International Labour Office

Law-Growth Nexus - A Mapping of Labour Law and Micro and Small Enterprise (MSE) Development

Quick Facts

Countries: Sub Saharan Africa: Burkina Faso, Cameroon, Ghana, Kenya, Mali, Mozambique, Namibia, Rwanda, Senegal; Tanzania, Uganda, South Africa

Final Evaluation: 26 November 2010

Mode of Evaluation: Independent external

Technical Area: Enterprise development

Evaluation Management: EMP/SEED

Evaluation Team: External consultant: Simon White; ILO evaluation manager: Mario Berrios

Project Start: January 2008

Project End: 1st Semester 2010

Project Code: RAF/08/01/NAD

Donor: Norway/NORAD (US $599,870)

Keywords: Labour legislation; small enterprise development, social dialogue, economic growth

Background & Context

Summary of the project purpose, logic and structure

The project had the general goal of promoting better business environments for workers and employers in MSEs (micro and small enterprises). The project aimed at achieving this goal through developing good practice guidelines for labour and labour related laws. More specifically, the project had the goals of (i) supporting the ILO's preparation of training and capacity building tools and guidance on good practices; (ii) informing the ILO's policy work in this area; (iii) and building the capacity of constituents to participate in policymaking. Ultimately, by developing good practice guidance on labour law and MSEs, the project aimed at helping governments to develop a legal and regulatory environment conducive both to the formation and growth of enterprises and to the realization of decent work objectives embodied in labour and labour related laws.

The project was organized as a joint initiative between the Small Enterprise Unit (SEED) at the ILO HQ in Geneva and enterprise specialists based in ILO Sub-regional Offices in the field. Project arrangements envisaged the hiring of international and national consultants to provide expert oversight, quality control, information gathering, coordination and workshops.

The 24 month project was divided into three interrelated but distinct phases covering the following:

Phase 1: a desk based mapping of labour codes and related laws and their coverage and application to MSEs in 12 countries.

Phase 2: six country case studies with illustrative examples, and tri-partite (plus) country level workshops and policy dialogues.

Phase 3: the last phase was contingent on the previous phases and on inputs from related work in Asia, Latin America and elsewhere. It aimed at drafting and publishing a guideline on good practices in labour and labour related laws and MSE development.

Present situation of project

The Law-Growth Nexus project began in March 2008 and concluded in August 2010. The ILO's Small Enterprise Programme (SEED) in the Job Creation and Enterprise Development Department in Geneva implemented the project. It was envisaged that the ILO's sub-regional offices in Harare, Addis Ababa, Yaoundé and Dakar would provide advice and support to project activities in the countries covered by these offices. In addition, the ILO's Social Dialogue Department provided occasional technical inputs.

Purpose, scope and clients of the evaluation

The evaluation report will be presented to the ILO for consideration of any future project initiatives, to NORAD as an input to their evaluation of the project and to stakeholders for lesson learning. The main clients would thus include: EMP/ENTERPRISE, ILO Geneva; relevant ILO field offices; DIALOGUE, ILO Geneva; NORAD; ILO Constituents in Kenya (Central Organization of Trade Unions, Federation of Kenya Employers, Kenya National Federation of Jua Kali Associations, Ministry of Labour & HRD) and Zambia (Federation of Free Trade Unions of Zambia (Ministry of Labour and Social Security, Zambia Chamber of Small and Medium Business Associations, Zambia Congress of Trade Unions, Zambia Federation of Employers)

Methodology of evaluation

The methods for the identification and gathering of information included sampling, selection of case studies and desk-based examination according to:

1. A desk-based examination involving an assessment of relevant country reports, policy briefs, and documents of the Law-Growth Nexus project.
2. A qualitative survey and/or interview involving between 7 to 10 stakeholders to be drawn from the sample of contacts listed in the Annex.
3. As needed, inclusion of other project stakeholders (donor, ILO staff including field offices, etc) in the qualitative survey and/or interview.
4. Focused comparisons, particularly on the design, of the project approach in relation to a similar ILO project in South Asia, the "Labour-related laws and the SME Growth Trap in India, Nepal, Sri Lanka and Bangladesh".
5. Zambia and Kenya were used as the two case studies to illustrate the results of the project.

Main Findings & Conclusions

The report presents the findings of the independent, external evaluation of the Law-Growth Nexus project. With a total budget of US$599,870, this was a relatively small project, yet it set ambitious goals to deal with a topic of great importance to the work of the ILO.

