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**EMPLOYMENT AND EARNINGS IN SUB-SAHARAN AFRICA:  
SIDA'S CONTRIBUTION**

Louise Fox, Derrick Abudu



# Employment and Earnings in Sub-Saharan Africa: Sida's Contribution

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# Foreword by EBA

Access to productive employment remains one of the most powerful pathways out of poverty. In Sub-Saharan Africa (SSA) – home to the world’s youngest and fastest-growing labour force – this pathway is shaped by profound structural challenges. Widespread informality and persistent underemployment mean that for most people, the central challenge is how to earn a decent living, not whether to work.

Employment has long been a priority within Swedish development cooperation. Through Sida, Sweden has supported a wide range of initiatives across SSA, aimed at improving labour market outcomes and expanding economic opportunities. At the same time, there is a heightened need for robust evidence on what these interventions achieve and under what conditions.

This report responds to that by examining Sida-financed employment projects implemented in SSA between 2011 and 2021. Focusing on two core outcomes – net new employment and increased earnings – the study assesses their plausibility, and the extent to which they can be credibly demonstrated in practice. A portfolio-wide analysis, complemented by in-depth case studies in Rwanda and Tanzania, sheds light on which approaches are most relevant. It also highlights persistent challenges related to the measurement and reporting of employment outcomes.

We hope that this study will be of particular value to policymakers and program managers at the Ministry for Foreign Affairs, Sida, and embassies, as well as to other organisations and partners engaged in employment-related interventions.

The study has been guided by a reference group chaired by Torgny Holmgren. The authors bear sole responsibility for the content, analysis, and conclusions of the report.

Stockholm, January 2026

Torbjörn Becker, EBA Chair

Torgny Holmgren

# Sammanfattning

Produktiv sysselsättning är en av de viktigaste drivkrafterna för fattigdomsminskning. Varaktiga förbättringar av levnadsstandarden har i många utvecklingsländer visat sig vara nära kopplade till tillgången till sysselsättning och aktiviteter som ger inkomster som går att leva på. Detta gäller i synnerhet i Afrika söder om Sahara (SSA), där arbete utgör den huvudsakliga inkomstkällan för de flesta hushållen och där den demografiska utvecklingen sätter press på arbetsmarknaderna. Med världens yngsta och snabbast växande arbetskraft står regionen inför en akut utmaning: behovet av att varje år absorbera miljontals nya arbetsmarknadsinträden och samtidigt förbättra inkomsterna för dem som redan arbetar – varav de flesta är verksamma inom informella och ofta osäkra former av sysselsättning.

Betydelsen av sysselsättning för inkluderande tillväxt och fattigdomsminskning har länge betonats inom svenskt utvecklings-samarbete. Att bidra till produktiv sysselsättning – i vid bemärkelse i linje med Internationella arbetsorganisationens (ILO:s) agenda för anständigt arbete – har prioriterats som ett tvärgående mål inom flera bilaterala strategier och olika sektorer. Under det senaste decenniet har Sida finansierat en omfattande och bred portfölj av projekt i SSA som direkt eller indirekt syftar till att trygga sysselsättning och försörjning åt fler. Samtidigt har frågor väckts om hur väl insatsers resultat definieras, mäts, följs upp och i slutändan uppnås i praktiken.

Mot denna bakgrund analyserar utvärderingen **hur effektiva Sida-finansierade projekt har varit i att bidra till ökad sysselsättning i SSA under perioden 2011–2021**. På uppdrag av Expertgruppen för biståndsanalys (EBA) fokuserar utvärderingen på två centrala utfall som är av särskild betydelse för fattigdomsminskning i den afrikanska kontexten:

1. projektens bidrag till skapandet av nya (netto-) sysselsättnings-tillfällen, samt
2. projektens bidrag till ökade inkomster.

Nettoökning av sysselsättning definieras som bruttoökningen av arbetstillfällen minus eventuella arbetstillfällen som har förlorats, trängts undan eller övergivits till följd av insatsen. Definitionen omfattar både lönearbete och nya egna eller hushållsbaserade ekonomiska aktiviteter. Ökade inkomster avser såväl inkomstökningar inom befintliga aktiviteter som inkomster som uppstår genom övergång till nya eller ytterligare arbeten. Detta tar hänsyn till den utbredda förekomsten av undersysselsättning och kombinationen av flera försörjningsaktiviteter på arbetsmarknaderna i SSA. Sammantaget speglar dessa utfall de faktiska förhållandena i regionen, där arbetslösheten generellt är relativt låg men där undersysselsättning, informell sysselsättning och låga inkomster är vanligt förekommande.

## Utvärderingsmetod

Utvärderingen bygger på en tvåstegsmetod. I det första steget analyseras Sidas portfölj av projekt med sysselsättning som del- eller huvudmål som genomförts mellan 2011 och 2021. De projekt som har sysselsättning som huvudmål bedöms med hjälp av ett antal förändringsteorier (Theories of Change, ToC) som tagits fram för denna studie och som grundas i den internationella effektutvärderingslitteraturen. Förändringsteorierna visar hur olika typer av insatser – exempelvis kompetensutveckling, tillgång till finansiering, matchning på arbetsmarknaden eller stöd till företag – är tänkta att leda till antingen nya jobb eller ökade inkomster.

I det andra steget genomförs fördjupade fallstudier i Rwanda och Tanzania. Länderna har valts för att de uppvisade relativt stark ekonomisk tillväxt under den studerade perioden och hade en hög koncentration av Sida-finansierade projekt med uttalade sysselsättningsmål. Fallstudierna baseras på projektdokumentation, oberoende utvärderingar samt intervjuer med Sida-handläggare och genomförandeorganisationer. Syftet är att bedöma om rapporterade resultat inom sysselsättning framstår som rimliga, trovärdiga och stöds av adekvata system för uppföljning och utvärdering.

## Huvudsakliga resultat

Utvärderingen pekar på ett antal övergripande resultat:

- **Sida finansierar en bred och relevant projektportfölj** i SSA som kan förväntas stödja den långsiktiga strukturella omvandling som krävs för förbättrad sysselsättning i regionen.
- **Endast en liten andel av sysselsättningsprojekten bedöms ha potential att skapa nya arbetstillfällen.** De flesta projekten tillämpar insatser som enligt samlad evidens kan bidra till förbättrade sysselsättningsutfall. Samtidigt innehåller endast en minoritet – omkring 20 procent av projekten med sysselsättning som huvudmål – insatser med en realistisk potential att skapa nya jobb. Fallstudierna visar att jobbskapande främst var sannolik i projekt som direkt stödde företagsexpansion eller underlättade inträde på arbetsmarknaden för personer som inte tidigare varit del av arbetskraften, exempelvis nyutexaminerade ungdomar.
- **De flesta projekt med sysselsättning som huvudmål är bättre lämpade för att öka inkomster än för att skapa nya jobb.** Majoriteten av insatserna syftar till att förbättra produktivitet, marknadstillgång eller finansiell kapacitet hos personer som redan är verksamma inom informella eller hushållsbaserade ekonomiska aktiviteter, särskilt kvinnor och unga. I både Rwanda och Tanzania påverkade projekt som riktade sig till småbrukare, hushållsföretag och utsatta hushåll främst inkomster snarare än sysselsättningsstatus.
- **Portföljens fokus på inkomstökningar är väl anpassad till SSA-kontexten** där undersysselsättning och så kallade ”arbetande fattiga” (working poor) är vanligare än arbetslöshet. Inkomstförbättringar har därmed ofta större betydelse för fattigdomsminskning än skapandet av formella arbetstillfällen, särskilt på landsbygden och inom informell sektor utanför jordbruket.

- **Fallstudierna bekräftar att inkomstökningar är det vanligaste och mest robusta resultatet inom sysselsättningsportföljen.** När sysselsättningsresultat mättes på ett tillförlitligt sätt och kunde kopplas till projektinsatserna handlade resultaten främst om ökade inkomster snarare än nya jobb. I Rwanda ledde integrerat stöd till företag utanför jordbrukssektorn till inkomstökningar när det kombinerades med finansiering, mentorskap och förbättrad marknastillgång. I Tanzania bidrog kontantstödsinsatser till ökade hushållsinkomster som översteg värdet av själva stödet.
- **Integrerade insatser ger bättre resultat än fristående åtgärder.** Projekt som kombinerade kompetensutveckling med tillgång till finansiering, mentorskap och marknadskopplingar hade större effekter på inkomster än projekt som enbart fokuserade på teknisk eller yrkesinriktad utbildning (TVEI). I Rwanda resulterade utbildning som genomfördes av företag med ett åtagande att anställa deltagare i bättre sysselsättningsresultat än breda program med teknisk och yrkesinriktad utbildning utan sådana åtaganden.
- **Kontantbaserade insatser (utan utbildningskomponent) var effektiva för att höja inkomster och hjälpa hushåll att starta företag.** I Tanzania ökade kontantöverföringar till fattiga och utsatta hushåll inkomsterna mer än själva stödbeloppet och skapade dessutom positiva spridningseffekter inom lokala ekonomier. Detta väcker frågor om behovet av och kostnadseffektiviteten i utbildningsinsatser i vissa sammanhang.
- **Uppföljning och utvärdering av sysselsättningsresultat är ofta bristfällig.** Många projekt saknade tillräckliga baslinjedata, justerade inte rapporterade inkomstökningar för inflation eller byggde på obekräftade antaganden om indirekta sysselsättningseffekter. I fallstudierna var det endast ett fåtal projekt – främst sådana som genomfördes av Världsbanken med stark teknisk uppföljning – som mätte sysselsättningseffekter på ett sätt som möjliggjorde tillförlitliga slutsatser om insatsernas resultat och lärande.

## Slutsatser och rekommendationer

Utvärderingen visar att insatser för ökad sysselsättning och försörjning i SSA i mindre grad bör fokusera på att räkna skapade arbetstillfällen och i högre grad på att stödja varaktiga inkomstökningar i ekonomier som domineras av informell sysselsättning och pågående strukturell omvandling. Sidas portfölj innehåller många relevanta och potentiellt effektiva insatser, men deras långsiktiga effekter begränsas av alltför högt ställda förväntningar på jobbtillväxt och av brister i mätning och uppföljning av resultat.

Utvärderingen ger därför följande rekommendationer till Sida och Utrikesdepartementet:

1. För projekt som har som uttalat mål att förbättra sysselsättningen bör fokus i större utsträckning ligga på ökade inkomster, särskilt inom den informella sektorn, där inkomstökningar både är mer relevant för fattigdomsminskning och lättare att följa upp än antalet nya jobb.
2. Sida bör se över den omfattande användningen av teknisk och yrkesinriktad utbildning (IVET), eftersom forskningen visar blandade resultat om dess effekt, samtidigt som andra angreppssätt – såsom finansierings- och kontantbaserade insatser – har visat lovande resultat.
3. Stärk vägledningen, kapacitetsutvecklingen och kvalitetssäkringen avseende mätning av sysselsättningsresultat för att säkerställa att rapporterade resultat är trovärdiga, jämförbara och meningsfulla för lärande och ansvarsutkrävande.

Utvärderingen visar sammantaget att förbättrad sysselsättning i SSA i första hand handlar om varaktiga inkomstökningar i ekonomier som genomgår strukturell omvandling. Sidas portfölj rymmer många relevanta och lovande insatser, men för att fullt ut realisera deras potential krävs tydligare strategiska vägval och mer robust mätning av det som ytterst är avgörande: om människor faktiskt får bättre möjligheter att försörja sig.

