



Evaluation Summary



International
Labour
Office

Evaluation
Office

Way Out of Informality: Facilitating Formalization of Informal Economy in South Asia - Final Evaluation

Quick Facts

Countries: *Bangladesh, India and Nepal*

Final Evaluation: *November 2016- April 2017*

Mode of Evaluation: *Independent*

Administrative Office: *ILO Regional Office for Asia and the Pacific*

Technical Office: *DEVINVEST/EMPLOYMENT
DWT Bangkok and New Delhi*

Evaluation Manager: *Ma. Lourdes Kathleen Santos
Macasil*

Evaluation Consultant: *Ganesh P. Rauniyar, Lead
Evaluator/Team Leader supported by the National
Consultants Kirti Chakma, Asha D'Souza and Writtu
Bhatt Rai*

Project End: *June 2017*

Project Code: *RAS/12/51/JPN & RAS/13/51/JPN*

Donor & Project Budget: *Government of Japan
through the ILO/Japan Multi-Bilateral Programme
USD 4,197,909*

Keywords: *final evaluation, decent work, formalization,
informal economy, South Asia*

Background & Context

Summary of the project purpose, logic and structure: The project aimed to expand employment in the formal sector by halting growth in informal sectors through policy dialogue, knowledge creation and dissemination and demonstration of pilot initiatives towards formalization of the informal economy. The project had three specific outcomes: (i) the regulatory and policy environment in the target local areas made more conducive to formalisation and protective to the risks in formalisation; (ii) formal job growth promoted through job-rich

growth strategies and an integrated formalisation assistance in the target local areas; and (iii) good practices and tools of promoting formalisation better understood by the constituents and key stakeholders at the national level in South Asia.

ILO implemented the project in consultation with tripartite constituents and contributed to formalization process through advocacy and awareness raising, capacity building and institutionalization, and policy dialogue. It focussed on pilot schemes in the three countries by focussing on the construction in Bangladesh covering three major cities – Chittagong, Dhaka, and Rajshahi; automobile peripheral industry in Pune district of India, and construction, small and medium enterprises and tourism promotion in Nepal selectively covering areas of Bhaktapur, Chitwan, Kaski, Kathmandu, Lalitpur, Morang and Sunsari districts.

The project was managed by a Chief Technical Advisor (CTA) based at the ILO Regional Office in Bangkok and supported by a CTA based in New Delhi and a two-person team (National Project Coordinator and Project Assistant) in each of the three countries.

The present situation of the project: The project was planned to complete at the end of December 2016 and it was extended until June 2017 to facilitate the completion of ongoing activities. The extension period was covered by available project funds.

Purpose, scope, and clients of the evaluation: The evaluation was conducted with dual objectives: (i) accountability of development results and (ii) organizational learning for ILO consistent with ILO's Evaluation Policy. It also informs future development support through ILO for formalizing informal economy in South Asia and in other countries under similar context. The evaluation covered all three countries and project operations from June 2012 to mid-November 2016. It did not cover the mid-November 2016 to June 2017 because the approval for the extension period materialized after the

evaluation had commenced and the Evaluators were already in the field mission.

The evaluation is expected to support ILO and donor communities to strategize their contribution to the formalization process and help the tripartite constituents to the promotion of formalization of the informal economy in South Asia and other countries with an aim to strengthen the foundation for ILO's Decent Work for All Agenda. The evaluation offers a set of lessons and recommendations for ILO and contributes to the body of knowledge in the area of formalization of the informal economy. □

The methodology of evaluation: The project did not have a theory of change. The evaluation was guided by a set of questions in the terms of evaluation under key evaluation parameters which formed the basis for an evaluation matrix. The evaluation adopted a mixed method approach combining both qualitative and quantitative techniques of data collection and it involved four stages:

- Stage 1 (Inception Phase) included the preparation of an inception report based on an in-depth review of project related documents produced at the project as well as three country operations levels; briefing from the Evaluation Manager and WOI/CTA (New Delhi)'
- Stage 2 (Field Mission): The evaluation team comprising the Lead Evaluator and a national consultant visited the project sites in each of the three countries to gain a firsthand experience of project's work, consult with tripartite stakeholder representatives, and other project stakeholders by conducting key informant interviews, and additional data/information useful for the evaluation. Field mission covered Dhaka (including Mirpur and Aftab Nagar) in Bangladesh; New Delhi and Pune in India; and Bharatpur (Chitwan), Pokhara and Lekhnath (Kaski) and Kathmandu (for Kathmandu and Lalitpur). Field visit sites were selected based on the concentration of project activities in each of the three countries.
- Stage 3 (Validation Phase): The evaluation team shared emerging findings with a group of Bangladesh project stakeholders in Dhaka on 30 November 2016 to ensure that the findings were on track and consistent with wider experience. The representatives from the trade unions, employers' organizations, the ILO staff and other individual consultants associated with the project participated in the workshop. The workshop also provided

additional input for the evaluation. A similar event could not be organized in India and Nepal due to lack of time and dispersed locations of concerned stakeholders. However, a mission debriefing session was held in both New Delhi and Kathmandu with the project staff prior to the conclusion of the fieldwork. □

