



# Evaluation Summaries

## Broad-based Wealth and Job Creation in Zambia Economic Empowerment through MSME Development

### Quick Facts

**Country:** *Zambia*

**Final Evaluation:** *5th October-2nd Nov 2011*

**Mode of Evaluation:** *Independent*

**Technical Area:** *Strategic Objective-Wealth and Employment Creation through Micro-Small and Medium Enterprise Development*

**Evaluation Management:** *ILO Country Office for Malawi, Mozambique and Zambia*

**Evaluator:** *Stanley Karuga*

**Initial Planned Project Start Date:** *January 2008*

**Actual Project Start Date:** *January 2009*

**Initial Planned Project End Date:** *December 2010*

**Actual Project End Date:** *December 2011*

**Project Code:** *ZAM/07/01/FIN*

**Donor:** *Government of Finland (US\$ 1.680) and UN Collaborating Partners*

**Actual Project Budget:** *US\$ 1,585,432 following foreign exchange loss of the Euro against the USD*

### Background & Context

#### Summary of the project purpose, logic and structure

The Broad Based Wealth and Job Creation (BBW&JC) Programme was meant to contribute to the achievement of the overarching objective of Zambia's Fifth National Development Plan-FNDP (2006-2010) of attaining broad-based wealth and job creation in Zambia; and which called for policies and programmes that would accelerate and sustain economic growth, and also enable the poor to participate in, and benefit from the growth process. In this context, the programme was meant

to contribute to the FNDP's development objective by stimulating investment, entrepreneurship and employment creation within the micro-, small- and medium enterprise (MSME) sector and through pro-poor business models.

The expected overall outcome of the Programme was an increase in the number of employment opportunities in the Zambian micro, small and medium enterprises (MSME) sector, and increase in incomes for both MSME owner-managers and their employees. Anticipated immediate programme outcomes were (1) an increased rate of Business Development Services (BDS) up-take among MSMEs; (2) a sustainable and resilient national institutional capacity to facilitate and deliver these business development services; (3) improved coherence in policy, regulatory and legal framework that constitutes the policy environment for Private Sector Development (PSD) in

Zambia, in relation to MSME development, and (4) enhanced synergies and scale effects resulting from better coordination and greater engagement of United Nations PSD initiatives, and particularly for initiatives that focus on MSME development. The Programme's vision of success was reduced vulnerability and material improvement in the market opportunities and incomes of at least ten thousand (10,000) MSMEs during the life of the project-which the BBW&JC Programme Management Unit (PMU) ultimately unbundled to comprise 2,000 new job opportunities created and 8,000 MSMEs recording 10% increase of both annual income and labour productivity.

The BBW&JC Programme was based on the International Labour Organization (ILO) systemic enterprise development approach which recognizes the need for interventions at the macro, meso and

the micro-level systems of interventions. However, the approach focused on the meso level with the aim of developing the capacity of local institutions. It also aims at improving coordination of United Nations support on private sector development in Zambia.

### **Present situation of project**

Following commencement of operations in January 2009, the Programme has up to the time of this evaluation, been under implementation over the last 34 months. Having been planned as a 3-year initiative, only 2 months of the programme life cycle are therefore remaining with its closure scheduled for December 2011.

### **Purpose, scope and clients of the evaluation**

This evaluation is being undertaken in accordance the technical cooperation agreement between the Government of Finland (GOF) and the ILO-which stipulated undertaking of final independent evaluation around the 32<sup>nd</sup> month of the programme cycle, and the ILO Evaluation Policy adopted by the Governing Body in November 2005. The main clients of this evaluation comprise the Programme Liaison and Technical Committee (PLTC), GOF and UN Systems, the ILO and its tripartite constituents.

### **Methodology of evaluation**

The evaluation approach was participatory as required by the ILO procedures and was based the review of relevant documents, field interviews and observations by the evaluation mission. Time was the biggest constraint faced by the evaluation mission given that only 5 days were allocated for field interviews.

