming designed with the purpose of achieving vertical integration. IFP/SEED's pilot work in country-level strategies has high potential for increasing the ILO's effectiveness, and providing a means of supporting joint resource mobilization.
32. IFP/SEED has potential to provide technical support in developing country-level integrated programmes that effectively link small enterprises with other national and ILO initiatives. This would enable it to maximize its impact in a few countries and build successful examples from which to disseminate lessons.

Recommendations

33. Within the context of national development priorities, IFP/SEED should work with field offices to define a longer term horizon for a more ILO integrated programme linked to

broader ILO objectives. This would reinforce the demand side to IFP/SEED's work and is likely to give the ILO more visibility and credibility with countries wanting to improve their policies. IFP/SEED should continue to aim at national ownership of policy reform, with technical support services reinforcing national capacities to plan, implement and monitor more effectively small enterprise development policies.

34. Efforts are needed to increase the capacity and resources at country level to have stronger, more integrated programmes. This may require less breadth of activities and greater concentration where additional resources and opportunities for results are most evident.

2.4. Results orientation

35. IFP/SEED has applied a results-based framework to its programme strategy and has increased efforts to expand the scale of its impact. This effort has been inhibited in part, however, by an ambiguity in its responsibility for coordinating ILO work in small enterprise development. Internally, IFP/SEED's programme outcomes can benefit from increased transparency and accountability within the larger ILO small enterprise programme.

Increasing the scale of impact

36. In spite of limited progress to date, continued attention must be paid by policy-makers to the issue of scale. The more significant gaps and constraints in job quality are in the informal economy. IFP/SEED has contributed importantly to highlighting positive cases and lessons learned that make a difference. Integration of job quality into employment policy has genuine potential; however, building up from local experiences is not straightforward.
37. Larger scale impact will depend on employers' and workers' organizations and tripartite dialogue, in particular to build on efforts to link up with those working in the informal economy. One promising strategy has been based on developing cooperation with relevant stakeholders on a subsectoral level. IFP/SEED's gender initiatives have high potential for achieving scale effects when social partners make gender mainstreaming a priority. Its work also reinforces good management and capacity to deliver member States-demanded services, with emphasis on self-sustainability.
38. Finally, through international forums and networks, IFP/SEED has influenced international approaches to small enterprise development, particularly in emphasizing market and financial sustainability for business development services (BDS) and innovative media-based approaches. In addition, support is growing among these networks to use BDS and association building as foundations for pressing representation, gender and job quality. Although significant joint work has been done, the interlinkages between these could be planned more systematically so that integrated products and services are more commonplace.

Aligning roles and responsibilities, ensuring transparency and accountability

39. Currently, IFP/SEED has an ambiguous responsibility for managing the ILO's work in SED. Within the strategic planning process, IFP/SEED is tasked to propose the ILO's biennial SED technical programme, identify ILO aims and targets, and monitor and report on performance. In addition, IFP/SEED is directly responsible for implementing the brunt of the ILO's SED programme. However, as project work becomes increasingly managed

within regions, a growing share of the ILO's SED activities will no longer be coordinated through IFP/SEED.

40. The organization of work mirrors IFP/SEED's early efforts to operationalize decent work in the context of small enterprise development. Translated in three building blocks and five cross-cutting themes, this has led to a compartmentalized structure. IFP/SEED has introduced an innovative and decentralized management style based on intense technical exchanges in a transparent, non-hierarchical style. However, in spite of the drive for internal integration, synergies are not evident among all components. Moreover, efforts to streamline with neighbouring units are weak. Unit-level performance targets and indicators have not been defined and systematically applied throughout the biennia. This has weakened the focus of IFP/SEED.
41. Finally, analysis of the strategy and operations of IFP/SEED suggests that the current programme and budget indicator and target do not link well with the actual programming, implementation and monitoring practices of the programme. A revision of the targets is needed, as is a clearer link to activities and tracking of progress over the course of the biennium.

Recommendations

42. To gain in coherence, IFP/SEED should develop a set of regional and subregional programmes, providing guidance and thematic support in a more proactive manner. Regular planning and progress review in IFP/SEED combined with similar practice in the regions around key thematic components would improve transparency and coherence across the ILO small enterprise development programme.
43. The ILO needs to clarify roles and responsibilities in major themes such as small and medium enterprise development in which several units contribute. In addition to line management responsibilities, a thematic coordination responsibility should be introduced with defined attributions.
44. In the forthcoming programming period, IFP/SEED should revise its procedures for setting unit-level performance indicators and targets, to link them more directly to its programme of work.