- Stage 4 (Reporting): The Evaluation Manager shared the Lead Evaluator's draft evaluation report with relevant stakeholders including ILO staff and tripartite constituents. The final evaluation report was finalized taking into account relevant comments/suggestions from all stakeholders.

Main Findings & Conclusions

A summary of the final evaluation findings and conclusions based on ILO EVAL criteria follows:

Relevance and strategic fit of the interventions: The project was deemed highly relevant given the heavy concentration of workers in informal sectors in all three countries. Lack of adequate support for the research on formalization of the informal economy also meant that the project had to explore different approaches in these countries. The project was a good strategic fit for all three countries' development plan. Although the informal economy and informal employment were (and is) virtually present in almost all sectors the project selected construction in Bangladesh, the automobile in India, and construction, micro small and medium enterprises (MSMEs) and tourism in Nepal. All intervention areas considered under the project proved relevant at the time of project design.

The validity of intervention design: The project design, overall, was valid and conceptually sound. However, evaluation concludes that the design was over ambitious. It would have helped to provide details on implementation plan with more focus areas of intervention and limited geographical coverage. The initial project period of five years was sufficient to produce a model at the local level and share it with social partners at state and national levels. Given the external environment that favours labour flexibility over labour rights, it was necessary to convince social partners of the economic feasibility of formalization through a demonstration that could then be scaled up in the second phase of the project. It could have helped to streamline project implementation, if the project document provided a clear theory of change with defined scope of work, both in terms of type of informality and coverage of the project under a pilot scheme and ad hoc decisions to

implement activities could have been avoided. The project could have avoided some of the anomalies associated with the selection of area of intervention and geographical coverage during the design stage.

Project management and effectiveness: The evaluation concludes that the project was effective in generating outputs and led to positive signs towards the achievement of stated outcomes. Despite implementation challenges including political unrest in Bangladesh and two big earthquakes in Nepal, the project teams accomplished their annual programme of work by undertaking a series of awareness raising and advocacy work with workers and employers, capacity building through training and knowledge sharing and policy dialogue with the governments.

The efficiency of resources used: The evaluation found that the use of project resources was less than efficient. The total amount available for project funding was less than originally planned due to exchange rate adjustments. The project managed to even save funds which were used to support six-month extension. This was possible due to delays associated with commencing field activities in India, three months gap between the two CTAs and delays in the approval of programme of work proposed by NPCs in the three countries. The project stakeholders could have benefitted more from cross-country visits/knowledge sharing opportunities. Furthermore, the project dealt with too many partners and issued several short contracts which resulted in extra transaction costs for the project and uncertainties in continuation of some of the work for the contractors. This could have been managed by streamlining a group of pre-qualified partners to work with at the start of the project.

The effectiveness of management arrangements: Overall, the evaluation found that the management arrangement was satisfactory with the exception of late recognition and recruitment of a national consultant based in Pune in 2014 and mobilization of an NPC in 2015. The centralized financial control by the ILO Bangkok as a result of agreement between the ILO and the donor resulted in communication gaps at times between the CTA in Bangkok and NPCs in all three countries, especially during the gap period between the two CTAs. All NPCs and the consultant in Pune had good experience in the field which proved valuable in project implementation. ▯

Demonstration of the integrated decent work strategy for the informal economy: There is greater awareness about the workers' rights than pre-project period as well as equal wages

for men and women for the same job and it has been practised by those who participated in the project. The level of social protection varies but there was a recognition to help those in need. More efforts are needed to encourage workers' formalization as well, including equitable access to social protection and other employment benefits, including living wages, representation of workers in supervisory and managerial roles, and enhanced uptake of occupational safety and health measures.

