



# Evaluation Summary



International  
Labour  
Office

Evaluation  
Office

## *Law-Growth Nexus III: Labour Law and the Enabling Business Environment for MSMEs in Kenya – End of Project Evaluation*

### Quick Facts

<b>Countries:</b>	<i>Kenya</i>
<b>Final Evaluation:</b>	<i>22 September 2016</i>
<b>Evaluation Mode:</b>	<i>Independent</i>
<b>Administrative Office:</b>	<i>CO-DAR ES SALAAM</i>
<b>Technical Office:</b>	<i>SME Unit, Enterprise Development</i>
<b>Evaluation Manager:</b>	<i>Anjali Patel</i>
<b>Evaluation Consultant(s):</b>	<i>Ngonidzashe Marimo and Griffin Nyirongo</i>
<b>Project Code:</b>	<b>RAF/13/03/NAD</b>
<b>Donor(s) &amp; Budget:</b>	Norway, US\$ 1,369,557
<b>Keywords:</b>	<i>Competitiveness; transport; private security; private sector; sustainable enterprises</i>

### Background & Context

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

The 'Law Growth Nexus III: Labour Law and the Enabling Business Environment for MSMEs' Project is funded by the Government of Norway and implemented by the ILO and its tripartite partners in Kenya: 1) Ministry of East Africa, Labour and Social Protection (MoEALSP); 2) Confederation of Trade Unions in Kenya (COTU (K)); and 3) Federation of

Kenyan Employers (FKE). These partners constituted, the National Advisory and Technical Committee (NTAC) responsible for in-country project planning and oversight.

The overall development objective of the LGN III project was to contribute to a more enabling policy environment for MSME development in the focus country Kenya. The overall outcome was more and better jobs in the MSME sector in Kenya. The project focused on two MSME sub-sectors: i) the public transport (Matatu); and ii) the private security sector. Target groups in these sectors included: Matatu Owners Association (MOA) and its members; Matatu Conductors and Drivers Welfare Organisation (MADCOWA); Private Security Industry Association (PSIA); and the Kenya National Private Security Workers Union (KNPSWU).

#### Present Situation of the Project

Kenya is emerging and *transforming* politically and economically after more than 50 years of independence marked by mixed political and economic performance. MSMEs are the bedrock of the Kenyan economy and have been identified by Government as engines for employment creation. MSME sector contributes an estimated 18.4 per cent of the country's Gross Domestic Product (GDP) and employs 8.83 million people. Developing skills of MSMEs to increase their productivity and increased integration of informal businesses into the formal economy would significantly boost Kenya's GDP, thereby generating greater employment opportunities.

## Purpose, scope and clients of the evaluation

The evaluation served to examine the project's overall achievements across all immediate objectives, with particular attention to synergies across objectives, assess the project implementation and management and sustainability of the project results. The main clients for the evaluation are: (1) the Government of Kenya; (2) Government of Norway; (3) ILO; and (4) COTU (K) and FKE.

## Methodology of evaluation

Qualitative and quantitative approaches were adopted for the evaluation. Quantitative approaches were limited to reviewing progress reports for determination of the extent to which the project had achieved its targets. The qualitative approach comprised key informant interviews with organisations, institutions, individual employers and workers in the two target sub-sectors. Interviews explored issues encapsulated in the evaluation framework. Total population sampling of organisations involved in the project was undertaken with individuals in these organisations deemed to have knowledge (those that were the contact points for the project) on the project being purposively selected for the interview. The project partners interviewed were representative of the sectors the project was working in as they constitute the largest employer and worker associations in Kenya. Employees and owners were selected by their respective associations.