## Summary

Productive employment is one of the most powerful drivers of poverty reduction. Across development contexts, sustained improvements in living standards have been closely linked to access to jobs and income-generating activities that provide earnings above subsistence levels. This is particularly true in Sub-Saharan Africa (SSA), where work is the principal source of income for the vast majority of households and where demographic trends are placing increasing pressure on labor markets. With the world's youngest and fastest-growing labor force, SSA faces an urgent challenge: to absorb millions of new labor market entrants each year while also improving earnings for those already working, most of whom are engaged in informal and often precarious forms of employment.

Swedish development cooperation has long recognized the centrality of employment to inclusive growth and poverty reduction. Through its bilateral strategies and Sida's operational guidance, improved employment outcomes – understood broadly in line with the International Labour Organization's (ILO's) Decent Work Agenda – have been prioritized as an objective that cuts across sectors and strategies. Over the past decade, the Swedish International Development Cooperation Agency (Sida) has financed a substantial and diverse portfolio of projects in SSA that explicitly or implicitly aim to improve employment outcomes. At the same time, concerns have been raised regarding how effectively these outcomes are defined, measured, monitored, and ultimately achieved in practice.

Against this background, the evaluation examines **the effectiveness of Sida-financed projects in improving employment outcomes in SSA during the period 2011–2021**. Commissioned by the Expert Group for Aid Studies (EBA), the evaluation focuses on two core outcomes that are central to poverty reduction in the African context:

1. the contribution of projects to the creation of new additional (net) employment, and
2. the contribution of projects to increases in earnings within jobs.

Net new employment is defined as gross job creation minus any jobs destroyed, displaced, or abandoned as a result of the intervention, including wage employment as well as new self- or household-based economic activities. Increased earnings include income gains within existing activities as well as through transitions to new or additional jobs, recognizing the prevalence of underemployment and pluri-activity across SSA labor markets. These outcomes reflect the realities of SSA labor markets, where unemployment rates are relatively low but underemployment, pluri-activity, informality, and low earnings are widespread.

## **Evaluation approach**

The evaluation applies a two-step methodology. First, it analyzes Sida's portfolio of employment-marked projects implemented between 2011 and 2021. Projects designated as having employment as a principal objective are assessed using a set of evaluation Theories of Change (ToCs) developed for this study and grounded in the international impact evaluation literature. These ToCs identify how different intervention types—such as skills development, access to finance, market linkages, job matching, or firm-level support—can plausibly lead to either net new employment or increased earnings under specific conditions.

Second, the evaluation undertakes in-depth case studies in Rwanda and Tanzania. These countries were selected due to their relatively strong economic growth during the period and their concentration of Sida-financed projects with explicit employment objectives. The case studies draw on project documentation, independent evaluations, and interviews with Sida staff and implementing partners to assess whether reported employment outcomes are plausible, credible, and supported by appropriate monitoring and evaluation systems.

## Main findings

The evaluation points to several overarching findings:

- **Sida finances a broad and relevant portfolio of projects** in SSA that can be expected to support the long-term structural transformation required for sustainable employment outcomes in the region.
- **Only a minority of projects targeting employment outcomes are likely to generate net new employment.** Most projects selected for review use interventions that, according to the evidence base, could contribute to improved employment outcomes. However, only a minority – approximately 20 percent of projects directly targeting employment outcomes – feature interventions with a realistic potential to generate net new employment. Case study evidence shows that net employment creation was most plausible where projects directly supported firm expansion or facilitated labor market entry for individuals previously out of the labor force, such as recent school leavers.
- **A majority of projects that directly target employment outcomes are more likely to increase earnings than create new jobs.** The majority of interventions focus on improving productivity, market access, or financial capacity among individuals already engaged in informal or household-based economic activities, particularly women and youth. In both Rwanda and Tanzania, projects targeting smallholder farmers, household enterprises, and vulnerable households primarily affected earnings rather than employment status.
- **This emphasis on earnings gains is appropriate in the SSA context,** where underemployment and working poverty are widespread and where improvements in income often matter more for poverty reduction than formal job creation, especially in rural areas and in informal nonfarm activities.

- **Case study evidence confirms that earnings gains are the most common and robust employment outcome.** Where employment outcomes were well measured and plausibly attributable to project interventions, they primarily took the form of increased earnings rather than net job creation. In Rwanda, integrated support to nonfarm enterprises generated income gains when complemented by finance, mentoring, and market access. In Tanzania, income gains were observed among beneficiary households even when employment structures remained unchanged.
- **Integrated interventions perform better than stand-alone approaches.** Projects combining skills development with access to finance, mentoring, and market linkages were more likely to yield positive earnings outcomes than projects relying solely on technical or vocational training. In Rwanda, training delivered through firms with a commitment to hire trainees resulted in more robust employment outcomes than mass technical and vocational education and training (TVET) programs without such links.
- **Cash-based interventions (without training) proved effective in raising incomes and helping recipient household start a business.** In Tanzania, cash transfers to poor and vulnerable households increased earnings beyond the value of the transfers themselves and generated positive spillover effects within local economies. This raises questions about the necessity and cost-effectiveness of training components in some contexts.
- **Monitoring and evaluation of employment outcomes is frequently weak.** Many projects lacked adequate baseline data, failed to adjust reported earnings gains for inflation, or relied on unverified assumptions about indirect employment effects. In the case studies, only a small number of projects – primarily those implemented with strong technical oversight by the World Bank – measured employment outcomes in a manner that allowed for credible attribution and learning.

## Conclusions and recommendations

The evaluation concludes that improving employment outcomes in SSA is less about counting jobs and more about supporting sustained income growth in economies characterized by informality and gradual structural transformation. Sida's portfolio includes many relevant and potentially effective interventions, but their impact is constrained by overly ambitious expectations regarding job creation and by weak outcome measurement practices.

The evaluation offers several recommendations for Sida and the Swedish Ministry for Foreign Affairs:

1. For projects explicitly designed to improve employment outcomes, **greater emphasis should be placed on increasing earnings**, particularly in the informal sector, where income gains are both highly relevant for poverty reduction and more feasible to measure than net job creation.
2. Sida should critically **review the widespread use of technical and vocational education and training**, given mixed evidence of its effectiveness and the demonstrated potential of alternative approaches, including finance-based and cash-transfer interventions; and
3. **Strengthen guidance, capacity building, and quality assurance** related to the measurement of employment outcomes, to ensure that reported results are credible, comparable, and meaningful for learning and accountability.

Taken together, the evaluation underscores that improving employment outcomes in SSA is less about counting jobs and more about supporting sustained income growth under conditions of structural transformation. Sida's portfolio contains many relevant and promising interventions, but realizing their full potential requires sharper strategic choices and more robust measurement of what ultimately matters most: whether people are able to earn a better living.

# 1 Introduction

Economic history shows that higher incomes generated through productive jobs are the main way adults and their families in the developing world exit poverty (World Bank, 2012; Gollin & Kaboski, 2023). The quality of employment opportunities – measured primarily by earnings at or above the poverty level – is a central outcome of development policy (see Box 1 below for definitions of central terms). It matters not only for those who are employed, but also for people who want to work but cannot find jobs or lack access to opportunities, as well as for dependents of the labor force. Improvements in job opportunities are strong signals of the quality and strength of a country’s economic transformation and development.

As the Swedish International Development Cooperation Agency (Sida) notes in its 2019 portfolio overview:

*To create more productive and decent jobs for the working poor is a fundamental requirement for inclusive economic growth and poverty reduction and therefore a priority for Swedish development cooperation. (Sida, 2019)*

The Swedish Government’s bilateral strategies for development cooperation in Sub-Saharan Africa (SSA), which guide Sida’s work, have consistently followed this approach to ensure that Sida-financed projects (called “contributions”) contribute to poverty reduction. Sida guidance has also emphasized the importance of the outcomes outlined in the International Labour Organization’s (ILO’s) Decent Work Agenda. These outcomes go beyond employment creation and earnings to include policy areas such as respect for core labor standards and support for income security through social protection programs.

Sida contribution management guidance stresses the importance of results-based management (RBM), including well-defined project objectives, monitoring indicators that track progress on these objectives, and clear reporting of results. Sida relies on implementing partners to apply RBM during project design and implementation. Sida project

officers assess the capacity of implementing partners to apply RBM before funding is provided. Sida may provide support in RBM during project implementation if necessary. At the end of a project, Sida may commission an independent evaluation of the results achieved, to strengthen learning from experience.

Sida reports on overall progress towards the realization of its objectives in its public annual reports. These annual reports occasionally draw on quantitative outcome assessments from project completion reports and independent evaluations. For example, the 2021 Annual Report referred to 67,500 women and young people acquiring so-called “green jobs” in Zimbabwe (Sida, 2021). However, questions have been raised as to how well Sida actually measures, monitors, and reports these employment outcomes. In the above mentioned case of Zimbabwe, Burman notes that no jobs outcomes were provided in the final report or the final evaluation for the project, implying that the annual report does not match other sources (Burman, 2024). Burman explores all quantitative employment results reported in two annual reports and concludes that they often do not provide an accurate picture in relation to the data on which they are based.

The purpose of this report is to evaluate how effective Sida-financed projects have been in achieving specific employment outcomes in SSA. Responding to a request from the Expert Group for Aid Studies (EBA), this evaluation assesses the following evaluation questions:

1. Have Sida-financed projects contributed to the creation of *new additional (net) employment*?
2. Have Sida-financed projects contributed to *increasing earnings within jobs*?<sup>1</sup>

In the case of the first outcome, net new employment is gross job creation less any job destroyed or abandoned as a result of the project (see Box 1 below for an elaboration on terminology). In the case of the

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<sup>1</sup> While Sida-financed projects may also have objectives related to other aspects of the Decent Work Agenda (e.g. health and safety at work, social dialogue), this report does not cover these outcomes.

second outcome, all earnings outcomes will be considered, whether achieved by raising earnings in a project beneficiary's existing job (for example, raising net earnings from farming) or by a beneficiary starting a new job or economic activity that provides additional income.

To assess these two evaluation questions, the evaluation first develops evaluation Theories of Change (ToCs) based on the existing impact evaluation literature on how, and under what conditions (assumptions), the interventions chosen in Sida projects could create net new employment or increase earnings. The ToCs developed are organized by target group (expected beneficiary) and type of intervention deployed (e.g. skills training, finance, etc.).

Next, the evaluation uses a two-step empirical methodology to assess the above evaluation questions. First, the portfolio analysis assesses all projects implemented between 2011 and 2021 that Sida designated as directly contributing to employment outcomes, based on their main interventions. Each project is then coded according to the relevant evaluation theories of change. Using this coding, the evaluation calculates the share of the selected Sida projects that could be expected to contribute to the employment outcomes assessed in this report (i.e. new net employment or increased earnings). This subsample is analyzed according to expected outcomes for each intervention. The main finding is that most of the selected projects can be expected to have contributed to increasing earnings, but few projects can be expected to have created net new employment.

The second step in the empirical methodology is an in-depth review of Sida-financed projects in two case study countries: Rwanda and Tanzania. This review seeks evidence that the projects actually contributed to the employment outcomes under examination. These countries were selected because they had a high number of Sida-financed projects that explicitly targeted employment outcomes during the studied period. Furthermore, both countries experienced high economic growth between 2011 and 2021, which provided the minimum conditions for improvements in employment outcomes. Sida financed a mix of intervention types in the two countries over the

evaluation period. The review specifically seeks empirical evidence of projects' actual contributions to the employment outcomes under investigation.

