



**Operationalizing
Pro-Poor Growth in
Ethiopia and Madagascar**



**An ILO project funded by the Swedish
International Development Agency**

1. Introduction

‘Operationalizing Pro-Poor Growth in Ethiopia and Madagascar’ is an integrated project funded by Sida¹). The original budget was US\$ 461,153 in Ethiopia while US\$ 486,000 was for Madagascar. Its objective is to promote the integration of employment in national policies for economic growth and poverty reduction in line with the 2004 Ouagadougou Summit of African Heads of State and Government on Employment and Poverty Reduction. Ethiopia was selected alongside Madagascar as the project’s two focus countries, and the technical expertise of a number of key departments within the ILO’s Employment Sector contributed to the design and part-management of interventions.

The Pro-Poor Project consists of three inter-related components:

- Component I is aiming at integrating policies for productive employment into development and poverty oriented policies to demonstrate how a stronger employment focus could improve the positive effects of economic growth. Policy inputs were to be informed by the experience emerging from components II and III.
- Component II developed interventions to address existing skills gaps in, so as to improve the employability of workers and the competitiveness of small enterprises. To promote a more equitable access of the poor to market opportunities, this component also looked at integrating small enterprises into higher national and global value chains.
- Component III aimed at contributing to improved decent job opportunities in rural infrastructure through the use of labour-based approaches. In Ethiopia mainly through studies, while construction of infrastructures was part of the project in Madagascar combined with support to capacity creation association-building among beneficiaries, decentralised administration and small enterprises.

The project’s time frame was originally two years: February 2006 to March 2008. It was subsequently extended to September 2008 in Ethiopia and December 2008 for Madagascar. An evaluation was included in the project agreement in order to provide an objective view of what had been achieved. The evaluation was further discussed at an ILO-Sida bilateral meeting in Geneva in January 2008. This report presents a synthesis of the findings and recommendations of the two evaluation teams, fielded during the second half of October 2008.² The 2 evaluation teams had the full cooperation of all involved parties and access to the relevant reports and documents. The teams visited the field projects and met with beneficiaries. Comprehensive financial reports were not available for either of the two projects and issues such as cost-effectiveness is not adequately covered.

¹ Swedish International Development Agency, in Madagascar NORAD and UNDP made co-financing available

² Please refer to the two Evaluation Reports: “Operationalizing Pro-poor Growth in Ethiopia” and “Projet Croissance Economique Pro-pauvres « ; ILO 2008.

2. Background and Rationale

Both Ethiopia and Madagascar are poor countries; globally, they are placed as no 169 and no 146 out of the 177 countries on the UNDP Human Development Index³. In both countries the rural population forms around 80 percent of the entire population, mainly engaged in small-holdings and suffering from underemployment. The economies are not able to absorb the under- and unemployed as the number of jobs generated annually is far below the population increase. Women and youth in the rural areas are particularly vulnerable groups on the labour market.

ILO had been working in both countries for decades and both countries had expressed a need for support to develop their development policies with regard to the employment dimension.

3. Evaluation Findings

Relevance, Coherence and Design

Relevance was high at the time of formulation because unemployment and especially underemployment has grown since then and because employment has become a priority for both governments. Madagascar is more advanced as it now has an employment policy while Ethiopia, with the assistance of this project is in the process of developing such a policy. In both countries employment has now been included in the poverty reduction plans.

Coherence with ILO's and SIDA's priorities: The project is aligned with ILO's priorities to advance opportunities for women and men to obtain decent and productive work and to strengthen the dialogue on employment-related issues. In addition, component 3 builds on ILO's successful experience in developing an economically sound approach for road construction based on local human resources, local building materials and the development of SMEs in the construction sector, in Madagascar and other countries.

The project design appears adequate with the main focus on developing strategies for employment promotion and two sectors chosen to illustrate how such a policy may be made operational. However, although skills development as well as labour-based infrastructure may potentially play an important role in employment creation, the relevance of "pilot" activities may be questioned in relation to making policy arguments. The project document does not describe any common strategy to orient the project as a whole or to develop synergies between the various components. These are designed as three independent projects without linkages between them. There might have been a scope to link components 2 and 3 with component 1, channelling good practice and lessons learnt at the local level to feed into policies supported at the national level. But the project did not include any knowledge management system to share information with national stakeholders, so this did not happen.