Gender mainstreaming: The evaluation assesses that the project has had positive impact on addressing gender issues by promoting the Decent Work Agenda principles. Both in Bangladesh and Nepal, the small/petty contractors have offered equal pay for male and female workers at the same job level. In Nepal, the project has supported training of female tourist guides in Pokhara and FWEAN is actively promoting women's entrepreneurship by providing a suite of business development services. The construction sector both in Nepal and Bangladesh are heavily dominated by male supervisors and managers thereby inhibiting the opportunities for women workers to move up the ladder. In India, the project has encouraged entrepreneurship among women trained by Chaitanya and some of them have already taken up income generating activities.

Capacity building and institutionalization: The project made a good start with focus on capacity building of workers and employer associations (e.g. petty contractors). As a result, workers are more aware of their rights and petty contractors have formally registered themselves or are in the process of doing so. Women entrepreneurs supported under the project have registered their businesses. The project also promoted cross-country experience sharing among the three countries and such efforts need to be scaled up. ▯

Impact orientation and sustainability: It is too early to ascertain impact orientation of the project interventions in the three countries since impacts are evolving. The stakeholders in pilot areas of the project are reasonably informed about the workers' rights and legal avenues. The awareness about occupational safety and health hazards has increased in the project area and as a result, workers are more vigilant than before. Some of the small/petty contractors' associations have established funds for addressing immediate needs of injured or death workers. The enterprises that are registered are able to access fixed and working capital for their businesses through formal channels (banks), access to markets, networking with

like-minded entrepreneurs, and in some cases access to technology because they can show that they are doing genuine businesses.

The evaluation assesses sustainability of project benefits conditional on availability of funds for continuing most of the activities initiated by under the project. Almost all partners the project was involved with are on the lookout for external funding.

Conclusions: The project continues to be relevant including countries' target to contribute to the ILO's commitment made at the 2016 International Labour Conference to reduce decent work deficits in global supply chains. It has been a good strategic fit to the participating countries' development agenda. The resource use would have been more efficient with better work and financial planning, avoiding several small contracts and concentrating in working with fewer partners. The project management tried to accomplish intended project activities and its momentum remained satisfactory in Bangladesh and Nepal but only a few activities could be undertaken in India. Given that ILO COs have adequate financial management capacity, it would have helped to delegate financial approval authority to respective ILO country offices instead of ILO Regional Office.

The project has stimulated discussion at different levels in the three countries on definition, measurement and statistical methods of informality in national and local economies. It has played an important role in raising awareness and influencing labour and employment policies in Bangladesh and Nepal. It has initiated the process of formalisation by piloting registration of small and medium enterprises in respective sectors.

The project has contributed to capacity development and institutionalization through facilitating training and the exchange visits of stakeholders from Bangladesh, India and Nepal to India and Nepal and established linkages among the concerned interest groups. The formalisation process in all three countries have commenced on a small scale and more work needs to be done to sustain and scale-up. The evaluation also concludes that ILO needs to remain engaged with the countries and demonstrate further integration of decent work strategy for the informal economy above and beyond project's achievements. Similar efforts need to continue to identify and focus key areas where gender mainstreaming would be feasible.

Recommendations & Lessons Learned

Recommendations

1. Clearly, define logical and sequential steps for the formalization of informal workers.
2. Continue to promote policy dialogue on formalization and its scaling up.
3. Identify and work with strategic partners for promoting formalization of informal workers
4. Continue to promote business-friendly single door policy and implementation mechanism to facilitate formalization of informal enterprises.
5. Emphasize and prioritize the implementation of OSH standards and measures supported by adequate resources.
6. Raise awareness and strengthen access to social security and grievance redress mechanism for the informal workers.
7. Support the development and finalization of the voluntary code of conduct by employers' organizations without replacing regulatory framework and social dialogue.
8. Reconsider current project approach and focus on high impact initiatives by engaging with strategic implementation partners.

Key lessons learned

1. Formalizing informal economy is a huge task and requires commitment at the highest level so that required regulatory framework, policies and business environment can be created.
2. Project focus needs to be clearly defined and manageable within a given timeframe and it should be supported by a clear theory of change, multi-year work plan, and results. ▯
3. Implementing partners prefer predictable funding so that they can adequately demonstrate the linkage between activities and output leading to project outcomes.
4. Formalization of the informal economy requires a strong partnership with the private sector along with a genuine representation of workers in the informal economy.
5. Inter-country collaboration and knowledge sharing/exchange strengthen cross-country learning and adoption of good practices.
6. The adoption of voluntary code of conduct requires buy-ins from all relevant stakeholders. However, this is not a replacement for the regulatory work and social dialogue.
7. The incentives from formalization need to be disseminated widely to both employers and workers.