The first major finding from the case studies is that, consistent with results from the review of the whole portfolio, when employment outcomes are well measured and monitored, the main outcome realized is earnings gains, not net new employment. The report argues that, in the context of SSA, especially in rural areas, this is an appropriate focus.

The second major finding is that measurement and monitoring of employment outcomes by implementing partners are often quite weak. This weakness hinders efforts to evaluate employment outcomes and learn lessons. This finding suggests that Sida project officers and some implementing partners may require assistance or training in how to monitor employment outcomes effectively – a topic taken up in the concluding section of this report.

The report proceeds as follows. Chapter 2 presents, as a background to the analysis, an overview of the labor market context and employment challenges in SSA. Next, Chapter 3 describes the evaluation methodology, covering definitions and the measurement of the two outcome variables, and the selection of projects for analysis in the report. Chapter 4 explains the pathways to employment outcomes in Africa and codifies these into evaluation ToCs. Chapter 5 applies the methodology and the evaluation ToCs developed to analyze projects from Sida's portfolio over the period 2011–2021. Chapter 6 presents the Rwanda case study and Chapter 7 the Tanzania case study. Chapter 8, finally, offers the conclusions from the analysis and some recommendations for consideration by Sida and the Swedish Ministry for Foreign Affairs (MFA).

**Box 1: Definition of labor market terms**

*Employment* is labor activities to produce goods or provide services for pay (ILO, 2024b, p. 3). Employment (or a job) can take the form of wage employment (working for someone else

for a wage or salary, including a piecework wage), self-employment, or household-employment (working with members of one's own household for a share of the profits from the activity). Anyone undertaking these activities is considered employed, regardless of hours worked per week or month. A person's *employment* can consist of more than one activity or job (e.g., farming plus off-season activity in a nonfarm sector). In common parlance, *jobs* and *employment* are often used interchangeably.

The *unemployed* are those who are not in employment, are available for employment and are actively seeking employment.

The *labor force* consists of those who are employed, and those who are unemployed. The rest of the working age population is considered out of the labor force (OLF).

People engaged in seasonal activities, such as farmers, as well as those engaged part-time who desire to work more hours are considered to be in time-related *underemployment* (or underemployed, for short). There is no requirement that the underemployed search for additional work or new jobs; often they do not as there are few other opportunities, or they are discouraged.

*Job creation* involves activities by individuals to create employment for themselves and in some cases their households, as well as activities by firms to hire individuals for newly created positions.

*Full time equivalents (FTE)* is way to measure hours of work per unit of time (week, month, year) in a standardized fashion. An FTE is commonly 40 hours per week, 160 hours per month. Because casual wage work is common in lower income countries, measuring new employment added in FTEs is helpful. For example, in an agricultural project participating farmers may hire more labor on a casual basis to help with

planting or harvesting. But these activities might only take two days. It would not be appropriate to say that, because 100 farmers each added two workers for two days, 200 jobs were created. In FTE terms, only five jobs for a week were created, or 1.25 FTE/month jobs were created.

The above definition of employment excludes people doing any activity that creates value only for their family (e.g., growing food which is only for home consumption; none is sold in the market). This definition was adopted by the ILO in 2013. Prior to 2013, growing food for the household was considered employment. The new definition required countries where subsistence farming is common (e.g., African countries) to redesign their labor force data collection instruments and their labor statistics. Countries therefore adopted this change gradually. Once the new definition was adopted in official statistics, the new data collected is inconsistent with older data. As a result, trends over time may provide a misleading picture. Where this was observed in the data, it was flagged in this report (for example, in Figures 9 and 10 in the Rwanda case study). For examples of the impact of this change, see ILO, 2024b, and Gaddis, et al., 2021 for examples from Africa.

## 2 Employment and the labor market in Sub-Saharan Africa

Improving employment opportunities is especially important in SSA, the world's youngest region, for several reasons:

- Work is how poorer people generate the vast majority of their income. In less developed countries, people must work themselves out of poverty.
- The region's 43 percent of the population under the age of fifteen depends mostly on the incomes their parents earn for their survival, growth, and personal development. At the same time, over 40 percent of the population lives in poverty. The children who grow up in these households risk permanent physical and social damage and even death, owing to malnutrition, childhood illness, and lack of quality education and other opportunities to build human capital (Beegle & Christiaensen, 2019).
- As a consequence of high fertility rates in the past, SSA has the fastest-growing labor force in the world. Every year, many young people struggle to enter employment and find a livelihood (Fox & Gandhi, 2021; World Bank, 2023, 2025).
- Sustained economic growth is needed to finance the investments required for steady increases in economic welfare and the building of more resilient economies and societies. Sustained economic growth requires producing and selling more, in part by employing more people more productively and taking advantage of the new opportunities emerging in a globalizing world, without succumbing to the risks to sustained growth that such a strategy involves.

For all these reasons, most SSA leaders and policymakers have set enhancing employment opportunities as one of the main objectives of their development strategies.

Africa's employment challenge is fundamentally one of economic transformation. Economic transformation has four dimensions (Timmer & Akkus, 2008):

*Output transformation*, whereby a larger share of gross domestic product (GDP) is produced in higher-productivity sectors using modern technology, while productivity increases in the lowest-productivity sectors, such as agriculture.

*Employment transformation*, whereby, because of the expansion of production in higher-productivity sectors, more people can find employment in larger, modern firms, which pay higher wages and offer protection from risks (formal employment).

*Urbanization*, which creates scale efficiencies in the production of public and private goods and services and supports market integration.

*Demographic transition*, which reduces the growth of the population and the labor force, easing the absorption of labor and allowing quality gains in social service provision.

The dimensions of the transformation are interrelated. The creation of formal jobs – that is, those with a labor contract and a set of benefits prescribed by the labor code – depends on the creation, survival, and growth of formal firms. These firms are often larger and use more capital and technology, allowing them to pay higher wages. Small and micro firms are less likely to survive in Africa and rarely, if ever, grow into larger firms employing 50 or more people (Ciani et al., 2020). Larger and more productive firms are more likely to be located in urban areas, where they can tap into a larger labor market and have better access to the infrastructure services they need (ports, roads, logistics, energy, information and communication technology (ICT), water and sanitation, etc.). Urban populations tend to have lower fertility, owing in part to the higher cost of raising children in urban areas and the lower value of children in nonfarm production compared with agriculture.

African low- and lower-middle-income countries (LICs and LMICs) are in the midst of their transformation, following diverse paths. For the

region as a whole, figures 1 and 2 show the process as reflected in employment outcomes. Viewed from a sectoral perspective, employment in Africa has been falling in the lowest-productivity sector (agriculture) and rising in the higher-productivity sectors in the large groupings of industry and services.<sup>2</sup> Men were more likely to be found in non-agricultural jobs, especially in the industrial sector, owing to the importance of the mining and construction subsectors. Viewed by type of employment, more Africans have been able to secure wage employment (including casual day labor or other informal work) over the past decade, slightly reducing the share of the labor force in informal, precarious self-/family employment on family farms or in household or microenterprises.

The two trends are related. First, most agricultural work in Africa is performed by families on their own farms (self-employment). Wage labor is a small share of total hours worked in agriculture (7 percent of reported total hours worked in the whole economy, and 17 percent of hours worked in agriculture; see Fox & Gandhi, 2021). Wage work in agriculture is often performed for a few days during planting and harvesting by poorer farmers for richer farmers as a way to supplement income rather than as a main source of income.

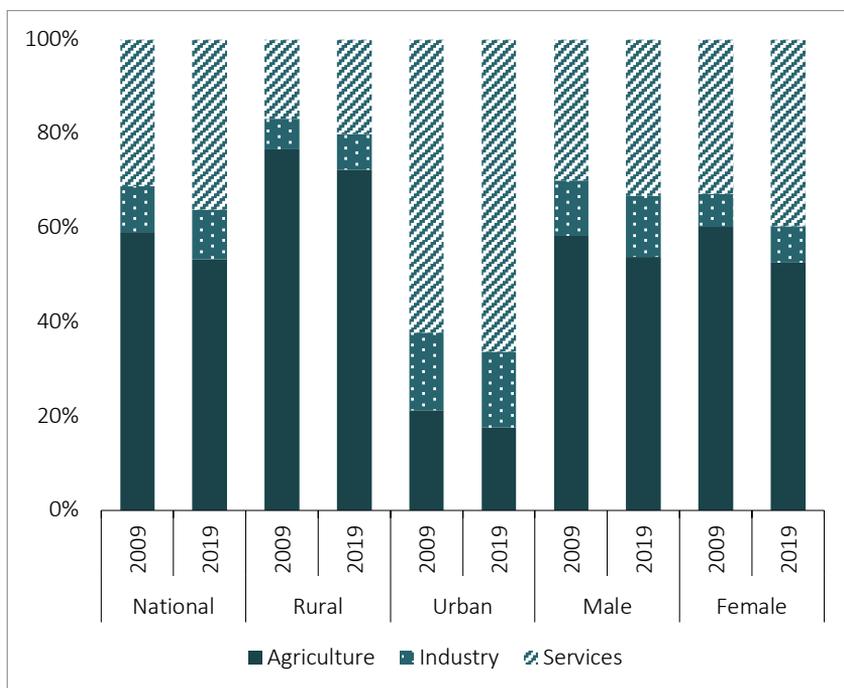
Second, as the share of people employed in agriculture has declined – mostly because of new entrants entering non-agricultural activities – often the only option is self-/family employment in retail trade, hospitality, or other services (hairdressing, repair work). This is because of the shortage of stable wage jobs, keeping the share of informal self-employment in total employment high, even in urban areas.

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<sup>2</sup> The share of the labor force working in agriculture can be a misleading statistic for SSA, where pluri-activity is common. While agriculture is more likely to be mentioned as the primary economic activity in rural areas in household or labor force surveys (and therefore is prominent in Figure 1), detailed analysis shows that it accounts for only about 50% of reported hours worked in rural areas and about 40% overall. Nonfarm self-employment absorbs 33% of total hours worked in rural areas. See Fox & Gandhi (2021) for a discussion.

Growth of nonfarm self-/family employment has occurred in both urban and rural areas. Urbanization and demographic trends have moved in parallel as well. The share of the population living in urban areas rose from 38 percent in 2013 to 43 percent in 2023, and the total fertility rate fell from about 5 children per woman of childbearing age in 2013 to 4.5 in 2022.<sup>3</sup>

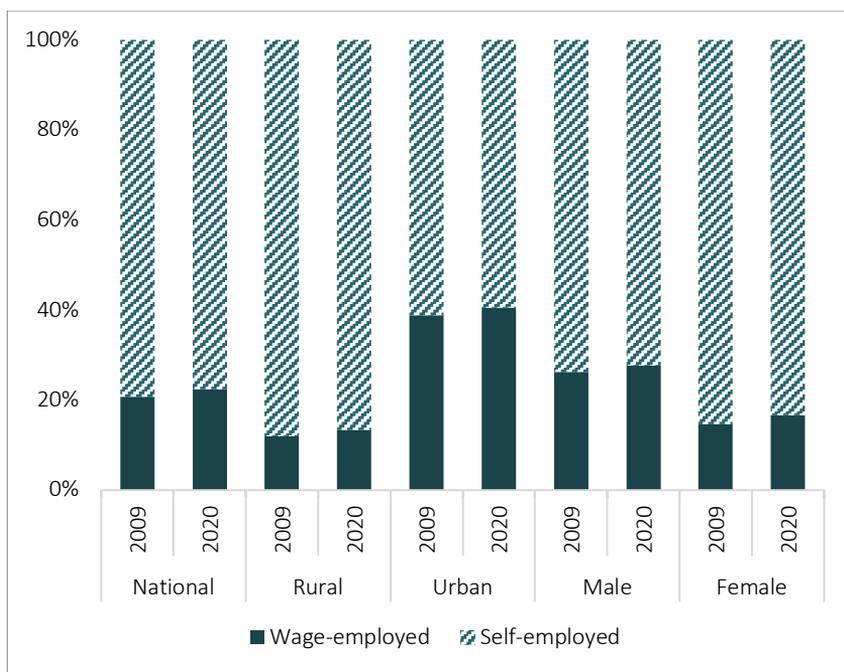
**Figure 1: Share of employment per sector in Africa**



Source: Own elaboration using ILOSTAT. These estimates may be affected by a change in the definition of employment in some countries between 2009 and 2019.