## **Main Findings & Conclusions**

Based on literature review and field interviews with a wide spectrum of stakeholders, the overall objective, activities, outputs and emerging outcomes of the Programme were found to be fundamentally relevant and strategically in line with to the needs of MSMEs in Zambia; the development agenda of the Government of the Republic of Zambia as enunciated in the FNDP (2006-2010) and the Sixth National Development Plan –SNDP (2011-2015); the development agenda of GOF for Africa; development aspirations of the ILO constituents in Zambia; and the ILO-DCWP for Zambia. The programme objectives, activities and outputs are also

complementary and well linked to other ILO initiatives as well as other UN agencies, and non-UN development agencies.

## **Validity of Project Design**

The Mission found Programme design to have been logical and coherent. This conclusion is based on a number of observations particularly relating to the foundational information base; degree of consultations; and appropriateness the ILO systemic enterprise development approach which emphasizes interventions that are tailored to the specific needs of the corresponding core stakeholder, acknowledges the inter-dependence between stakeholder groups within a given wealth creation system and recognizes the need for interventions at all levels and that reinforce the links between those levels. Furthermore, Programme design also comprised relevant and appropriate mix of programme interventions.

Nevertheless, the Mission observes the following issues:

(a) That the Programme was rather ambitious from the point of view of the multiplicity of activities that were needed to deliver anticipated programme outcomes and impact against a modest budget, and the number of stakeholders that the programme was expected to work with; (b) That owing to the importance of finance as a generic constraint facing MSMEs, facilitation of access to finance should have been included as a separate immediate objective to receive the emphasis it deserves. In this respect, the mission recognizes that the PMU made efforts towards facilitating access to finance through the AfDB/AMSCO funded sub-project for growth-oriented enterprises and the Citizen's Economic Empowerment Commission (CEEC) Funds for empowerment of youth enterprises. (c) That gender (women) concerns, do not appear to have been adequately addressed perhaps because of the failure of the Programme Document to incorporate very specific gender-related indicators of achievement in the log frame.

## **Project Effectiveness and Achievements**

Overall, the Programme has done quite well despite the one year delay in start-up - occasioned by the unprecedented and prolonged administrative processes in approving and adopting programme management arrangements; about three months inadvertent delay in the recruitment of technical staff; and financial constraints occasioned by

foreign exchange losses resulting from depreciation of the Euro against the US dollar culminating in the initial donor funded budget of US\$ 1.68 million being eroded by about 5.65% to US\$ 1.585 million.

- Under *Immediate Objective 1 on* “stimulating demand for business development services among targeted MSMEs”, the following are some of the outstanding achievements of the BBW&JC programme: (a) Nine (9) business linkage between MSMEs and large corporations (versus a target of 10) have been operationalized; (b) 1,634 service units have been sold of which 822 were sold through the BDS-Voucher Programme; and eight hundred and twelve (812) service units sold through the BBW&JC Programme;
- Under *Immediate Objective 2 on* “Strengthening BDS service delivery” the following are some of the outstanding achievements: (a) Evaluation of the BDS Voucher Scheme pilot phase; (b) A BDS providers directory with 800 registered service providers (versus a target of 300) is now available on the Zambia Development Agency website; (c) Fifty (50) local BDS organizations were trained in international best practice in BDS marketing strategies in Siavonga (August 2010); and (d) An analytical research report on MSME sector was completed in January 2011.
- Under *Immediate Objective 3 on* “Strengthen Policy Dialogue, Planning and Coordination on Economic Empowerment through MSME Development” the following are some of the outstanding achievements: (a) The MSME Policy Implementation Plan was developed with programme support; (b) The MSME Coordinating Committee has been formed; (c) The National Business Linkage Committee has been established and is meeting regularly; and (d) An analytical research has been conducted and report produced;
- Under *Immediate Objective 4 on* “generating greater coherence and engagement among UN-PSD interventions” the following are some of the outstanding achievements: (a) A UN-PSD tracking tool has been developed; (b) A brochure profiling UN-PSD projects has been finalised; (c) The UN-PSD Joint Programme on “Improved Livelihoods through Private Sector Development Project” (an outcome of

BBW&JC initiative) has been launched and the appraisal mission was being conducted the week starting 24th October 2011 with five agencies (ILO, FAO, ITC, UNCTAD and UNEP) collaborating in the exercise.