The ILO in Geneva commissioned Simon White to undertake the evaluation to provide an overall assessment of the project design and the results the project achieved. The evaluation was also conducted to compare the project with a similar Norad-ILO project underway in South Asia, known as the Labour-Related Laws and the SME Growth Trap Project. The Law-Growth Nexus project was found to focus more on informality issues than the South Asia project, which appears more concerned with enterprise growth and responding to "growth traps" in the legal and regulatory framework. The Africa project was more ambitious in its scope when compared with the South Asia project.

The Law-Growth Nexus project was designed as an action-research project. It sought to collect information on the issues surrounding labour law regimes and the extent to which MSEs are able or encouraged to comply with these. It looked for good practices in the design and application of labour law and labour-related laws in relation to MSE employment and sought to distil these practices into lessons learned and recommendations for policy makers, social partners and practitioners.

The project has its origins in research conducted by SEED since 2003, which led to substantial attention being given to this topic in 2006 by the ILO's Governing Body's Committee on Employment and Social Policy. The Committee's discussions focused on the dilemma of striking a balance between minimizing the cost of the regulatory burden on MSEs and enhancing the prospects for competitiveness and growth, without compromising the application of International Labour Standards. One of the outcomes of the discussion was the encouragement the Committee gave to the ILO to examine the "win-win territory" where it is possible to reduce compliance costs for MSEs and simultaneously improve protection for workers in those enterprises. It was within this context that the Law-Growth Nexus project was conceived.

The Law-Growth Nexus project was designed to contribute to filling the gaps in information and knowledge regarding the influence labour and labour-related laws and regulations have on MSE employment and particularly on the growth prospects of MSEs, their decisions regarding formality and the quality of the jobs MSEs create.

The project's **achievement towards its outputs** is summarized below.

OUTPUT	**PROGRESS TOWARD OUTPUT**
The labour code and related laws and their coverage and application to MSEs in about 12 countries mapped.	**Fully Achieved:** 12 countries mapping reports produced (Burkina Faso, Cameroon, Ghana, Kenya, Liberia, Mali, Mozambique, Rwanda, Senegal, South Africa, Tanzania and Zambia).
Six country case studies elaborated which present interesting examples or innovative approaches to the application of labour and labour related laws in MSEs.	**Fully Achieved:** Six country reports produced (Kenya, Liberia, Rwanda, South Africa, and Zambia) – these were extended versions of the Phase 2 reports). Three national workshops conducted (Kenya, Liberia and Zambia) and workshop reports produced.
Support to the implementation of agreed labour law/administrative reforms in one country	**Achieved to a very limited extent:** The project provided technical contributions to the MSE Bill in Kenya and the draft Employment Act in Zambia, but these reforms have not focused on labour law or administration and have not been completed. The publication of a guide and the preparation of a training package have not been completed.
Improved social dialogue centred on labour and labour related laws and MSEs	**Partially Achieved:** While the project facilitated social dialogue in Kenya and Zambia (and held a workshop in Liberia), it cannot be claimed that dialogue on this topic has been improved. Partial achievement is assessed on the basis that the research reports have better informed dialogue on this topic.

The **project's results** are assessed against its progress in meeting the indicators assigned to the immediate objective: "Good practice guidelines for labour and labour related laws for MSEs developed". These are summarized below.

IMMEDIATE OBJECTIVE INDICATOR	**PROGRESS**
Development and adoption of good practices or policy reforms by governments	**Achieved to a very limited extent:** There was no evidence found that participating governments have adopted good practices or reforms. However, the project appears to have contributed to the promotion of good practices and the design of reforms which may be realized in the future.
Guide and training materials prepared	**Achieved to a very limited extent:** A first draft of the guide has been prepared, but was not completed by the end of the project (i.e., 31 August 2010). The training material has not been prepared and is not even at the stage of a complete draft.
Establishment of tripartite dialogue on policy reform in six countries	**Achieved to a very limited extent:** While the project facilitated social dialogue in Kenya and Zambia (and held a workshop in Liberia), it has not come close to establishing dialogue in six countries.

Overall, the project has not achieved its outputs and results to the level of its ambition. This appears to be, in part, because the scope of the project was broad, while the timeframe and funding was limited. In addition, a poorly formulated logical framework set goals that were very difficult to achieve. Furthermore, a decision to shift focus mid-way through the project and attempt to support reform processes in two countries rather than one created a situation where resources where more disbursed and led to the project not being able to complete two of its major anticipated knowledge products.