<sup>3</sup> World Development Indicators.

**Figure 2: Wage employment as share of total employment**



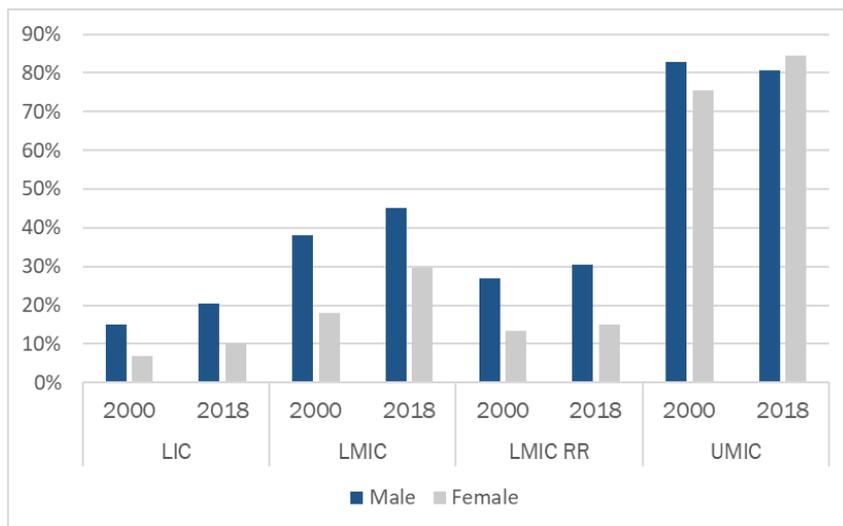
Source: Own elaboration using ILOSTAT. These estimates may be affected by a change in the definition of employment in some countries between 2009 and 2019.

The transformation process has proceeded unevenly, however. In LICs, especially fragile or conflict-affected states, the transition out of self-employment has barely begun. Meanwhile, the employment transition has slowed in resource-rich LMICs, such as Angola and Nigeria, despite their income gains. LMICs not affected by the “resource curse” have made more progress in creating wage employment opportunities, but even so, the majority of employment remains non-wage. Note that not all wage employment is formal.

In some countries, the transition to wage employment is hindered by continuing high fertility (Fox & Gandhi, 2021; World Bank, 2023). In other countries, such as Kenya, the prospects of a faster employment transition are better, owing to a fertility rate that has fallen to just below 4 (Tesfa et al., 2022). From this point of view, Africa’s transition is similar to that taking place in other regions of

the world (Fox & Gandhi, 2021), where informality and self-/family employment are common until the rate of growth of the labor force falls below 1 percent and countries reach upper-income levels (Fox & Gandhi, 2021). In other words, widespread informality can be expected to continue for the foreseeable future.

**Figure 3: Share of wage employment by country type**



Source: Fox & Gandhi (2021).

African countries face major challenges in improving labor market outcomes in spite of obvious improvements in outcomes recorded since 2000. Transformation progress halted during the recessions triggered by the global COVID-19 pandemic and its aftermath. This resulted in a more negative macroeconomic environment, characterized by high levels of indebtedness (World Bank, 2023). It is difficult for existing and new firms to create sufficient new wage employment opportunities for the growing labor force, which implies that the transition out of self-/family employment into wage employment will necessarily be slow. *Creating more jobs* – that is, boosting private sector labor demand through economic transformation – clearly emerges as one of the highest priorities within an African economic development strategy (net new job creation). At the same time,

*increasing earnings* for non-wage employed people operating in the informal sector is a pressing challenge.

Despite the rapid increases in labor supply, unemployment is low, mainly because not working is unaffordable for most households. Overall, unemployment was about 6 percent in 2023, while youth unemployment stood at 9 percent (ILO, 2024a). About one-third of employed Africans are estimated to be “working poor”, meaning they earn less than the international extreme poverty line (about USD 2/day; International Labor Office, 2024). One reason is widespread *underemployment*, defined as working less than 40 hours per week and being willing to work more hours. In the poorest countries, underemployment rates are as high as 30 percent (Fox & Gandhi, 2021). Underemployment is rampant in rural areas because of the dominance of rainfed agriculture. While many rural households have an off-farm, off-season economic activity (such as retail trade, processing of agricultural products, or provision of services), slack (underutilized labor resources) is still widespread (Walker et al., 2024).

Skills development of the labor force, mostly prior to entry, has played a prominent role in African employment strategies. Adoption of modern, productive technology in production units (firms and farms) requires the cognitive and non-cognitive skills developed in children and youth within the educational system. The rapid expansion of education is gradually raising skill levels in the labor force. Yet Africa’s economies struggle to absorb younger, more educated workers.

Unemployment is highest among the most educated (those with a secondary school degree or higher). In Africa’s LMICs, 38 percent of those employed are over-skilled for the occupation in which they currently work (Fox & Gandhi, 2021). The African Development Bank (2019) found that reported over-skilling increases with education level completed. Moreover, education is poorly correlated with labor productivity, which may be one reason why employers are less likely to hire well-educated job entrants.

One issue affecting the translation of education into higher productivity and earnings is the quality of education in many countries. In particular, education systems are usually not oriented towards developing non-cognitive skills and employability knowledge helpful for navigating the labor market. As a result, graduating youth do not know how to interact with potential employers to find a job, or how to interact with self-employed mentors to find out how they could start or grow their business or farm (Arias et al., 2019). A weak foundation in basic skills is necessary for mastering more advanced technical and vocational skills.

Employers cite a lack of socioeconomic skills as the main reason they do not like to hire youth who are recent graduates (Filmer & Fox, 2014; Fox & Gandhi, 2021). Examples of these skills that are valued by employers include emotional regulation, self-control, perseverance, and problem solving (Delavallade et al., 2025). Post-secondary formal technical and vocational education and training (TVET) programs have been a massive and expensive failure (Filmer & Fox, 2014; Arias et al., 2019), in part because they do not focus enough on these skills, although internships within TVET programs can help build them. Finally, African youth are often frustrated by their opportunities once they leave school, often because they have formed aspirations that are too high given their level of (possibly lower quality) education (Lorenceau et al., 2021).

In sum, better jobs and higher earnings for Africans in their labor markets require multipronged strategies. The bedrock is strategies to continue the output transformation, achieved via the creation and survival of higher-productivity medium and large firms using modern technology (physical capital and management techniques), supported by efficient infrastructure and financing (the enabling environment).

A second element needs to be investments to raise productivity and incomes in the informal self- and household employment sector. On farms, this means achieving higher output per worker. Off the farm, it means supporting self/family, micro and small businesses to raise

earnings and survival rates. Undergirding all these elements are continued improvements in the quality and quantity of education to build the skills of the future labor force. Donors, including Sida, seek to support governments in addressing this challenge.

## 3 Evaluation methodology

This chapter explains the methodology used for the analysis, including the definitions of the outcome variables and how they should be measured, how projects were selected for the evaluation, and the two-step empirical strategy.

### 3.1 Definitions

This evaluation analyzes the extent to which Sida-financed projects (contributions) have contributed to improving employment outcomes in SSA. Two specific outcomes are analyzed:

*Outcome 1: Net new additional employment in Sub-Saharan Africa during the period of study.*

Although overall unemployment is low, labor forces in Africa are growing at a rate of 2–3 percent per annum owing to new entrants (primarily young people leaving school). As discussed above, because of the shortage of wage jobs relative to the supply of labor, most entrants will have to create their own job. For the purposes of this evaluation, net new additional employment is defined as:

- a) A new full-time job in a firm, which results in net new hiring at the firm. To count as net new employment, the new hire should have not been employed just prior to the hiring (not economically active) or should have been unemployed. In practice, this condition is difficult to monitor in a development project.
- b) A new self-run or household enterprise (on or off the farm), created by someone who was not previously employed (not economically active) or was unemployed.

*Outcome 2: Increased earnings among labor force participants.*

This outcome addresses the underemployment/low earnings problem prevalent in SSA, especially for beneficiaries already employed in household farms and firms. When a person already working on the family farm adds a new nonfarm business (perhaps by cutting back on time on the farm), there is no increase in net employment, but earnings from employment should rise. Likewise, if someone currently self-employed gets a job at a small, medium, or large (SML) business, there is no net new employment, but there should be an increase in earnings.

These two outcomes roughly correspond to what the World Bank institutional scorecard<sup>4</sup> intends to evaluate as “new or better jobs” and, in the case of increased earnings, represents the most important contribution that improved employment outcomes can make to poverty reduction. Increased earnings in particular contribute to Sida’s overarching objective in supporting better employment outcomes and, ultimately, reducing poverty.

## **3.2 Measuring employment outcomes**

Measuring the extent to which employment outcomes actually happened for project beneficiaries in the presence of the high levels of informality found in SSA is not a simple prospect. As noted above, most direct or indirect beneficiaries of Sida-financed projects in SSA that are designed to affect employment outcomes are not actually unemployed or idle, so measuring outcomes must be done carefully. As a result of project interventions, an individual may (i) join the labor force; (ii) change jobs; (iii) add an additional income generating activity (IGA) to increase earnings; or (iv) increase earnings in an existing activity. Not all income generating activities are considered employment; for example, subsistence agriculture exclusively for household use is not considered employment even though it generates income (ILO, 2024b; World Bank, 2021; see Box 1).

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<sup>4</sup> See <https://scorecard.worldbank.org/en/home>

### 3.2.1 Baseline survey

To effectively measure individual employment outcomes, a baseline survey of project beneficiaries is essential. However, Sida RBM guidance states that baseline data are not required. But in the case of employment outcomes, a baseline is essential in order to assess what has changed as a result of the project. In the conditions found in SSA – that is, widespread informality – the survey should cover all *economic activities performed by the individual, for profit or wage, in cash and in kind* (including unpaid work on a family farm or in a family business). Even if the objective of the project is to increase nonfarm employment, for example, baseline surveys should measure hours worked in all types of economic activities, including agriculture, to assess whether the new employment created represents a net new job. While shorter recall periods (seven days or fewer) are the most reliable, the seasonal nature of work, especially in rural areas, suggests that asking about the seasonality of activities throughout the year is helpful to identify periods of underemployment. In addition, the survey may wish to ask about whether the respondent has looked for work during the past month, to ascertain unemployment status.<sup>5</sup>

Ideally, a “net new job (or employment)” would be a new full-time activity offering year-around employment. Informal sector jobs rarely offer this type of employment, however. For example, an agricultural project directed at smallholder farmers may induce the beneficiary farmers to add more labor during specific times of the year (planting, harvesting). But these day labor jobs last only a few days. In this case, employment gains should be measured in days per year or in full-time equivalents (FTE), which measures the percentage of normal monthly or yearly hours of work the new employment brings (see Box 1).

For projects aiming to create new employment by targeting firms, new hires (or a sample of new hires) should be asked about their previous employment. It is not valid to simply assume all new hires

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<sup>5</sup> Unemployment should never be measured through self-identification.

were idle or unemployed. For example, in a project targeting existing small firms and startups in Nigeria, surveys of new hires at beneficiary firms asked workers what they had been doing before being hired (McKenzie, 2017). The study discovered that 36 percent had been working in another job prior to being hired; the rest had been students, or looking for work (unemployed) but picking up casual work while they searched. Thus, less than two-thirds of jobs created were net new jobs.<sup>6</sup>

Baseline earnings should be assessed for each economic activity of participants. Earnings can be measured in cash or in kind. Measuring earnings outcomes is particularly problematic when the earnings accrue to the household as a whole (e.g. from family farming) rather than to the individual identified as “project beneficiary”. Hours worked can be used as an indicator of participant contribution to a household activity. Measured earnings gains should be reported in constant currency (meaning an adjustment for inflation).

The design of an effective employment survey is a highly technical matter. Extensive survey research has been performed by both the World Bank and the ILO to understand the best way of framing questions and reducing bias (Gaddis et al., 2021). This research has demonstrated that commonly used techniques, such as proxy respondents and extensive recall, can substantially over- or underestimate IGAs. For this reason, common evaluation techniques, such as only using an endline survey of respondents and only asking about activities that the intervention intends to stimulate, are not valid. Similar caveats apply to interventions where the participants are firms. In this case, baseline surveys should ask about all employees, whether formally or informally employed. The same survey used at

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<sup>6</sup> If this project had been able to trace whether the firms employing the individuals who had left to take the new jobs in the targeted firms had hired additional workers, and whether these workers had previously been unemployed, the new job creation effect might have been higher. But it is very difficult to trace these second-round effects.

baseline should be used at the end of the intervention to ensure project outcomes are measured consistently.

### 3.2.2 Negative and positive spillover effects

In a situation of an oversupply of labor for wage work – common in SSA – attributing a gain in income to a project intervention, such as a matching intervention, may overestimate the true project effect. While one person may have gained higher-paying employment, someone else may have been equally qualified and yet not have gotten the job. In this case, the person has been *displaced* (a negative spillover effect). There is some evidence that this happens with interventions such as job search assistance and other active labor market policies (Crépon et al., 2013).

Displacement can happen in enterprise space, when a firm, in response to an intervention, expands production but puts another firm out of business. For example, a project that helps an agro-processing business buy new, more efficient equipment to produce a higher-quality product could end up reducing output and profit at older and/or informal processors, potentially even causing them to close their business. This type of “churn” is common and even desirable within a dynamic process of structural transformation. Bazzi et al. (2024) show that, when the supply of credit to small and medium enterprises (SMEs) in Brazil expanded, exactly this type of churn occurred. While new, more productive firms entered the space and grew, other firms were forced to exit, leading to no net expansion of employment. These general equilibrium displacement effects are quite difficult to measure within a project monitoring and evaluation (M&E) system. Yet they should be considered part of an endline evaluation of project outcomes.

The opposite of displacement is a *positive spillover* – when an intervention has positive effects on others not targeted by project interventions. This is common when targeting specific individuals or households, for example in agricultural projects. Other households may also benefit from the extension services provided, by observing

their neighbors. Spillovers are common in cash transfer projects, when the income is spent in the local area. Projects targeting firms with business services may have positive knowledge spillovers. A project monitoring system focused on beneficiaries would not uncover these spillover effects (which are often unexpected), but a final evaluation could be designed to seek them out, although quantifying them can be difficult.

The project-specific analysis in our case studies (Sections 6 and 7) will assess the quality of the measurement of employment outcomes in the project M&E systems, including in the final evaluations. The analysis will also look for evidence of positive or negative spillovers.

### 3.3 Project selection for the evaluation

In Sida programming, employment is not a sector with a specific strategy but rather an overarching objective that runs across strategies. Sida finances projects that are designed and implemented collaboratively around an agreed set of high-level objectives for a country. Poverty reduction through economic growth and better employment opportunities is often one of these objectives. When a project developed for a sector is expected to directly or indirectly contribute to an employment outcome, the project is tagged with an employment marker. This marker is assigned at the project decision stage, when project costs have been fully estimated and results frameworks specifying expected outputs, outcomes, and impacts have been delineated. A whole project or individual parts can be marked as employment-related, according to the following classification:<sup>7</sup>

- **Principal Objective:** A project/program that has employment outcomes as a main overall goal and measures results directly linked to employment.

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<sup>7</sup> Source: Sida.

- **Significant Objective:** A project program that indirectly contributes to employment outcomes and measures results that indirectly link to employment.

The Sida marker system tracks a broader set of employment outcomes than is covered in this report. In addition to the employment and earnings outcomes specified above, the Sida system includes quality of jobs (safety, security, stability); labor rights, collective bargaining, and labor dispute resolution within jobs; and the development of occupational human capital through training. This evaluation does not cover these broader outcomes.

Project selection for the evaluation was based on a list, provided by Sida, of all Sida-financed projects implemented during the period 2011–2021 that had an employment marker. The data contains the project number, title, and the sector(s) involved in project activities, and the value of disbursements by sector and year (Online Appendix 2 provides a table containing the list of projects). One Sida project may involve activities in several sectors.

With respect to the two outcomes of interest in the evaluation, interventions may be designed to:

- (i) Directly affect the employment and/or earnings of current participants (a direct employment outcome)
- (ii) Encourage people not in the labor force (out of the labor force, or OLF) to seek and take a vacant job or start a business (also a direct employment outcome)
- (iii) Directly affect another variable (e.g. firm profitability, access to markets), and thus indirectly affect the employment and earnings of the labor force

Projects that target individual direct employment outcomes (that is, projects of type (i) and type (ii)) should be coded as having a principal employment objective, and the outcomes measured should refer to the change in the status of the beneficiary (e.g. more income). Projects targeting outcomes other than employment that are

intermediate steps on the road to direct employment outcomes could be coded as having a principal employment objective if the project tracks outcomes all the way through to employment outcomes (e.g. if project M&E systems measure the increase in employment at the firm attributable to the project intervention). Otherwise, the project should be coded as having a significant employment objective. *Given the outcomes of interest in this evaluation, the focus is on projects coded as having a principal employment objective.*

### **3.4 Assessing project interventions: A Theory of Change approach**

How can one know whether an intervention could produce one of the two outcomes of interest (net new employment and/or increased earnings) in the conditions found in SSA LICs and LMICs? In selecting and designing an intervention to be undertaken, it is common to use a Theory of Change (ToC), which provides a detailed explanation or theory of how a specific intervention or set of activities is expected to lead to the expected outcome or impact.

A ToC outlines the causal chain of events through which the intervention is expected to lead to the intended outcome, including the key factors and conditions that need to be present for the outcome to occur, and the risks that could interfere with the causal process. A well-formulated ToC specifies the activities to be undertaken as part of the intervention, what outputs (products or services) the activities are expected to produce (such as trained participants or farmers with improved seeds), and how these outputs are expected to translate into employment outcomes (such as measurable changes in net employment or earnings) for the intended beneficiaries. In the case of interventions targeting potential employers (firms) directly, the ToC should specify firm outputs, firm

outcomes (changes at the firm level, such as increased production), and how these could translate into direct employment impacts.<sup>8</sup>

Importantly, in specifying how outputs translate into outcomes, a complete ToC specifies the key conditions (assumptions) under which the causal chain is valid. For example, an agricultural intervention that intends to increase the incomes of smallholder farmers by introducing a new, higher-value crop (the output) assumes the marketing channels and demand for the new crop exist. If not, the farmer will not be able to sell their product, and their earnings will not increase. The ToC should also specify the external risk to the causal chain that could materialize (for example, adverse weather conditions or macroeconomic shocks).

ToCs (and project design) should be supported by *evidence* that the causal change is valid. In the case of interventions at the micro level (farms, firms, individuals, or households), the best evidence comes from impact assessments, which effectively measure the outcomes and impacts of an intervention against a valid counterfactual. This evidence often reveals the flaws in common ToCs. For example, there is a widespread belief that vocational training produces employment outcomes. However, the evidence is mixed, as some impact evaluation studies have shown increased earnings for the participants (Alfonsi et al., 2020), whereas others show little or no impact compared with the counterfactual (the control group; see Fox & Kaul, 2018, for examples).

Often, this means that the assumptions underlying the ToC have not held. For example, the skills taught in the training may not be valued in the workplace, contrary to the assumptions underlying the training program. In the case of interventions targeting firms, impact evaluations have shown that those targeting firm profitability (for example, marketing or finance training) may have achieved their desired outcome at the firm level (increased profits) but not induced

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<sup>8</sup> See <https://www.theoryofchange.org/what-is-theory-of-change/>

the firms to hire more workers (or to pay existing workers more, see Lakemann et al., 2024, for an example).

Project documentation, such as final reports, may report an employment outcome but it is hard to know whether the intervention has actually contributed to this outcome within the context of the project. ToCs showing the logic linking a project component (intervention) with the outcomes expected can help, as an evaluator can review whether it is likely that the conditions existed that were needed for the intervention to be effective in changing the situation or behavior of the beneficiaries in order to achieve the required results.

### **3.4.1 Portfolio analysis**

The evaluators developed ToCs to assess the potential contribution of Sida-financed projects with respect to the two outcomes of interest, using the following procedure.

1. Projects with a principal employment marker were reviewed, noting the intervention(s) used, intended direct beneficiaries (people, firms, or institutions), and expected outcomes. Projects were then grouped into categories according to target group, intervention, and type of output/outcome sought (e.g. projects designed to increase the incomes of farmers).
2. For each category of beneficiary and outcome, an umbrella ToC was developed, based on existing impact assessment literature.<sup>9</sup> These evaluation ToCs present the pathways to achieving the outcomes of interest (net job creation and earnings increase) for a specific intervention. The ToCs are also a helpful summary of the current state of the evidence to date on the validity and effectiveness of the pathways in SSA. This indicates whether the assumptions underlying a project are likely to hold in the SSA context.

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<sup>9</sup> As often as possible, surveys of impact evaluation studies were used to populate the ToC.

Using a ToC in evaluating project outcomes requires detailed fact-finding on the context of a particular project. The evaluation was not able to perform this type of analysis for every project in the Sida portfolio with an employment marker. Instead, a two-step approach was used.

1. The evaluation ToCs were used to assess the 124 Sida-financed country-level projects with the principal employment marker according to whether they could *plausibly* have achieved one of the two employment outcomes listed above. For example, if impact evaluations showed that an outcome rarely occurs as a result of the intervention (or often occurs in both treatment and control groups) then it can be concluded that the outcome is not plausible as a result of the intervention.
2. The ToCs were used to guide in-depth evaluations of Sida-financed projects and their outcomes in two case study countries. In particular, the ToCs helped identify possible employment outcomes which might have occurred as a result of project interventions. The detailed analysis of the project could then confirm whether these outcomes did occur, and whether their occurrence might be attributable to the project.