In addition, the PMU has also acted on all the 12 recommendations made by the MTR Mission with the exception of the recommendation on the “development and implementation of a communications strategy for the BBWJC programme” and the “reviewing of the terms of reference for the PLTC”. The former is currently being done while the latter was deemed by the PLTC to be unnecessary because the time was too close to the end of the project.

#### Effectiveness of Management Arrangements

The programme management arrangement was highly commended by a wide spectrum of stakeholders met during the Mission whose view was that it worked very well. The interaction between the BBW&JC Programme, the ILO Country Office and other ILO-facilitated projects in Zambia was reported to have been good. The PMU comprised qualified and committed team members. The backstopping role of the ILO Country Office (Lusaka) and the Decent Work Support Team-DWST (Pretoria), and that of UNCTAD (Geneva) and UNDP/PSD (New York) were described by the PMU as having been good to excellent.

#### Efficiency of Resource Use

The programme budget of US\$ 2.24 million was rather inadequate given the wide range of activities underpinning the delivery of the four immediate objectives. As a direct consequence, the PMU ended up spreading the available financial resources too thinly across the various interventions. However, the PMU used the available financial resources quite prudently and also applied cost-cutting measures, e.g. by sharing support staff positions with the ILO-Labour Law MSME Development Nexus Project. The PMU also did a commendable job by way of leveraging programme financial resources with funds from other sources. This is for example US\$ 257,000 from the African Development Bank/African Management Services Company-funded Project on “on Enhancing the Zambian SMEs Competitiveness and Access to Finance Project”;



and US\$ 150,000 from the ILO Regular Budget Supplementary Account (RBSA).

### Impact Orientation & Sustainability

In terms of contributing to longer term impact, the programme has also performed quite well. Based on the “*BBW&JC Impact Assessment Survey Report*” (16<sup>th</sup> October 2011), an estimated 1,634 enterprises or about 20.4% of the original target of 8,000 MSMEs, had been directly and indirectly reached by the Programme across the whole of the country by the time of the evaluation. Based on a sample of 168 MSMEs, the report observed that during the period 2009-2011, annual sales had increased by an average of 25%, annual profits by an average of 51%, and job creation by an average of 2.5 additional jobs per MSME reached by the programme-giving an overall estimated total of 430 new jobs (of which 178 were women employees) across all the 1,634 sampled enterprises<sup>1</sup>. By extrapolating on this result, it would imply that programme interventions resulted in the creation of about 4,085 additional jobs across the 1,634 enterprises reached directly and indirectly by the programme.

With respect to sustainability of interventions, the Programme has significantly built the capacity of collaborating local institutions for example MCTI in policy formulation and planning; ZDA in business linkages; and the CEEC in financial access strategies for youth entrepreneurs. With regard to the continuation of the coordination role of the Programme, the forthcoming UN PSD Joint Programme will constitute a good mechanism for consolidating the coordination mechanism of UN initiatives in Zambia. In this respect, it is also noted that the UN PSD activities are now under outcome 2.2 of the Zambia’s UNDAF (2011-2015).

While recognizing these impressive achievements, the Mission recommends that the PMU should develop a clear exit strategy to facilitate orderly and smooth closure of the initiative.

The Mission concludes that interventions of the BBW&JC Programme remain as relevant to all the stakeholders as when the project started. In spite of the general view that the programme was somewhat ambitious, it performed quite well.