Design resulted in limited national ownership. The project design was driven by ILO Headquarters but national stakeholders were consulted. The project finds its origin in a set of three regional projects, financed by the government of Sweden and implemented by ILO, aiming at promoting

³ 2005 figures, published in 2007.

employment in both Madagascar and Ethiopia⁴. An ILO Headquarters mission was fielded to gather information and a specific project document was formulated in April 2006, in accordance with the overall framework set by the regional projects. In Madagascar an agreement on project execution was signed as late as October 2008, upon the government's request and when the project was almost completed. In Ethiopia, a separate project document was only developed prior to the formal start of the project and attached to the ILO/Government Agreement, which was signed in January 2007.

The project design did not cover implementation arrangements adequately. There is no indication of what national agency should host the project and the functioning of the tripartite committee to oversee project implementation is not specified. There is also no overall management structure to coordinate and monitor project implementation. This lack of a unified structure contributed to the lack of an overall project implementation strategy and coherence amongst components. There is no clear division of management responsibility between ILO headquarters, the sub-regional office in Ethiopia, the country office in Madagascar- and the national parties.

Project Achievements: Effectiveness, Impact and Sustainability

Both in Ethiopia and Madagascar the project was successful in producing most of the desired outputs and has achieved its objective on the national level. It has successfully promoted the inclusion of employment as a priority in the development strategies of the two countries. Both components 2 and 3 contributed to the achievement of the development objective by generating employment for the poorer segments of the target population. This contribution, however, remained minimal as the number of beneficiaries is low.

Both components 2 and 3 were designed with the intent of providing implementation lessons to feed into policy making. However, the project size was too small and its duration too short to make an effective demonstration for possible up-scaling. In addition, there was no information/reporting system in place to secure that lessons learned were capitalised at the policy-making level.

With regard to Component 1:

Ethiopia:

A comprehensive document related to employment-centred pro-poor growth is in place with government ownership as a result of a participative approach. A National Workshop has taken place and targeted senior technical experts responsible for the planning and operations of Government Ministries. Gender issues were fully integrated in both the analysis and the substance of the document. The federal-federal-level discussion of the document are planned to be followed up by region-based consultations.

Madagascar:

⁴ RAF/05/62/SID - "Building a common policy understanding at country level on operationalizing pro-poor growth"; RAF/05/63/SID - "MSEs and Skills Development in Value Chain Upgrading"; and RAF/05/64/SID - "Creating decent and productive employment opportunities through local resource-based investment policies and practices for agriculture".

The project has contributed to include employment as a priority in the country's development strategies. With support from the project, the National Programme to Support Employment (NPSE) was approved by the Parliament and substantially reflected into the Madagascar Action Plan, which now includes employment as one of its priority sector, and into sector programmes. Studies conducted on the positive impact of employment-based construction of public infrastructure on direct employment and on macro-economic variables, have made the GOM push the idea of increasing the portion of public investment programme implemented through employment-based approaches.

Impact and Sustainability

The direct impact of component 1 on the creation of decent employment can hardly be measured. There are no information systems in place to provide comprehensive and reliable data on employment. However, in both countries support to policy development has resulted in the adoption of the approach at the highest level. In addition, the participatory processes that generated the policy documents are likely to have contributed to the promotion of employment as a priority both in the poverty reduction programmes as well as in the related sector programmes. In both countries the adoption of employment as a national priority is a new, important development. It should, however, be noted that the problem for the poor is not so much to secure employment as it is to secure decent employment, i.e. one that generate sufficient income to avoid poverty.

The two central policy documents are likely to be sustainable, especially in Madagascar where the NPSE now is official policy. The two Ministries of Labour have taken full ownership of the process. The studies on integration of employment considerations in public investment programmes offer a good potential for facilitating the inclusion of employment in sector policies and public investment planning. Such inclusion would probably require the establishment of a policy unit to assist the line ministries in integrating employment in their policies and investment programmes. There is a very favourable context for creating such a unit in both countries.

The social partners in both countries have formally been involved in the process; but they are fairly weak institutions in need of capacity support.