3. Overall conclusions and next steps

45. The period reviewed, starting from 2000 with the launching of IFP/SEED to mid-2003, has seen considerable evolution towards a more comprehensive programme with significant product development and collaborative arrangements within and outside the Office. This evaluation concludes that IFP/SEED has made steady and impressive progress in building its knowledge base through a wider programme and integration of good practices to priority areas of work.
46. IFP/SEED is the central ILO capacity for managing knowledge and advocacy for small enterprise development; however, ILO competencies in this area encompass more than the IFP/SEED programme. An unresolved question for IFP/SEED and the ILO is whether IFP/SEED is responsible for the overall ILO small enterprise mandate, and if so, how this role is defined.
47. IFP/SEED seems well poised to act as a centre for technical knowledge and guidance on small enterprise development. There is room, within the current programme, to develop a

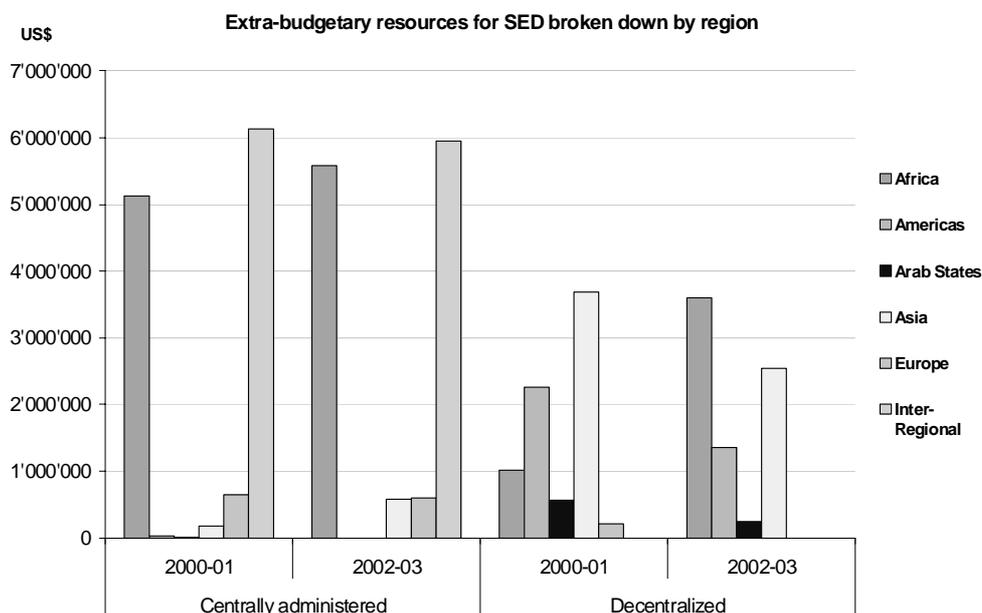
longer term integrated set of services and products with a distinct ILO characteristic appealing to international and national partners and target groups. Within this context, greater emphasis should be put on the vertical complementarity of various initiatives at the local, national and regional level.

48. Such an approach would provide a clear ground on which to build collaboration among technical groups in the ILO and beyond. Ultimately, this would give IFP/SEED a more comprehensive and shared vision, bringing together programme staff, and reinforcing more fluid exchanges with ILO field offices.
49. *The Committee may wish to recommend to the Governing Body that it request the Director-General to take into consideration the above conclusions, together with the deliberations of the Committee, in the further implementation of the InFocus Programme on Boosting Employment through Small Enterprise Development.*

Geneva, 22 September 2003.

Points for decision: Paragraph 49.

Appendix



2000-01

	P w/y	P in \$	GS w/y	GS in \$	Non-staff	Total	%
RB	22/02	3'160'302	10/04	1'091'689	1'030'861	5'282'852	17.1 (a)
RBTC						265'724	0.9
XB centrally administered						13'825'287	44.9
RB decentralized	26/00	3'715'296				3'715'296	12.1 (b)
XB decentralized						7'717'734	25.1
Total 2000-01						30'806'893	100.0

2002-03

	P w/y	P in \$	GS w/y	GS in \$	Non-staff	Total	%
RB	22/02	2'972'177	10/04	753'129	815'945	4'541'251	15.5 (a)
RBTC						160'000	0.5
XB centrally administered						13'643'295	46.6
RB decentralized	24/00	3'213'792				3'213'792	11.0 (b)
XB decentralized						7'709'604	26.3
Total 2002-03						29'267'942	100.0

(a) Includes departmental management costs, prorated among SEED, MCC and COOP.

(b) Costs of SME specialists in the field, who are primarily responsible for SED, but also cover technical units other than SEED, such as MCC and COOP.