<sup>1</sup> The Impact Assessment Survey Report however cautions that changes in profits, employment and labour productivity were not based on audited accounts but rather observations and or views of the respondents.

Programme outputs and outcomes so far achieved are likely to result in increased employment and income in the MSME sector in Zambia.

It was anticipated that Programme interventions would result in the creation 2,000 new job opportunities and increase in annual income earnings of 8,000 MSMEs by 10% during the programme period. Based on the aforementioned impact assessment survey report, the Programme has so far created an estimated 4,085 new jobs or more than double the initial target and has also managed to increase profitability by about 51% or over five times the target increase for about 1,634 enterprises. Although the Programme reached only 1,634 enterprises or about 20.4% of the initial (but rather ambitious) target of 8,000 MSMEs, the overall achievement of the Programme is indeed laudable. In addition, the Programme “Impact Assessment Survey” report indicated that about 33% (against a target of 40% which was subsequently developed by the PMU) of programme beneficiary MSMEs were women-owned and or managed enterprises. The balances, 67% of the MSMEs were male-owned and or managed enterprises.

With only 2 ½ months remaining to the end of the closure of the Programme, and with the Programme having reached only 1,634 enterprises country-wide, it is likely to fall short of the ambitious target of 8,000 MSMEs.

### Recommendations & Lessons Learned

#### What are the emerging good practices?

- i. That relevance of intervention to stakeholders underpins the realization of broad-based support and quick “buy-in” by target beneficiaries and other stakeholders including national public and private institutions as well as donor agencies-and market diagnosis should always be emphasized to ensure relevance of interventions;
- ii. That provided responsibilities of collaborating stakeholders e.g. coordination and budget authority as well division of labour are clarified right from the start; joint programming among ILO projects and between ILO and other UN agencies does in fact work for example as demonstrated by the UNCTAD/ILO cooperation in the business linkages programme.

### **What should have been incorporated?**

- i. Omission in programme design of risk and assumptions relating to variations in foreign exchange rates over the lifespan of the project. This should always be explicitly built into the project design and budgeting framework whenever project budget is denominated in one currency and actual expenditure incurred in another currency.
- ii. Exclusion of facilitation of access to finance as one of the immediate objectives as it has emerged that in the context MSME development (in Zambia and elsewhere) this seems to be a major challenge and should always be considered.
- iii. Omission of gender (women) specific outputs, outcome and impact indicators in the programme log frame to ensure that their participation and sharing of benefits is not (inadvertently) side-lined. In this respect, the mission however acknowledges that the programme management unit subsequently incorporated the target of 40% outreach to women entrepreneurs.

### **What should have been avoided?**

- i. Juxtaposing outputs and outcomes for projects that are differently managed, funded and coordinated should be avoided to minimize the possibility of non-delivery on the part of the party that has no control over the delivery of those outputs and or outcomes.

- Incorporation of risk and assumptions relating to variations in foreign exchange rates over the lifespan of the project where an initiative is budgeted in one currency and expenditure incurred in another currency;

- Incorporation of facilitation of access to finance MSME developments it has more often than not, emerged as a major challenge;

- Inclusion of gender (women)-specific outputs, outcome and impact indicators in the programme log frame to ensure that their participation and sharing of benefits is not (inadvertently) side-lined;

- iii. Similar future initiatives should (as much as possible) avoid the following

- Juxtaposing outputs and outcomes for projects that are differently managed, funded and coordinated to minimize the possibility of non-delivery on the part of the agency that has no control over the delivery of those outputs and or outcomes.

## **Key Recommendations**

- i. The Programme Management Unit of the BBW&JC Programme should develop a clear exit strategy before the closure of the initiative in order to facilitate smooth programme closure and to enhance the possibility for continued service delivery after the end of the programme;
- ii. Similar future initiatives should consider the following during project design: