



Evaluation Summary



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Healthy Socio-Economic Recovery of the Micro and Small Enterprise Sector of Sri Lanka – Final Joint Independent Evaluation

Quick Facts

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| Countries: | <i>Sri Lanka</i> |
| Final Evaluation: | <i>16 July 2021</i> |
| Evaluation Mode: | <i>Final Joint Independent</i> |
| Administrative Office: | <i>ILO Country Office for Sri Lanka and the Maldives, and UNOPS Country Office for Sri Lanka and the Maldives</i> |
| Technical Office: | <i>ILO DWT New Delhi, ILO Geneva ENTERPRISE and LABADMIN/OSH, UNOPS</i> |
| Evaluation Manager: | <i>Pamornrat Pringsulaka</i> |
| Evaluation Consultant(s): | <i>Theo van der Loop and Rachel C. Perera</i> |
| Project Code: | <i>LKA/20/50/UND</i> |
| Donor(s) & Budget: | <i>MPTF/UNDP US\$ 1,000,000</i> |
| Keywords: | <i>MSEs, COVID Immediate Response, Recovery, OSH, PPE, Training, Awareness raising, Access to Finance, Sri Lanka, Joint Project (ILO-UNOPS), Multi-Partner Trust Fund.</i> |

Background & Context

Background and project description

The present evaluation report is mandated by the Terms of Reference (ToR) for the Final Joint Independent Evaluation of the project on 'Healthy Socio-Economic Recovery of the Micro and Small Enterprise Sector of Sri Lanka'. ILO and UNOPS have undertaken a joint,

comprehensive and integrated approach to respond to the COVID-19 economic shock, which has hit hard particularly Micro and Small Enterprises (MSEs) in Sri Lanka. The project is funded by the Multi-Partner Trust Fund (MPTF), UNDP, initially for a period of six months, which was later extended in two steps with, in total, another six months. The overall objective of the project is to contribute to the protection of jobs and incomes, stimulate employment, and ensuring continuity and resilience of businesses allowing Sri Lanka to recover faster from the COVID-19 pandemic.

Purpose, scope and clients of the evaluation

The main objective of this final evaluation is to provide an independent assessment of the achievements to date, through an analysis of relevance, coherence, effectiveness, efficiency, sustainability, orientation to impact and effects of the project, as well as of ILO's cross-cutting themes. The scope of the Evaluation includes the entire implementation period of the project from 15 May 2020 to 31 May 2021. The primary clients of the evaluation are ILO and UNOPS Country Offices in Colombo, while the secondary clients are the ILO constituents, government agencies, MPTF/UNDP, UNCT, and other ILO and UNOPS units directly involved in the project (see Annex 2 for a full list).

Methodology of evaluation

The methodology includes a desk study, primary data collection through in-depth interviews and discussions which were all conducted online due to the COVID-19 pandemic, data analysis and reporting. It also includes a critical reflection process by the key stakeholders in particular through the online stakeholders' workshop and the inputs by stakeholders to the draft report. Key

deliverables are the inception report, the draft report, the final report taking into consideration the feedback on the draft report, a Matrix including comments and explanations why comments were or were not incorporated into the report, and a stand-alone evaluation summary using the ILO standard template.

Main Findings & Conclusions

The **Relevance** of the intervention was very high for the beneficiaries because it tries to address several urgent problems of Micro and Small Enterprises (MSEs) in Sri Lanka which were particularly badly hit by the COVID-19 pandemic. The intervention is also very relevant to the mandate and priorities of the Government of Sri Lanka. The project further contributes to the UN global framework for the immediate socio-economic response to COVID-19 which identified the socio-economic recovery of MSMEs as one of their strategic priorities. The fact that it was funded by the UN Multi Partner Trust Fund (MPTF) #RecoverBetterTogether shows that it adhered to their requirements and priorities as well. The intervention was further also relevant to the mandate and priorities of both the ILO and UNOPS and to the UNCT's priorities. Moreover, all stakeholders interviewed by the evaluation team underlined the high relevance of the project at this time.

The selection of beneficiaries in the PRODOC was based on the districts which were most affected by the Covid-19 crisis and also have a high percentage of MSEs. In due course it turned out that the selected districts, Gampaha and Kalutara, were also the ones with the most COVID-restrictions and the longest periods of lockdown. The evaluation found that the project did mostly meet its criteria for selecting vulnerable beneficiaries as laid down in the PRODOC, but not all target groups were among the most vulnerable in the country.