With regard to Component 2:

The component has contributed to the achievement of the development objective by generating employment for the poorer segments of the population. However, the approach applied appears to be of limited value for the larger scale on which a national employment programme must operate. Where the component is focusing on the community level, value chain development should rest on a larger basis, such as a whole production sector or a region. Furthermore, the component is implemented in a project setting and therefore relies on a parallel structure for its implementation. There is no national ownership over the approach.

Ethiopia

Training in the areas of product development, design skills, business management, and linkages with buyers and exporters has exposed women weavers in the outskirts of the capital to new skills and contacts, enabling them to get a better price for their products. There has been a three-fold increase in earnings made from value-added products. Learning how to use natural dyes and recycled material has kept training at a practicable level for poor women with little additional income to invest in business development.

Madagascar

137 persons, including 115 women, were trained in textile production, green beans production and stone quarrying, 77 persons are still applying the skills acquired through economic activity, which is a fairly good success rate for introducing new activities into rural communities. The project has thus proven a potential for developing the rural economy this way. In terms of targeting the vulnerable rural poor, the component has been successful. A study of the beneficiaries prior to the support revealed monthly cash incomes for the involved families of USD 4-10 per month. Women form the majority of the beneficiaries and they are generally more vulnerable than men.

Another sub-component provided support to young and vulnerable urban job seekers through a network of public and private organisations offering Information and Advice on Professional Orientation and Employment (ICOPE). Training was organised for 14 persons, of which 8 women. Trainees were drawn from six organisations in both the public and private sector. Six months after the training, the project reports that around 80 persons have found a job through the project-assisted network. There is no information available as to how many of them belong to the target group of vulnerable groups. However, each organisation in the network has its own agenda and there is no formal collaboration between them. There is no joint roster of jobs or potential candidates. The project should have had a key partner identified from the onset.

Impact and Sustainability

At community level, the activities of the beneficiaries are in their first year of implementation and have not yet borne full revenue. Expected impact on the cash revenue of the 88 families involved in Madagascar is an increase from USD 4-10 to a level of USD 14-60 per month. These increases can be put in perspective with the official minimum wage, which amounts to USD 39. In Ethiopia, the female weavers have seen a three-fold increase in earnings made from value-added products: from around US\$ 1 to 3, or from US\$ 10 to 30 per woven item.

The economic activities at community level will be sustainable if the beneficiaries continue to find them interesting and profitable. All the beneficiaries questioned by the evaluation mission expressed their interest in continuing. They are however, dependent on market conditions; if markets shrink, beneficiaries will see their income shrink as well.

With regard to Component 3

The project in Ethiopia was aimed at undertaking studies and creating capacity at regional level, whereas the project in Madagascar financed rural infrastructures and created capacity linked with management of infrastructures. The component were successful in producing the outputs,

The results of the comparative studies of the potential impact of labour-based (lb) approaches versus equipment-based (eb) showed interesting and convincing results in both countries as the exclusive use of employment-intensive approaches would have led to:

	Financial cost of investment lb/eb	Annual Growth rate lb/eb	Job creation lb/eb
Madagascar	18%	203%	230%
Ethiopia	54%	170%	165%

The results show that the financial cost of utilizing labour-based methods is far lower than equipment-based costs; the impact on the national economy means almost a doubling of the growth rates since far less is imported while far more is spent on local procurement. The labour content is higher and many more jobs are created.

Ethiopia

2 studies were produced: a comparative study on the impacts of labour-based versus equipment-based methods and another on the constraints to the wider use of labour-based technology in infrastructure development. Both studies are of good quality and the target institution of the support, the Ethiopian Road Authority, expressed satisfaction with the studies undertaken. They intend to use the results in their planning and wish to further the use of labour-based methods. In fact the Ethiopian Road Authority expressed a wish to see a close collaboration with the ILO with regard to both the planning and implementation of feeder roads. The need for collaboration has increased since it has been politically decided to increase the feeder road network from around 44,000 km to more than 180,000 km.

A third activity was the creation of Employment and Investment Policy Units with two regional governments. However, the output proved irrelevant since the regional governments already had existing structures, which they would use. This is an example of the consequences of lack of national ownership over the formulation of the project.

Madagascar

Component 3 worked in collaboration with component 2 and rehabilitated and/or improved 63 km of rural roads securing access to four villages targeted under component 2, and constructed 3 buildings of a total of 277 square meters surface. In addition, the two communes involved and the communities along the rehabilitated roads were strengthened by being trained in the management, finance and maintenance of infrastructure. The component was managed by *Cellule d'appui aux projets HIMO*, an ongoing ILO project financed mainly by Norwegian funds (NORAD). The component had two phases because the original Sida budget of US\$ 90,548 was increased in 2007 with US\$ 330,035. In addition, NORAD contributed with US \$ 176,014 for studies and UNDP US\$ 60,000 for capacity creation with the communes.

Works were contracted to consulting engineers for design and supervision and to small and medium sized contractors for the actual works. The Training Centre for Labour-based Infrastructure (*Centre de formation HIMO*) was the contractor for around 15 km of roads as well as for the buildings. This has had the additional benefit of providing training for small contractors, communal technical staff and for the beneficiaries. The works are of good quality.

Communes will own and manage the rural infrastructure constructed under the project. However, as they do not possess much experience in this field, five officials from each commune (including the mayors) received training with regard to infrastructure management, financing and maintenance.

Impact and Sustainability

The Ethiopia project was limited to studies, the reason why discussion of impact would not be adequate. In Madagascar, the roads rehabilitated connect the seat of the communal administration with villages in fertile valleys that have a potential for agricultural production. While they are in use, motorised traffic is still limited, nonetheless access have been opened up, which should result in a reduction in transport charges, thus in higher incomes for the farmers bringing their products to

market. Access to health centres and schools has also improved the benefits for schoolchildren and patients.

Both the Ethiopian and Madagascan authorities have expressed an interest in adopting labour-based methods for road construction and maintenance to a larger extent than hitherto. This is partly a result of a continued ILO involvement in this sector over a long period of time. The present project has supplied the basic information regarding obstacles to and advantages of the approach; and it has thus facilitated and informed policy development. The adaptation of the approach is an indicator of the short-term sustainability of the approach.

4. Conclusions and *Recommendations*

Employment Policy. The project coincides with a turning point in the way employment is taken into consideration in national policies and programmes. Employment, which was hardly mentioned in the first poverty eradication programmes, is now amongst the national development priorities of both countries. The project has certainly contributed to such an evolution, by providing support to the preparation and consensus creation around the development of an employment policy. In this new favourable context, other activities promoted by the project assume particular relevance, specifically the set of studies on integrating employment in public investment programmes and the development of new approaches to promote employment at the local level.

While the project is coming to an end, it has made considerable advance in the employment sector in both countries. Continued ILO support will be decisive in the coming months to secure the success of ongoing processes, which may lead to important outcomes

Employment Indicators. Employment has become a priority in both countries and is integrated into poverty eradication programmes. One implication is that the employment situation needs to be closely monitored and reported on; i.e. making available reliable statistics on employment. Neither Ethiopia nor Madagascar has such a system in place and both ministries of labour have expressed a wish for ILO assistance to establish a labour market information system, which can supply the required data. In Ethiopia, the project fits well with Sidas country allocation plan, which makes provision for support to employment issues and to women's entrepreneurship. Sida is the donor agency responsible for employment indicators and there is a potential for collaboration.

The ILO should support the two countries with regard to provision of labour market information, with special emphasis on the informal sector, which accounts for most of the employment. In Ethiopia, discussions should be held with SIDA concerning future collaboration about this issue

Infrastructure 1. Component 1 capitalises on ILO's long experience in promoting a comprehensive package for developing employment through increased use of local resources, both manpower and building materials, in the construction of public infrastructure. Studies carried out by the project provide an essential building block in achieving the missing piece of the package, i.e. the mainstreaming of employment-intensive approaches into programming at budgeting public investment, where infrastructure represents between 40 and 50% of total public investments. This opens up extensive opportunities to develop employment through the use of employment-based methods in the construction of public infrastructure as well as in the production of building materials and tools.

The overall policy context is now favourable to achieving such a development in Ethiopia and Madagascar *for which additional support should be mobilised by ILO in the near future.*

Infrastructure 2. Collaboration in the new “employment friendly” environment might also result in the contracting of ILO’s expertise by national authorities: such as in the area of road construction and maintenance.

