



Evaluation Summaries

Evaluation: Strategic Approaches towards Employment Promotion (ILO/PEP)

Quick Facts

Country: China

Final Evaluation: April 2005

Mode of Evaluation: Independent

Technical Area: Small enterprise Development

Evaluation Management: Asia

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Project Start: April 2001

Project End: March 2005

Project Code: RAS/00/06/JPN

Donor: Japan (US\$ 1,628,398)

Keywords: Micro & small enterprise development, Laid-off workers, Business start-up training, Credit guarantee fund

Background & Context

Project Background: The first phase of the project (1997-2001) targeted under-employed rural laborers to create additional income opportunities in 23 counties of Gansu, Hebei, and Jiangxi provinces. Based on the findings of Phase 1, the Ministry of Labor and Social Security (MOLSS) entrusted the project with addressing the issue of laid-off workers from State-owned enterprises (SOE) in the urban areas. It was expected to contribute to socially responsible restructuring of such enterprises by providing alternative employment channels to the laid-off workers.

The project was implemented in collaboration with MOLSS at the national level, and the pilot activities were managed through the local Labor Bureaux of the selected pilot cities. At

the local level, vocational training institutes, banks, and credit guarantee companies are the key partner organizations in delivering services to the target groups.

The project integrated business start-up training and financial support services to laid-off workers who wish to be self-employed rather than just waiting for new wage employment opportunities to come. Specifically, two kinds of instruments were used in the project: Start Your Business (SYB) and Credit Guarantee Fund (CGF). These tools were adapted at the national level and tested in the local context.

Evaluation Context: The purpose of the evaluation mission was to provide the ILO Beijing Office and MOLSS with a technical review of the project achievements. Necessary post-project arrangements are to be agreed upon by both parties based on the recommendations in the evaluation. The result of the evaluation is also expected to give future strategic direction of the employment promotion activities of the ILO in China. In particular, the implication of the project for developing more integrated approaches for job creation, using ILO technical tools, should be reviewed.

Implications of the project as part of the ILO/Japan Multi-bi Program may also be drawn for the future development of the ILO/PEP elsewhere in the Asia and the Pacific region.

Main Findings & Conclusions

Generally, the project has been both a pioneering and pace-setting project for China's unemployed persons. The impact of the project has been very strong in that the pilot experiences of PEP have influenced government policy making. The biggest success of PEP is that start-up training as such has become an accepted way of job creation with the labor authorities, and that implementing the SYB start-up training model has become the preferred model for assisting unemployed persons and job seekers to get into business and thereby create jobs for themselves and other persons.

Both in Baotou and Jilin, small enterprise (business start-up) associations (SEA) were established by the SYB trainees. Their main role is mutual assistance among small entrepreneurs and the establishment of a network.

The sample survey of SYB trainees in the PEP cities has revealed a stronger participation of males (58 %) as opposed to females (42 %), but also shown that women stood equal chances in completing business plans and obtaining loans as their male co-participants. Furthermore, 60 % of all new employment opportunities created went to women.

The success of the project is reflected in a number of policy documents. It is also reflected in the strong motivation of the government to replicate the experience to the whole country, by ways of launching the Start and Improve your Business (SIYB) program which expects to multiply the PEP experience exponentially, and not only by simple multiples.

Recommendations & Lessons Learned

Recommendations: Issues remaining from PEP implementation and thus recommended for mitigation during the SIYB program are:

Delinking training from credit: While training may be helpful to pay back a credit, this is not true if the applicant already has the competences required, and merely seeks to

participate in the training in order to obtain a loan. In the latter case, a slot of training is wasted. There is a need to visibly delink the credit from the provision of the training in order to correct for this.

Maintaining good relations between banks and credit guarantee institutions: For a credit guarantee fund to remain a sustainable operation, it is important that the fund pays its guarantees out promptly when there are any defaults, and does not attempt to negotiate with the bank on behalf of those businesses which default. While benevolent in intention, this undermines the creditworthiness of the credit guarantee fund or company concerned, and thereby the sustainability of the whole scheme.

Increasing the leverage of the credit guarantee funds: Considering the current (acceptable) default rate, increasing leverage should be negotiable with the banks involved. Unfortunately, not even the currently agreed (low) leverage is exhausted by the credit guarantee funds. More unemployed persons with feasible business plans should benefit than currently benefit.

Enhancing the knowledge of trainers: Trainers under PEP have not been able to expand much beyond the course contents for the benefit of their trainees. It would be recommendable to recruit trainers with previous business experience, or provide trainers with internships in privately run small businesses in order to increase the trainers' own exposure to business operations.

These issues certainly do not reduce the overall impact of the project. However, they limit efficiency, effectiveness, and potentially sustainability in the medium term, and thus are serious enough to warrant proper attention.