The **Validity** of the Project Design was overall more than satisfactory also considering the ultra-short time for preparations; the PRODOC includes a clear diagram for the Theory of Change (ToC) following the 'Results Chain' format (cf. Annex 1) and an appropriate Results Framework adjusted a few times following the inclusion of additional outputs/activities (see Annex 8). Consultations on the design with UNOPS led the signed PRODOC submitted to the MPTF which was simultaneously the official

Agreement dated 23 May 2020. The design of the project was further discussed in a series of broadly attended stakeholder meetings initiated by the ILO, and there it was, for example, decided to include PSS in the project.

The intervention was clearly compatible with a series of other interventions and priorities of different UN organisations, **External Coherence**, while in terms of **Internal Coherence**, the project was firmly embedded within the work of the ILO Country Office. The project design was clearly responsive to gender equality, but non-discrimination, disability and environmental sustainability concerns were not included in the design. International Labour Standards (ILS) and social dialogue did not receive targeted attention, and the Trade Union organisations were not involved in this project.

In terms of **Effectiveness**, the project was a timely crisis response despite delays as a result of the Parliamentary Elections in August 2020, of the COVID-19 Lockdowns and of the procedures involved to procure the PPE kits. The specific targets for the two indicators of the Outcome (cf. Annex 8) were reached: selected MSEs were provided with a loan or line of credit and a majority of targeted MSEs continued their operation after the initial COVID lockdown. The achievements of the intervention with respect to the two Outputs are summarized in Table 1. The activities are quite diverse including (but not limited to) procurement/distribution of PPE kits, OSH Training, several communication campaigns, Access to Finance (A2F) support through Banking Clinics and Value Chain Financing (VCF), training of women MSEs entrepreneurs, and Psycho-Social Support (PSS) activities. All these activities were considered relevant and necessary at the time of design and inception which was marked by a time of crisis and was designed in order to respond to the diverse immediate needs of the MSEs which were hit hard by the first wave and lockdown. The different activities are described in detail in Section 3.3.

During the implementation of the intervention a number of challenges were encountered, including the various lockdowns and the parliamentary elections in early August 2020. Despite such challenges the project has made very good progress (cf. Section 3.3) and this was due to several success factors. In particular a combination of huge commitment, mutual understanding and a feeling of urgency among all stakeholders to make the project successful and to

provide the benefits properly and timely to the beneficiaries. The commitment of the MoL from the beginning approaching ILO for MSE support was another factor, while the leadership of the ILO was crucial calling all stakeholders for wider consultations and organizing and chairing weekly progress meetings with the relevant staff of the involved organisations. The procurement experience of UNOPS was also important. The re-purposing of staff already employed at the ILO and UNOPS Country Offices was crucial for speedy implementation, and benefited from their experience, good networks and existing trust/mutual understanding with the MoL.

In terms of the Joint Project, the complementarities of efforts by the different partners were clear in this project with ILO in the lead and focusing on training, awareness campaigns and A2F/VCF while UNOPS focused on procurement and distribution, with learning from each other on their mutual competitive advantages as an important component.

With respect to the *Efficiency* of the intervention it has leveraged few new financial resources for other projects and has leveraged a series of partnerships in its response to the pandemic (e.g. MoL, SED, EFC, NIOSH, WCIC, CBSL and other banks and MoH). At the international level, the ILO Decent Work Team (DWT) in New Delhi occasionally provided inputs while ILO Geneva's support was important at the design stage. For UNOPS it was also primarily a country-led initiative. The intervention also received a substantial degree of support from the WHO and also from WFP in the early stages of the project.

The Efficiency of resource use was more than satisfactory, especially considering the adverse conditions under which the intervention took place. The two implementing organisations, ILO and UNOPS, maintained separate budgets. The total budget of the donor MPTF was US\$ 1 million, of which about 65% was allocated to ILO and 35% to UNOPS. Because of the urgency of the project, and the relatively short planned time duration of half a year, it was decided at the inception to skip time-consuming staff recruitment procedures, and to re-purpose two existing staff members in each of the two country offices. Staff costs therefore were also relatively small. Two no-cost extensions were requested, the first one until 31 March 2021, and the second and last one until 31 May 2021 on which date the project was completed. Currently expenditures by both ILO and UNOPS are well over 90%.

With respect to the ILO expenditures, it was found that almost 80% was spent on direct project activities, a substantial part of which was used for the comprehensive communication campaigns. With respect to the UNOPS expenditures, it was found that the largest expenditure category (two-thirds) was for contractual services, in particular the procurement of PPE kits. It was concluded that overall, the resources have been allocated timely, strategically and efficiently to achieve the expected results. The only question mark that was raised concerned the top-up grants in the VCF activity, but these were part of a one-off trial.