## Main Findings & Conclusions

### Relevance and Strategic Fit

The evaluation concluded that the project remains relevant to the national development context. The project was aligned to Kenya's development framework espoused in the vision 2030, and the Second Medium Term Plan. It also resonated with the Kenya Decent Work Country Programme (DWCP), UN Sustainable Development Goals and United Nations Development Assistance Framework (UNDAF). Stakeholders were generally satisfied that the LGN III complemented the priorities of cooperating partners. Key findings include

- a) LGN III was designed to complement other ILO and UN projects in Kenya. Strategic and

operational linkages were established with other ILO projects for mutually reinforcing actions

- b) The LGN III was highly relevant to the need of the beneficiaries, and this was demonstrated by stakeholders' acknowledgement that the project contributed to bringing sanity to the Matatu sector and also providing a legal framework for the Private Security sector.

### Validity of Design

The project design was appropriate and built on lessons learned in LGN I and II. Adopting the market systems approach ensured the theory of change between labour law compliance and enterprise growth was fully supported. The process of designing the project was adequate. The participatory nature of the design process was highly appreciated by stakeholders of the project and contributed to the strong "sense of belonging" evident among them.

Nevertheless there were several issues that needed to be considered in the design. First, the causality link between labour law and growth was supported by improved relationships between employers and workers due to improved business and human resources management skills among employers and respect for contract of employment among workers.

Tripartism: Participation of the tripartite partners was strong in the project with tripartite partners involved in planning, oversight and implementation of the project. Tripartism transcended to the sub-sectors with the involvement of workers and employer organisations in the two sectors.

Social dialogue: The project strengthened the position and recognition of the PSNWU by COTU (K) as it presented an opportunity for them to interact with the COTU (K) hierarchy. This resulted in the PSNWU receiving a seat in the Executive Board of COTU (K).

### Project Effectiveness

The LGN III achieved the project objectives on all the outcomes for which data was available. The project interventions created 4,565 decent jobs which was an over achievement against the target of 3,500. Of the 4565, about 1,048 were women. These jobs were all in

the Matatu sector<sup>1</sup>. Stakeholders attributed the growth in decent jobs to increased order in the sector which has attracted more investment brought about by the regulatory reforms and compliance by Matatu owners to labour laws. Supported by the project, the advocacy and lobbying efforts of the private security sector stakeholders resulted in the enactment of the Private Security Regulation Act, 2016.

At the output level, the project exceeded the targets in the percentage of MSMEs in the priority sectors reached with project support that reported increased knowledge of the labour law and those that had an increased understanding on best practices in facilitating an enabling policy environment.

The project faced some challenges and failed to achieve some of the targets at output level, notably the numbers of trainers and master trainers trained by the project, MSME owner managers that accessed compliance training and related business development support services, and the number of MSMEs accessing business finance or government contracts or organizational capacity building support after boosting their compliance levels.

These challenges were faced due to: 1) a reduced budget as a result of exchange rate losses amounting to 14% of the budget (about US\$200,000); 2) delays in finalisation of the simplified manuals and mobile phone application; and 3) the combination of delays in the undertaking of a compliance audit and the cost of an incentive system for compliance. These delays were mainly a result of the need to consult multiple stakeholders and obtain their input, buy in and participation.

The delivery of project outputs was not always in accordance with the work plan. In the early stages of the project implementation cycle, activities had to be rescheduled to match the budget availability. Nonetheless, stakeholders perceived positively the results achieved by the project. There was no doubt in the minds of stakeholders that the LGN III has contributed to addressing the needs of the Matatu and private security sectors.

Given that the interventions in the Matatu sector were building on activities and progress made in LGN II,

while the private security interventions were initiated in LGN III, the project had greater achievements in the Matatu Sector compared to the Private Security Sector.

### **Efficiency of Resource Use**

Assessment of efficiency of resources used was measured using three criteria: 1) measures for efficient use of resources; 2) timeliness in implementation of activities; and 3) quality of activities and support. Based on the measures to ensure least cost for activities and the high appreciation of interventions by partners and beneficiaries, the project presented high value for money.

Measures for efficient use of resources: Measures put in place to ensure least cost in the delivery of the project include: 1) lean project management and oversight; 2) inclusive selection process of service providers to the project (mainly technical support); 3) ensuring more numbers attended labour law compliance awareness meetings for employers by inviting other stakeholders (insurance companies, banks etc.) to showcase their products as attractions; 4) Partnerships with MOA, MADCOWA, and MSEA which enabled the project to leverage a wider reach of a geographically dispersed target group with a limited budget thus gaining economies of scale; and 5) Annual joint work planning, and budgeting with tripartite partners promoted through the programme ensured its cost effectiveness as they would prioritise activities that would ensure the highest benefits with the time and financial resources of the project.