### **3.4.2 Country case studies**

Two country case studies were conducted in Rwanda and Tanzania. These countries were chosen for the following reasons:

- Both countries experienced strong economic growth during the period covered by the evaluation (2011-2021). As a result, macroeconomic risk – a major exogenous risk to project success – could be ruled out and the basic preconditions for the outcomes were present.
- A large share of the types of interventions found in Sida’s portfolio (see ToCs) were being implemented through Sida-financed projects in the two countries during the studied period.

- Tanzania was the country that had the most total disbursements for projects with the principal employment marker during the evaluation period. During this period, different types of projects with an employment marker were financed by Sida, including an integrated agricultural project, a guarantee project, and cash transfer (safety net) project.
- Projects in Rwanda all used skill development interventions, which is the most frequently used intervention in the selected Sida projects from the total portfolio in SSA. Different modalities were used (for example, mass TVET, internships in firms looking to hire and comprehensive training and support to develop non-specific business skills), allowing the evaluation to glean lessons from this experience on how and when skill development interventions can be successful. In addition, Rwanda had a project specifically developed for young women, so it provided an opportunity to evaluate a gender-targeted approach.

The in-depth analyses of projects in the two countries drew on all project reports (including independent evaluations) as well as in-country interviews with Sida project officers and project implementers to understand project implementation. This information was used to answer the following three questions:

1. Are the outcomes of interest (new net employment and increased earnings) reported in project documentation (as objectives, and in the final reports and evaluations)?

Based on the umbrella ToCs developed for the report, and the country context, are the reported outcomes of interest plausible?

Are the outcomes of interest reported credible, based on the project M&E system?

The next chapter presents a more in-depth discussion of the evaluation ToCs and the pathways to achieving the outcomes covered in the evaluation.

## 4 Pathways to net new job creation and earnings growth in Africa

What are the main pathways to net new job creation or increased earnings in LICs and LMICs in SSA? And which ones are most effective, for whom? This chapter discusses the interventions that are commonly used to support improved employment outcomes, and the evidence behind their effectiveness. It is conventional to divide interventions according to the domain in the labor market in which they operate: the demand side, matching, and the supply side.

### 4.1 Demand side: Net job creation

How is net employment creation observed in SSA's LICs and LMICs? Since unemployment is low, net new employment mainly involves the absorption of new entrants, through self-employment (they create their job) or through existing production units expanding hiring. Every year, approximately 10 million people, mostly between the ages of 15 and 20, enter (or re-enter) Africa's labor market (Fox & Gandhi, 2021; World Bank, 2023).

It is quite common for interventions to target these young new entrants to help them start their own businesses (mostly, but not exclusively, nonfarm ones). If the interventions are successful, they result in net new job creation. One Sida-financed example of such an intervention is the Adolescent Girls Initiative (AGI) in Rwanda (see Rwanda case study, Chapter 6). Through a combination of technical, business, and soft skills training and access to finance, the program sought to help participants who were out of the labor force at the start of the program to enter it by starting their own business.

A second way in which net employment creation is observed is through an intervention that helps new firms get started, or existing firms to expand production. By definition, a new firm that is not a purely self-owned or household business (that is, a firm with

employees) creates new employment. Indeed, this is how most new wage employment is created. Few firms expand employment beyond the start-up phase; this is especially the case for small or medium firms (Ciani et al., 2020). Interventions that help existing firms expand production (e.g., through trade policy leading to access to overseas markets) may indirectly create new employment, although this result is not guaranteed. Firms may try to use existing employees more efficiently instead, either by organizing production better or by adding more capital.

## **4.2 Demand side: Increased earnings**

Increased earnings for existing labor market participants who are employed can be the most direct pathway to sustained poverty reduction. For the self-/household employed, this involves trying to help them be more productive so they can earn more on or off the farm (Beegle & Christiansen, 2019). On the farm, earnings-related interventions include introducing new technology or products or both. One example of this was the Sida-financed Agricultural Markets Development Trust (AMDT) project in Tanzania. By encouraging farmers to grow a new cash crop (sunflowers) for seed oil production, the project tried to increase farm earnings for participants.

Off the farm, interventions for the self-employed may involve increasing the volume or reducing the cost of available finance. Finance can increase profits by enabling investments in equipment or lowering the cost of working capital. This approach was used in the Sida-financed National Employment Program (NEP) in Rwanda. Grants or cash transfers (such as in the Sida-financed Productive Safety Net Project in Tanzania) may have the same effect. Transportation or energy infrastructure investments can also support increased earnings for farms and household enterprises by reducing both production and sales costs.

Another pathway to increased incomes involves supporting SML firms (employers) to increase labor productivity, which should allow firms to increase wages paid if some of these gains are shared with employees. Interventions can be firm-specific (such as business development services) or broader (improved infrastructure or trade logistics). The risk for employee earnings is that lack of competition among firms and excess supply of workers result in firms retaining productivity gains. However, in the medium run, as a result of successful interventions, more productive firms are more likely to survive and retain their employees, an indirect contribution to employment outcomes.

### **4.3 Matching**

The above interventions seek to improve employment by operating on the demand side of the labor market – increasing one’s own or a firm’s demand for labor or increasing the productivity of that labor. Other interventions seek to place unemployed, underemployed, or OLF people in jobs in firms, through job search support, credentialing to reduce information frictions between job-seekers and hiring firms, or systems that attempt to match job-seekers with firms looking for employees (matching interventions). For the most part, these interventions do not lead to net employment creation, as the firm has already created the employment. But they usually raise the earnings of the person hired, and reduce time costs to the employer and the employee of the search and match process.

### **4.4 Supply side: Net job creation**

The most commonly deployed interventions to increase employment outcomes operate on the supply side by improving the skills of workers, usually before entrance into employment. These programs do not, by themselves, usually lead to net new employment. The exception is where skills training helps an unemployed/OLF person start a business.

But even if participants in a training program do subsequently start a business, evidence suggests training is often neither necessary nor cost-effective. Impact evaluations have shown that similar populations that have not benefited from TVET interventions are able to start a business almost as effectively as treated populations (Fox & Kaul, 2018; Carranza & McKenzie, 2024). One reason is that some vocational skills are in oversupply in the market (such as hairdressing or tailoring; see Frohnweiler et al., 2024). Another reason is that training may not cover all the relevant skills and knowledge needed to start a business. Other types of skills are usually needed – sometimes called employability skills – including personal traits and “soft” skills, such as the capacity to communicate, work with others, negotiate, persevere and complete a task, or be trustworthy (Delavallade et al., 2025). Potential business owners may need financing for equipment and or inventory to start their business as well; unless this is provided, the skills built may not be deployed.

## **4.5 Supply side: Increased earnings**

Interventions that increase the supply of skills valued in the economy can result in higher earnings. One well-known example is general education, which shows positive returns all over the world in all types of employment. Other types of specific knowledge and skills can help household businesses increase earnings. Examples include applied technical or vocational skills, basic business skills (book-keeping, marketing), and personal initiative skills (often called employability skills). If done properly, with high-quality training, which does not take too much time away from the business, skills training can be efficient and effective in raising the earnings of self-employed business owners (Carranza & McKenzie, 2024). An example is the Sida-financed Creating Off-farm Rwandan Enterprises (CORE) project in Rwanda.

TVET in areas such as construction skills (carpentry, plumbing, welding), baking, and mechanics and repair can create more productive employees as well. Firms may hesitate to invest in this

training, knowing that other firms may poach more productive employees before the firm can receive a return on their investment. For this reason, governments may invest in training potential employees as a means to stimulate job creation.

For the most part, in SSA, TVET investments have not achieved the desired effects (Arias et al., 2019). The reasons for this are multiple but mostly boil down to a lack of an effective partnership between the industries that potentially need trained workers and the training institutions. One exception is in Rwanda, where, under the NEP, the government funded training by firms in the firms' facilities.

## **4.6 Formalizing the intervention pathways: The evaluation ToCs**

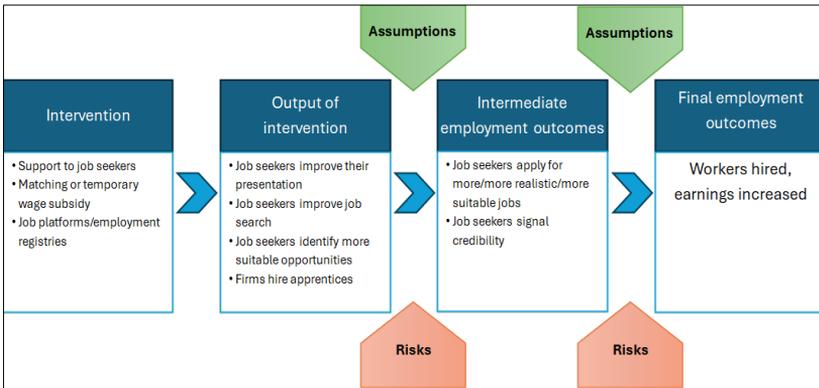
The conditions under which these pathways for interventions can be effective are summarized in the ToCs developed for this evaluation. Seven ToCs were developed for the following intervention types with distinct target groups and pathways to employment outcomes:

1. Skills training interventions (prior to or during entry into work to increase net employment).
2. Job matching interventions (to connect current or future labor force participants to job vacancies in firms to increase earnings).
3. Interventions to increase output/productivity/profits in non-farm household or micro enterprises for current or future labor force participants (to increase earnings and/or to create net new jobs by inducing entry into the labor force).
4. Interventions to increase output/productivity/profits in SML enterprises (directed at firms, to create new jobs for future or current labor force participants, which may increase the earnings of new hires).
5. Interventions to stimulate the creation of new enterprises (directed at firms, to create new jobs for current or future labor force participants, which may increase the earnings of new hires).

6. Interventions to increase profits on the farm (mostly directed at existing farmers, to increase earnings).
7. Public employment interventions (to provide temporary net new jobs but no permanent jobs).

Figure 4 shows a simplified graphic depiction of a ToC for matching interventions.

**Figure 4: Theory of Change for matching interventions**



The evaluation ToCs developed connect the pathways to employment outcomes described above to the evidence from the literature on which pathways can lead to which outcomes under which conditions. Table 1 summarizes the main messages in the seven ToCs and how they link to the pathways. The full ToCs are outlined in Online Appendix 1.

**Table 1: Summary of ToCs and evidence of effectiveness**

Interventions that could directly increase net employment or earnings.

<b>Intervention</b>	<b>Pathway/ domain</b>	<b>Expected outcome</b>	<b>Summary of evidence</b>
<b>1.</b> Skills development prior to or during entry into work	Supply side	Net new employment	Vocational training may help new entrants (mostly youth) start their own or a micro business or acquire a new wage job, but it is neither necessary nor sufficient. Vocational training often has quality issues and is higher cost than general education. Evaluations show mixed results.
<b>2.</b> Job matching	Matching	Increased earnings	Matching programs can make a marginal improvement in the speed of finding a job, increasing earnings. Programs are especially helpful for excluded groups, provided employers do not discriminate. Displacement effects (on non-treated) are rarely measured but appear negative so this intervention is best for encouraging hiring of disadvantaged groups.
<b>3.</b> Interventions to increase output/productivity/profits in nonfarm household/microenterprises	Demand side or supply side	Increased earnings  Net new employment (new entrants)	Business owners in this sector have a precarious livelihood. Most nonfarm household businesses are engaged in highly competitive, low-margin markets and industries, and many face limited demand for the products and services they offer, limiting income growth. Rarely are interventions transformational, but some (such as access to markets or finance) can lift earnings for beneficiaries. Net new jobs may be created by facilitating youth's entry. Women face specific barriers to entry and endurance; interventions targeting soft skill development have been particularly useful.