The *Management Arrangements* for this project were quite effective. Excellent support was provided by the ILO Country Office in Colombo, and also the activities by UNOPS were firmly based in the global "UNOPS Procurement Procedures and Financial Rules and Regulations". All stakeholders underlined the good support and quick communication from the ILO project team. For some it was an excellent learning exercise being the first time to work with ILO (UNOPS, WHO, WCIC, NIOSH). Reporting followed the contractual conditions and was timely. As MPTF has projects in 56 countries a 'simple template' was designed, but for the projects the Excel-format was not particularly user friendly. The reporting was done by ILO whereby UNOPS provided their inputs which were mostly included. The Project Website has not been updated since its initial launch.

Being a Joint Project of ILO and UNOPS, aid coordination was an important element. Despite the differences between the two UN organisations in project implementation procedures and systems, and the delays, the coordination worked out well and there was a degree of mutual reinforcement between the PPE procurement/distribution and some of the other project components, in particular the OSH Training and awareness campaigns. There was also generally good communication between the two project teams, including the country directors. The regular meetings on joint activities were mutually appreciated. The Donor, MPTF, maintained contacts only with the lead organisation, ILO, often through the UN-RC office in Colombo. MPTF underlined that the performance of ILO in this project was robust and solid.

The project did not have an explicit monitoring plan/mechanism to track the progress of the activities, but the delivery was closely monitored at the weekly review meetings although these were not documented. The selection of MSEs for the various activities tried to

be as inclusive as possible given the limited time and resources available using the databases and networks of such organisations as MoL, SED, EFC, WCIC and others. The only stakeholder not involved was one of ILO's tripartite constituents, namely the Trade Union organisations. In contrast, the EFC has been involved in several elements of the intervention and they have lauded the project for being important to build awareness about MSEs.

With respect to the *Impact* orientation, it is important to keep in mind that the intervention was primarily an immediate response to the COVID-19 pandemic. Nevertheless, one of the most important impacts is that the awareness on OSH/PPE, and indeed the awareness on the position of MSEs have both substantially increased. Another type of impact is the use itself of the PPE kits which is most expected to continue for some time. The OSH Training is also an important element of impact contributing to lasting capacity building. With respect to A2F, the partnership with SED had a clear impact through the dialogue between bank officials and MSEs during the Banking Clinics, and the access to the government stimulus package was clearly increased. The VCF component was a pilot project for which the CBSL has expressed its explicit interest to develop it further with the ILO while also ILO Geneva has expressed interest in documenting the VCF model for further replication. Relatively less resources went into the activities on empowering women and on PSS, but they were important learning experiences, and e.g. now the ILO and WCIC are working on another project dealing with women and MSEs. The PSS sessions have enhanced the awareness on psycho-social problems faced by many MSEs among a crucial group of stakeholders: SED, Labour and Bank Officers.

With respect to *Sustainability*, it was found that no 'Exit strategy' was developed but that the intervention has enhanced the sustainability of the results in several ways. Overall, in the joint project ILO and UNOPS have been working closely with national and local Government counterparts, employers' organisations, partners and communities to ensure increased 'Ownership' and thus the sustainability of the results.

At the level of ONE-UN activities, and within the framework of the UN Sustainable Development Framework for Sri Lanka (2018 – 2022) the experience gained by ILO, UNOPS, WHO and WFP in working jointly on this project is promising for further collaboration in the future. In particular, it provides important experience to work jointly along the lines of

the UN Advisory Paper on Immediate Socio-Economic Response to COVID-19 (June 2020) and their possible contribution to the SDGs. It will be important if the present evaluation will be incorporated by ILO into its planned Global Evaluation of COVID-19 Responses in 2022, as well as by MPTF into the planned evaluation of their global programme jointly with UNEG in 2022.

This pilot project provided a good model to support MSEs, and, importantly, the voice of the MSEs has been tabled with different institutions such as CBSL, EFC, WCIC and NIOSH. Several stakeholders also indicated that the project should be replicated at national level and should thereby, in any case, focus more on rural areas and on the most vulnerable groups. Replication is for example likely in MSE training by NIOSH in partnership with ILO and in the possible inclusion in the National level OSH award ceremony of the MSE sector. Lastly, sustainability was further substantially enhanced through the communication campaigns ingraining an awareness in MSE entrepreneurs as well as stakeholders and partners with respect to OSH, the use of PPE, financial literacy and A2F in particular to government stimulus packages.