Timeliness of activities: Activities were generally implemented on time. Two activities were significantly delayed: launching of the labour law mobile application; and production of the simplified training manuals for labour law compliance.

Quality of interventions: Stakeholders appreciated the quality of support from the ILO including the materials and tools developed. The ability to identify opportunities of influence and playing the interlocutor role between the partners and policy makers was appreciated. The quality of implementation and the approaches for stakeholder engagement by the project team galvanised the “sense of belonging” to project among project partners. This was important for

---

<sup>1</sup> The data was based on the preliminary results of a tracer study in the Matatu sector that the Project had commissioned.

Data for the security sector was not available at the time of the evaluation.

building good will, ownership and therefore sustainability.

### **Effectiveness of Management Arrangements**

The management and governance arrangements of the project were adequate. The NTAC and ILO annual directors' meetings with the tripartite constituents ensured participation and political support for the project from the policy management levels in the tripartite. All tripartite partners understood their roles because they had been involved in designing the project.

The project had a performance plan in place whose intended results were clear. The project defined indicators across the results chain – activities, outputs, outcomes and outputs. They were SMART and reflected the results chain. Targets were provided for each indicator.

### **Impact Orientation and Sustainability**

The project succeeded in developing an approach and tools that could be replicated to other MSME sectors and utilized by various stakeholders. The ease with which the approach and tools were expanded to the private security sector is a case in point. Stakeholders had adopted the tools and approaches and incorporated them in their activities. COTU (K) had revised the curriculum of the Tom Mboya Labour College to incorporate aspects of the simplified labour law tool kits. The KNPSWU was using the tool kits in training private security workers during the 'Timamu parades'.

This status quo was buttressed, firstly by the involvement of stakeholders in project implementation which created a feeling of ownership among the stakeholders. To promote ownership of the project approaches and tools, and in line with the project exit plan, the NTAC designated responsibilities and custodianship of the approaches and tools to the respective meta-level, macro-level and micro-level stakeholders. It was, however, not clear how these activities would be coordinated following the exit of ILO.

Secondly, the project contributed to building local partners' capacity to sustain some of the projects interventions. All the stakeholders that had received capacity building to promote labour law compliance in the Matatu and private security sectors expressed a strong desire to continue with the interventions of LGN III.

## **Recommendations**

### **Main recommendations and follow-up**

Main recommendations for the Programme are:

1. Ensure the National Advisory and Technical committee is embedded in existing social dialogue structures through ensuring project activities remain on the agenda of tripartite partners.
2. Integrating the activities of such projects in the work plans of the partners will ensure sustainability and scale up in more sectors.
3. ILO and COTU (K) need to explore ways to support the Ministry of Labour build its capacity for compliance monitoring
4. Labour law aspects should be incorporated in the by-laws of SACCO in the Matatu sector to reinforce compliance
5. The ILO, through the country office should continue facilitating dialogue between Government, PSIA and KNPSWU to address outstanding concerns on the establishment of the regulatory body
6. Undertake further analysis to document the cost and benefit of labour law compliance
7. ILO, through the Decent Work Team, should continue to provide technical and financial support to tripartite partners given the outstanding issues in the Matatu and private security sectors and the need to scale up this approach in other informal sectors
8. Future projects of similar size and scope should make provision for specialist M&E support to allow for analysis of trends/progression as a result of activities and delivery of outputs.
9. The process being undertaken by COTU (K) to incorporate MACDOWA by engaging the other two already registered unions for Matatu drivers and conductors needs to be supported
10. The ILO should facilitate greater interaction between the Decent Work Team for projects such as the LGN III given its multi-thematic combination between enterprise development and employment promotion, international labour standards, social protection, workers and employers organizations etc.