<b>Intervention</b>	<b>Pathway/ domain</b>	<b>Expected outcome</b>	<b>Summary of evidence</b>
<b>4.</b> Interventions to increase output/productivity/profits in SML enterprises	Demand side	Net new employment  Increased earnings (for new hires)	While analyses have shown most firms fail to adopt known, effective management practices, most interventions improving business practices improve productivity and profits in the short run but may not be retained in the medium term. Access to credit (or tied grants) can (i) increase investments, (ii) facilitate innovation, or (iii) improve profits by making more working capital available. For new job creation, output must expand sufficiently to increase labor demand. Most employment gains come from new firms entering rather than expansion of existing firms. Given the amount of business churn in the SME sector, general equilibrium effects are unclear, possibly negative and need to be studied.
<b>5.</b> Interventions to stimulate the creation of new SML enterprises	Demand side sometimes with supply side (agricultural extension)	Net new employment  Increased earnings (for new hires)	The effectiveness of these measures is mixed. If the intervention removed the main or only binding constraints, then it could have positive employment outcomes. But often, coordination issues limit results. Also, there can be churn (jobs destroyed in other, less productive, enterprises) so that the GE net employment effect could be near zero. For new hires, earnings effects should be positive.
<b>6.</b> Interventions to increase profits on the farm	Demand side	Increased earnings	There is no one binding constraint to improved labor productivity in agriculture in SSA. Technology adoption (i) is mostly casual labor-reducing and (ii) often results in reduced hours in agriculture and more hours in nonfarm household enterprises. Main constraints are related to risk: (i) that new technology will not be appropriate (owing to underlying heterogeneity) and (ii) that exogenous price and weather risks will undermine benefits from technology adoption.
<b>7.</b> Public employment interventions	Demand side	None in medium term	Public employment interventions (e.g. local public works) have not shown lasting impact (on skills, hours worked or consumption) upon termination.

## 5 Assessing the portfolio of Sida-financed projects with an employment objective

This chapter reviews the Sida portfolio of projects with an employment marker. All projects are analyzed by sector, illustrating the difference between primary and secondary employment-marked projects. Next, the projects designated with the primary employment marker (principal objective) are coded according to the evaluation ToC that best describes the intervention used in the project. In cases where a project had multiple interventions, a secondary evaluation ToC was designated as well. This analysis attempts to answer the questions:

- What percentage of the Sida-financed projects could plausibly have contributed to the employment outcomes studied in this evaluation? Through which pathways?

### 5.1 Overview of employment-marked projects

During the period 2011–2021, Sida financed 490 country-level projects in SSA that received some type of employment marker, totaling 18.2 billion SEK in disbursements (see Online Appendix 2 for a list of all projects this analysis covers).<sup>10</sup> Of these, 124 projects featured interventions expected by Sida to directly affect employment outcomes, with results measured and tracked through project M&E systems. These were designated with the “principal

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<sup>10</sup> Sida also financed regional and sub-regional projects through entities such as the ILO and the World Bank. These projects accounted for an additional 1.8 billion SEK in disbursements. Owing to the variety of interventions used, including ones that are quite important for policy and project design but do not directly result in employment outcomes - such as diagnostics and institution building - these projects were excluded from the analysis.

objective” employment marker. The rest were designated with the “significant objective” employment marker.

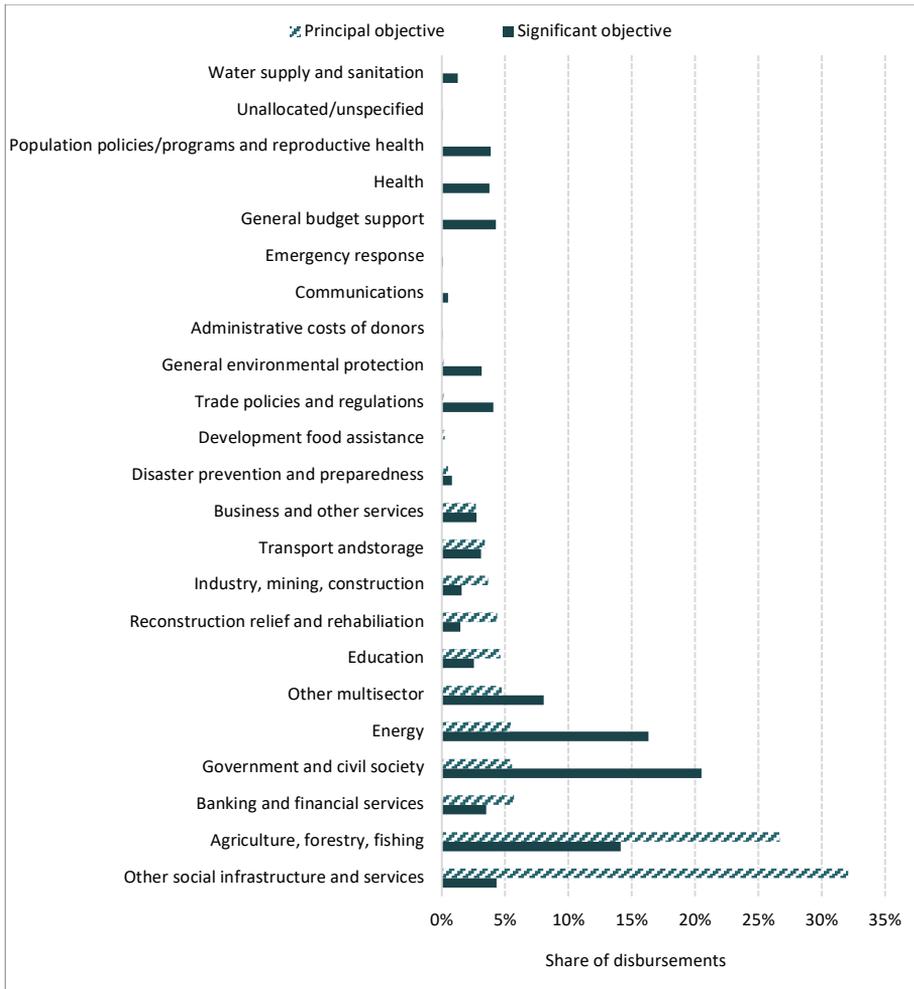
Projects with either employment marker covered a broad swath of the economy, including areas that can be expected to directly contribute to its structural transformation through job creation and increased productivity, such as industry, mining and construction; agriculture; ICT and financial services; and energy. Sida-financed, employment-marked projects also supported sectors that can be expected to indirectly raise worker productivity and earnings, such as education, environmental protection, health, other social infrastructure and services, and water supply and sanitation.

Figure 5 shows the distribution of these two types of project components by sector according to the value of disbursements. The size of the bars represents the share of disbursements in the respective sector divided by the total value of disbursements marked with the respective marker. Note that a project could have only part of total disbursements coded as having an employment objective. While the share of disbursement gives some idea of the relative weight of the sector in the total employment portfolio, it does not correspond to the overall employment impact.

The majority of the disbursements in projects with a principal objective employment marker are in:

- a) the umbrella sector “other social infrastructure and services”, which includes active labor market programs, such as job placement services and vocational and technical training, support to improved labor relations, employment and inclusive growth diagnostic studies, programs to improve the collection and use of labor market data, and public employment/cash transfer programs, and
- b) in the agriculture sector (where the majority of the low-income population earns some, if not all, of their income). This underscores Sida’s commitment to supporting employment outcomes for the purposes of inclusion (the social infrastructure projects) and poverty reduction (both social infrastructure and agriculture).

**Figure 5: Sida-financed projects with a principal objective or significant objective employment marker**



Source: Own elaboration using Sida data. Sectors correspond to the OECD-DAC coding scheme.

Disbursement for projects designated with the significant employment marker span more sectors but are most common in the ‘Government and civil society’, ‘Energy’, and ‘Agriculture, forestry, fishing’ sectors. These projects should indirectly contribute to employment outcomes. As noted in the previous section, projects

financing economic infrastructure, such as energy and transport, support economic transformation and productivity gains by reducing production costs, supporting quality improvements, and allowing firms to access new markets. The new infrastructure should eventually result in improved employment outcomes. By supporting improvement in public policies and institutions, general budget support can also contribute to improved employment outcomes. But projects in some sectors (for example, population and reproductive health) can be expected to affect employment outcomes only with a long lag.

Not shown in Figure 5, but clear from Online Appendix 2, is that many projects had an explicit youth focus, reflecting Africa's demographics. Some projects also contained an explicit focus on women's economic empowerment.

## **5.2 Evaluation of Sida's portfolio of projects with a principal objective employment marker**

Projects coded as having a principal employment objective are the focus of the portfolio evaluation, as these can be expected to directly contribute to employment outcomes. In addition, these projects should measure employment outcomes in their results frameworks. To evaluate this portfolio, Sida documentation (primarily decision memos and final reports) on projects with a principal employment marker were reviewed to assess what the main interventions used in the project were and the expected beneficiaries. Based on this information, projects were matched with a primary and, if appropriate, secondary evaluation ToC. This allowed an analysis of how Sida used its financing to try to achieve the outcomes of interest in this report.

Some projects tagged with the principal employment marker did not contain interventions that directly targeted the two specific outcomes of interest. Examples of such projects include "Burkina

Faso as seen from below”, “Ethiopia: Engaging public opinion in the development of the national plan”, and “IOM Diaspora Project – Somalia”. This category of projects was considered unlikely to directly realize the employment or earnings outcomes covered in this evaluation and accounted for almost 40 percent of the total principal employment marked projects. These projects were excluded from further analysis. Figure 6 shows the distribution of the remaining projects by primary and secondary intervention group as coded by the ToCs.<sup>11</sup>

Of those projects that used interventions that could lead to the employment outcomes that are the subject of this evaluation, the most used interventions were ones that were likely to raise earnings, not create net new employment. This focus on raising earnings should be seen as an effective response to the widespread labor market informality in SSA. Interventions with the potential to increase net employment – primarily through the creation of new enterprises, but also interventions targeted at household enterprise start-up or SML enterprise growth, represented a much smaller share of total projects. These accounted for 20 percent of all projects with interventions likely to have one of the employment outcomes covered in this evaluation.