The present situation presents an obvious opportunity to expand ILO involvement: (i) there is a need to develop policies and strategies, (ii) to enhance the capacities of both the private and public sector and to (iii) reinforce implementation capacity directly. The ILO should appreciate this opportunity and be prepared to compromise on the ideal approach it has developed from its own project experience.

It is a situation, which might put an end to the era of pilot projects at a limited scale in exchange for a stake in large-scale programmes. Ultimately, the difference means going from being the sole agency implementing a 500 km project to lending expertise to a programme building many thousand km of roads.

Skills Development. Component 2 introduces a new approach to employment and income-generation, which has a good potential.

However, if it is to be introduced as part of a national employment promotion programme, *both organisational arrangements and cost-effectiveness need to be reconsidered.*

Design. The project design was driven by ILO Headquarters without any clear implication of national stakeholders. Agreements on project execution were signed with long delays after the project had started. In addition, there was no mention of any executing agency or hosting institution in the project document. This lack of involvement of national stakeholders generated limited project ownership and insufficient integration in national institutions. Striking a balance between the development of project concepts at HQ and their elaboration at the field level appears to have been difficult. The obligatory step of having an agreement in place before project activity can start in Ethiopia, added lengthy time to a process that moved forward much quicker in Madagascar; where the government is less formal with regard to development cooperation.

It is recommended to the ILO to do much more to address real decentralization and national ownership over development cooperation.

Financial Accountability. Delays with disbursements, not knowing what funding was available against what had been spent and having to respond to partners that approval had to be obtained from ILO Geneva for spending adjustments, were real constraints in the present project. The project was not able to present a financial report to the evaluation, indicating budgets and expenditures by component. The two recipient governments had requested financial reports but had not received any hitherto. This is in clear violation of international agreements on how development cooperation works and prohibits the recipient government from presenting valid accounts of the inflow of

foreign aid to their parliaments and to the donor community. It leaves the impression of the ILO not being a serious player in development cooperation.

The ILO should immediately sort out its financial management system and introduce measures, which secure full accountability.

5. Lessons Learned

Strategic Approach. The project has been successful in promoting pro-poor employment policies. The link between policies and sectoral strategies and programmes has become evident for policy makers in the two countries. Policy development has capitalised on ILO's long experience in promoting a comprehensive package for developing employment through increased use of local resources in the construction of public infrastructure. Studies carried out by the project provide an essential building block in achieving the missing piece of the package, i.e. the mainstreaming of employment-intensive approaches into programming at budgeting public investment. Combining the experience of several ILO departments in a single project is obviously a good idea and should be replicated.

Promoting institutional change and policy development. National ownership is a necessary condition to bring about institutional change and to contribute to policy development. ILO can bring technical expertise and share experience, but the government has to be driving the process. Project implementation has to be closely linked to national institutions that can adopt successful project approaches and take over project activities once the project is over. Hence, responsibility for project implementation should be decentralised, budget should not be a constraint and the duration should rather be 5 years than 2; this will provide for the flexibility required to linking policy development and actions.

Pilot project. The justification for including components 2 and 3 was that they would inform policy development at the national level. However, in the absence of a common organisation and of a joint monitoring and evaluation system, either component has hitherto contributed very little to the national process. Component 2 appears to be too modest in size to serve a model for the government to replicate it. In addition it relies on a project structure for its management and it is unclear who could take over from such a parallel structure in case of replication.

Comprehensive support package. Studies, training activities or workshops combined with a limited budget for a two year period may not be sufficient to bring about institutional change, such as the integration of employment in public investment programmes. They rather need to be integrated within a wider strategy with clear objectives, coupled with a well-defined support package to get there. Such a package might include technical assistance and training, but also the provision of methodological instruments, manuals and procedures. It should be backed up by a strong knowledge management system. Such a comprehensive approach requires sufficient time and commensurate resources.

Knowledge management. Projects expected to develop new approaches that should feed into national policies, such as the one under evaluation, need a good knowledge management system to track results, identify difficulties and constraints and make timely corrections in project implementation as needed, but also to capitalise on successes and lessons learnt and to disseminate

information to national stakeholders and decision-makers. In the absence of such a system, the risk is that positive project outcomes remain unknown and will not be sustained once the project is completed.