The project was definitely *gender sensitive*, but at the same time it was found that the attention and the dedicated resources for Gender Equality could have been increased. All data were sex-disaggregated, and there was one activity specifically directed at women owned MSEs, while the gender perspective was always included in the visuals. Moreover, the percentages of women in activities are quite equal with an overall 48.6% of beneficiaries being female (cf. Table 5). On the other hand, the attention for gender issues could have been higher at times, such as the one activity dedicated to female MSEs with a relatively low budget allocation. In addition, it turned out difficult to involve the most vulnerable women in the intervention. The intervention did not specifically look into Disability and Non-Discrimination.

Recommendations

1. Promote the development of one single comprehensive Online Database of MSEs possibly maintained by the Small Enterprise Development Division (SED) of the Ministry of Youth and Sports. It is assumed by SED officials that approximately 40% of the micro enterprises and 75% of the small enterprises are registered with different government ministries, however, these organisations maintain unique data sets which are not communicated among them and are thus

not coordinated. In order to address the needs of both categories, it is essential to register all the enterprises under one entity and allow access to this database to all government departments/entities according to their requirement. A condition for this is that the registration process for MSEs should be simplified, preferably through mobile data collection, in order to encourage all the MSEs to register themselves; in order to lower the threshold for MSEs to register, it could be effective to have different levels or layers of registration, with increasing amounts of details and documents to be submitted which could be incremental in time.

2. In follow-up activities, including the above online database, make sure that there is a clear focus on the most vulnerable groups, be it vulnerable women/children/disabled, sectors/clusters, rural areas, disadvantaged provinces or remote areas in other provinces as was underlined by many stakeholders interviewed.

3. Promote the organisation of MSEs into one forum to enhance their bargaining power in social dialogue and to bring out their voice to claim relevant services and access to other essential supports from government, private sector, and NGOs. Being often at the interface of the memberships of employers' and workers' organisations with many operating as a one-person enterprise, the involvement of both social partners is required (in particular EFC and relevant Trade Unions).

4. Investigate the procurement procedures by UNOPS, in particular those intended for emergency or immediate responses, and determine if and how such procedures could be further streamlined to expedite the procurement and distribution process.

5. The OSH training of MSEs is recommended to be upscaled and replicated widely (preferably nationwide) with support of the Ministry of Labour (in particular NIOSH) and the Ministry of Youth and Sports (in particular SED). NIOSH could develop a MSE OSH module as an outcome of the present intervention, and an online learning and teaching platform can be created in different sectors (for example through the websites of MoL/NIOSH and/or SED).

6. Promote the capacity building of relevant government officials dealing with MSEs. Consultations could be initiated by ILO with MoL, SED, and possibly the Ministry of Women's Affairs, as

well as with EFC and Trade unions (and perhaps also the Sri Lanka Chamber of Small and Medium Industries). Considering the potential of the MSEs for economic growth and employment creation, it is essential to boost the development of the sector in a systematic manner by building the capacity of the relevant government officials who deal with them. This should include explicitly the Capacity Building of Divisional/District Level Officers as was learned through the present project implementation at the ground level.

7. Within the UN-MPTF reporting should be streamlined in order to enhance aid coordination by the joint partners and to further promote One UN. Once a UN organisation has accepted the role to be in the lead, it also accepts the responsibility to document all activities by all other project partners in full. Preferably a single progress report and a single budget should be presented to the MPTF by the organisation in the lead. In addition, the template for the annual and other progress reporting should be made more user-friendly, and include elements of aid coordination more explicitly, as well as a section on Lessons Learned.

8. Follow-up on several activities which were in part already planned by ILO and, as far as possible, include thereby the lessons learned from the present project:

8.1. Maintain the contacts established through the present intervention with the Central Bank of Sri Lanka (CBSL) in particular on Indirect VCF whereby ILO can make a presentation there.

8.2. Cooperate with ILO-Geneva to document the VCF Model piloted during the present project.

8.3. Follow-up the planned projects with NIOSH and WCIC on MSEs.

8.4. Follow-up the cooperation with SED on Access to Finance (A2F) and explore the roll-out of banking clinics nationwide.

9. For any follow-up activity, include an explicit and comprehensive Gender Equality Strategy and pay specific attention to the inclusion of women in each and every project activity, output and outcome and make sure that dedicated resources are allocated to this strategy. Pay special attention to Unpaid Care Work especially under COVID-19 pandemic conditions and to the implementation of Convention 190 on Violence and Harassment in the World of Work.