However, it would be wrong to conclude that few results were produced. At the global level, the project has contributed to establishing the issue of labour and labour-related laws and MSEs as an important and relevant field of enquiry and assistance in the promotion of sustainable enterprises. The project has forged links with the ILO's Social Dialogue Department and while there have been tensions found in this relationship, it is clear that an MSE perspective can contribute significantly to the ILO's broader body of knowledge and work in this field.

At the country level, the project supported social dialogue on the topic in Kenya and Zambia. While this dialogue does not appear to have been as broad and inclusive as some country-level respondents would have liked, it is clear that a good start has been made. Many social partners in Kenya and Zambia are now more aware of the issues affecting MSE compliance with labour and labour-related laws and informality and it is hoped that this will contribute to longer term efforts to better understand these issues and improve the business environment. The project has also contributed to reform efforts underway in Kenya and Zambia, although these reforms have not been completed.

The ILO's Small Enterprise Programme (SEED) in the Job Creation and Enterprise Development Department in Geneva implemented the project. While it was originally envisaged that the ILO's sub-regional offices in Harare, Addis Ababa, Yaoundé and Dakar would provide advice and support to project activities in the countries covered by these offices, the overall impression gained through interviews with ILO field staff and country-level respondents is that the project was highly centralized and did not create sufficient opportunities for local engagement in key project management and strategy decisions. These respondents indicated that there were no local assessments undertaken before selecting the countries in which the project would operate. However, this view is strongly disputed by the Geneva-based project managers who indicated that ILO field officers were engaged to undertake the relevant consultations and assessments.

The management team formed in Geneva performed a loose advisory function, rather than providing clear managerial guidance. However, interpersonal conflicts appear to have hampered project coordination and collaboration. The linkages between this project and the Labour-Related Laws and the SME Growth Trap Project in South Asia were poor. These could have been improved through better knowledge management in Geneva, such as through the sharing of reports and methodologies across project personnel.

The greatest criticism of the project stems from the lost opportunities in distilling key research findings, lessons learned and good, best and bad practices. The project generated a high volume of useful information that has not been properly synthesized and used to produce information products that could shed more light on the law-growth nexus. The six hypotheses on which the project was based provided a clear and valuable focus for research, but these were not pursued. The testing of these hypotheses would have produced extremely valuable information for the ILO, especially SEED and the Social Dialogue Department, as well as the ILC and constituents.

Greater attention could have been given to involving country-level project participants in the overall project activities. Rather than focus only on the results of national research and dialogue, the project could have shared the results of other country studies and involved these participants in activities that distil key findings, lessons and practices. This would have built local ownership and capacity, and would have strengthened the sustainability of the project's achievements. However, it is recognized that the project's budget was limited and such levels of local engagement could not be accommodated.

The report concludes with a list of lessons learned in project design and management, followed by recommendations for the future. Among these, it is proposed that greater attention should be given to designing platforms (i.e., events, publications or web-based mechanisms) that can be used to distil key research findings and discuss these in order to ensure the project's investigations are relevant and contribute to the broader body of knowledge in the field. When designing a project that engages the social partners or any other project partner, ILO field specialists should pay special attention to identifying current related activities occurring at the country-level and consulting with these partners as the project is designed or when its design is validated (i.e., at the inception stage).

Lessons Learned & Recommendations

Lessons learned

Two kinds of lessons learned are presented below: lessons in project design and lessons in project management.

Lessons in project design

The following lessons in project design can be drawn from the findings of this evaluation:

- This project has suffered from the combined effects of high ambition and low budget. The lesson to be drawn from this is the need to be realistic when proposing results based on the project's budget, timeframe and scale (i.e., number of participating countries).
- Care should be given to designing a logical framework for a project of this type (i.e., a short-term action-research project). The products or outputs produced by the project should be clearly defined and achievable within the timeframe, while the results or outcomes of the project should be based on how the products are used and the relative contribution these can make to the broader development objective.
- Supporting policy, legal or regulatory reform, including the reform of administration and enforcement institutions, takes time. Unless there are compelling reasons to the contrary, short-term projects such as this should not attempt to support these reform efforts directly and should not measure their success on whether or not these reforms were effectively completed.
- When designing cross-country comparative research studies, care should be taken to ensure these studies apply a common analytical framework that allows the results of national research findings to be compared with other countries.
- Greater attention should be given to designing platforms (i.e., events, publications or web-based mechanisms) that can be used to distil key research findings and discuss these in order to ensure the project's investigations are relevant and contribute to the broader body of knowledge in the field. This includes knowledge that informs the content and presentation of technical assistance, social dialogue and capacity building. These platforms should not be reserved for use at the end of the project only, but should be used regularly throughout the project, such as at the end of each phase.
- When designing a project that engages the social partners or any other project partner, special attention should be given to identifying current related activities occurring at the country-level and consulting with these partners as the project is being designed or its design is validated.
- When similar projects are implemented in other regions, clear elements of reference should be established to allow for useful comparison, lesson learning and common and different issues.
- Given the complexity and numerous issues involved in labour and labour-related laws and MSE development, consideration

should be given to whether to focus only on a limited set of issues so as to provide for a better and more detailed treatment of issues.

Lessons in project management

The following lessons in project management can be drawn from the findings of this evaluation:

- The initial stages of a project should involved the preparation of a project inception report, which contains a more detailed articulation of the original project document and outlines the ways in which the project will be implemented, managed and monitored. The inception report should also identify any requirements for baseline information and should describe the monitoring and evaluation system the project will employ. It should clearly describe the division of responsibilities and accountability within the project, the technical resources needed, the means of coordination with different units and field offices, and the mechanism through which other technical experts and ILO units can give advice and guidance.
- While a project such as this combines action (i.e., social dialogue, capacity building, technical assistance) with research, it can be easy to lose the balance of these. Project management requires a careful monitoring of these components in order to ensure this balance.
- While is it accepted that a project of this kind will rely on local consultants, care should be given to monitoring and ensuring the quality of this work. This applies to the quality and relevance of the research methodologies employed by national consultants, as well as to the quality of the writing and the structure of the reports produced, and the analysis of the research findings. It is too easy for research reports to simply describe research findings, rather than to analyse these findings in more detail and formulate lessons, recommendations, principles or trends that can provide a more valuable input to a research and knowledge-based project of this sort.
- Research and knowledge-based projects of this sort should pay close attention to the distilling of research findings and the outcomes of dialogue processes. This requires careful attention to the documentation of project processes, including the documentation of workshop proceedings and outcomes. Special attention should be given to ensuring cross-country comparisons are formulated and shared with all project partners and other clients of the project (e.g., ILO Social Dialogue Department).
- Coordination with the implementation of similar projects in other regions should be defined with clear targets, coordination mechanisms and activities, and timing to ensure that synergies are developed.
- Clear methods of monitoring are required, along with deadlines for mid-term evaluations that allow for adjustments during project implementation.

Recommendations

The following recommendations are presented for future similar projects, including the forthcoming second Law-Growth Nexus project that is planned for 2010-2012 in Kenya, South Africa and Zambia:

1. The Law-Growth Nexus project should not move on to a second stage without completing the following:

a. Finalise the country reports that the project produced that are currently still in draft form.

b. Complete the law-growth guide — ensuring that this guide focuses on the six hypotheses used to frame the project and identifies specific lessons. The guide should be presented in a short summary form of about six pages as well as in a more extended form of about 50 pages.

c. Based on the information contained in the guide, the project should prepare a project termination report that identifies the outstanding research questions that the project has been unable to answer and any new research questions that have emerged during the project.

d. Complete the training package. These should be done in close liaison with the Enterprise Department of the International Training Centre, Turin, Italy.

2. The Nexus 2010-2012 project should take care to specify the anticipated outcomes of any technical assistance it offers. As a short-term project, this assistance has to be carefully timed and relevant to the dynamics of any reform processes that are occurring on the ground.

3. Clear processes and mechanisms should be established to ensure that information and research findings are shared between the Nexus 2010-2012 project and the current South Asia project in order to compare these results and better understand the dynamics of the labour-growth nexus. This could be achieved by appointing one or two staff who are linked to one project to sit on the management committee of the other project, or through a joint-seminar or conference, or through the production of a joint report.

4. The ILO should host a global conference on the labour-growth nexus that presents the findings of the Africa and South Asia projects and the implications of these findings for the work of the ILO and its technical programmes. SEED and the Social Dialogue Department should jointly organise and host this conference. Obviously, funds would have to be mobilised for this event.

5. A clear monitoring and evaluation framework should be established within the first two months of the project.