Skills development (post-school, of all types) was the single most frequently used type of intervention. It accounted for one-third of the primary interventions in the principal employment-marked projects likely to realize our employment outcomes. Skills development was also a common secondary intervention. When the target is those already in the workforce, skills development projects are primarily considered a tool to raise earnings. When the target is people (usually youth) about to enter the labor force, the objective can be to help this often inactive group to start businesses. The portfolio analysis is conducted at too high a level to know whether

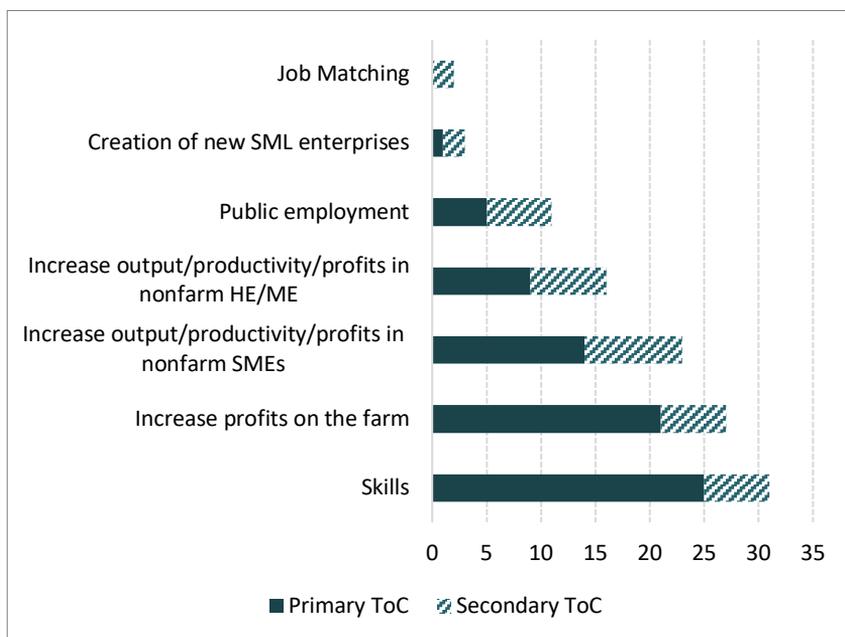
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<sup>11</sup> Not all projects were coded with a secondary ToC. Projects excluded from the analysis were not necessarily miscoded in the employment marker system, as Sida has a broader set of employment outcomes it is seeking to affect than those covered in this report.

the skills development projects were actually effective. However, as discussed in the previous section, skills development projects in SSA for those already out of school, whether in the workforce or not, have faced many risks that have challenged the achievement of employment objectives.

Various demand-side interventions make up the majority of the projects in the portfolio. These include projects targeting household enterprises or SMEs with finance, as well as ones strengthening access to electricity or markets for household and micro businesses. Interventions directed at farmers (28 percent by primary ToC) also make up a substantial share of the portfolio. As noted in the respective ToCs, these interventions are most helpful for raising earnings and are an appropriate response to the labor market challenges facing SSA countries.

**Figure 6: Distribution of projects with principal objective employment marker by Theory of Change**



Source: Own elaboration using Sida data.

Five projects supported public works employment as the primary intervention. While these projects usually raise earnings in the short term (providing a safety net in times of crisis), they are unlikely to have a lasting effect on the employment outcomes of the beneficiaries.

Three conclusions emerge from this portfolio analysis. First, Sida finances a broad range of projects, suggesting that Sida support and activities are likely to be supporting the structural transformation of the economy needed in SSA economies for inclusive development and sustained poverty reduction (World Bank, 2025).<sup>12</sup> In other words, Sida's contribution to more and better jobs in SSA is not limited only to those projects with direct impacts on individual behavior which can be tracked in project M&E. **Second**, Sida-financed projects with the principal employment marker are more likely to use interventions that target earnings. As noted previously in this report, an earnings focus is more likely to serve the reality of the large informal sector in SSA. **Third**, Sida may have an overemphasis on post-school skills development as a tool to increase net employment and/or earnings, given the limited evidence on its success in SSA.

It was not possible to carry out a detailed analysis of all the Sida-financed projects judged to have possibly generated the employment outcomes of interest for this report. To analyze the extent to which Sida-financed projects actually (i) created net new employment, and (ii) increased earnings, two in-depth case studies were undertaken in countries where Sida has extensively and consistently supported employment objectives: Rwanda and Tanzania.

The case studies examine the extent to which project interventions achieved their intended employment objectives, as well as how effectively project monitoring and evaluation systems documented these results. This analysis addresses the second empirical question: whether the outcomes expected from the projects, as identified in their theories of change, can be credibly claimed.

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<sup>12</sup> See World Bank, (2025) for a discussion on how a broad range of investments supports structural transformation leading to the creation of more and better jobs.

## 6 Rwanda case study

### 6.1 Background: Rwanda's economic growth and transformation performance

Between 2010 and 2023, Rwanda's economy grew rapidly, with GDP growth averaging 6.7 percent per annum – more than double the SSA average of 3.2 percent for the same period (Figure 7). GDP per capita grew at 4.3 percent over the same period. During this period, the economy experienced some transformation (Figure 8). The industrial sector expanded from USD 1 billion in 2010 to USD 2.6 billion (in constant 2015 prices), representing a 7.9 percent compound annual growth rate (CAGR). Over the same period, the services sector witnessed a similar rate of growth, a 7.8 percent CAGR, translating to an increase from USD 2.8 billion to USD 7.8 billion.

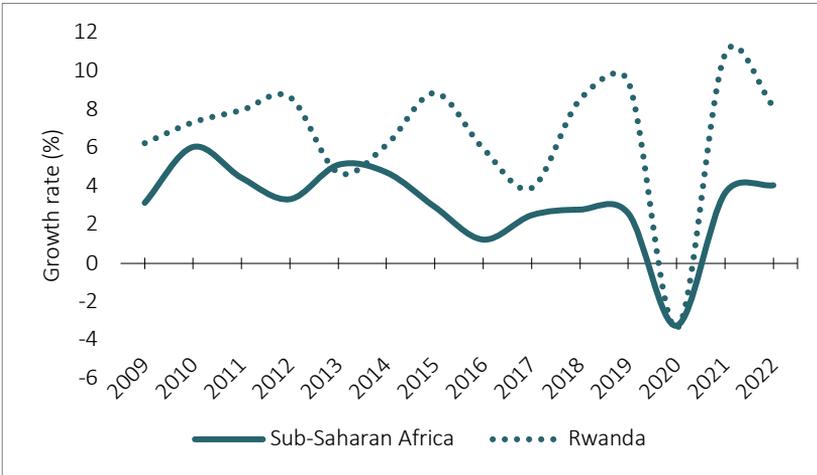
Employment transformed as well, as the new entrants started finding more opportunities in other sectors. Over the period 2009–2022, employment in agriculture declined from 81 percent to 56 percent of total employment, while employment in the secondary sector grew from 5 percent to 14 percent and that in services from 14 percent to 30 percent (Figure 9). A significant portion of the measured decline in agricultural employment is attributable to ILO's change in the definition of employment in 2013, to exclude subsistence agriculture. This change was implemented in Rwanda's statistics in 2017, resulting in the labor force participation rate and the share of the labor force employed dropping substantially.<sup>13</sup> Wage employment as a share of total employment also increased, reflecting in part increased industrial sector activities, although agricultural wage labor as a primary activity also grew during the period, reflecting an increasingly commercialized agriculture sector. Meanwhile, the services sector's growing employ-

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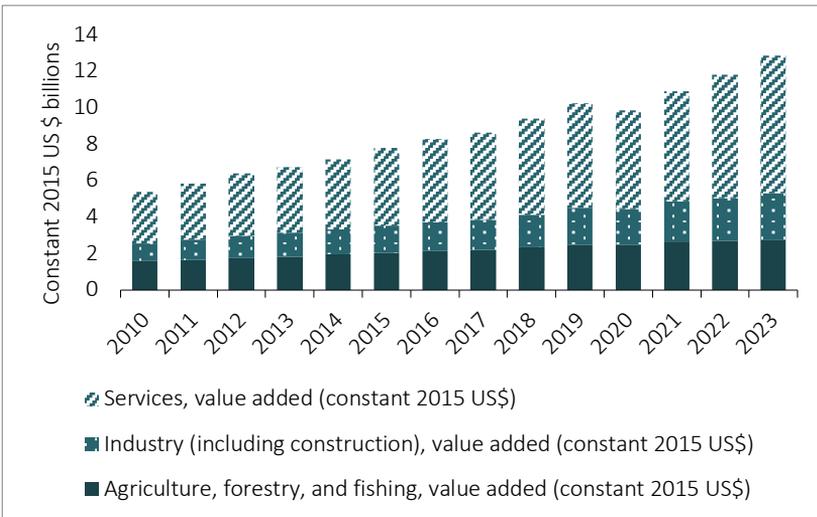
<sup>13</sup> For more information about this change, including the logic behind it, see ILO (2024b).

ment share reflects only limited economic modernization but mostly a surge in informal, low-productivity household enterprises, using family labor.

**Figure 7: Real annual gross domestic product growth rate**

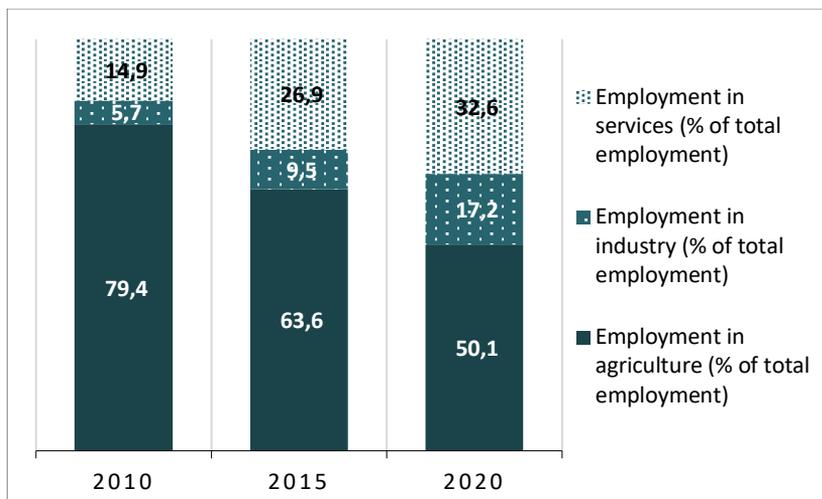


**Figure 8: GDP value added by sector in real terms**



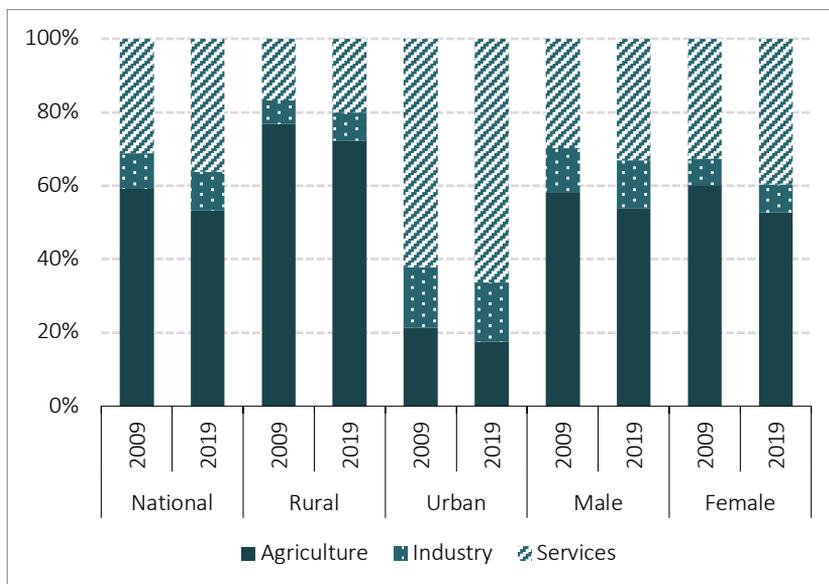
Source: Own elaboration using World Development Indicators.

**Figure 9: Employment by sector**



Source: Own elaboration using World Development Indicators. These estimates are affected by a change in the definition of employment in 2017.

**Figure 10: Wage employment as a share of total employment**



Source: Own elaboration using ILOSTAT. These estimates are affected by a change in the definition of employment in 2017.

## 6.2 Sida activities in Rwanda 2011–2021

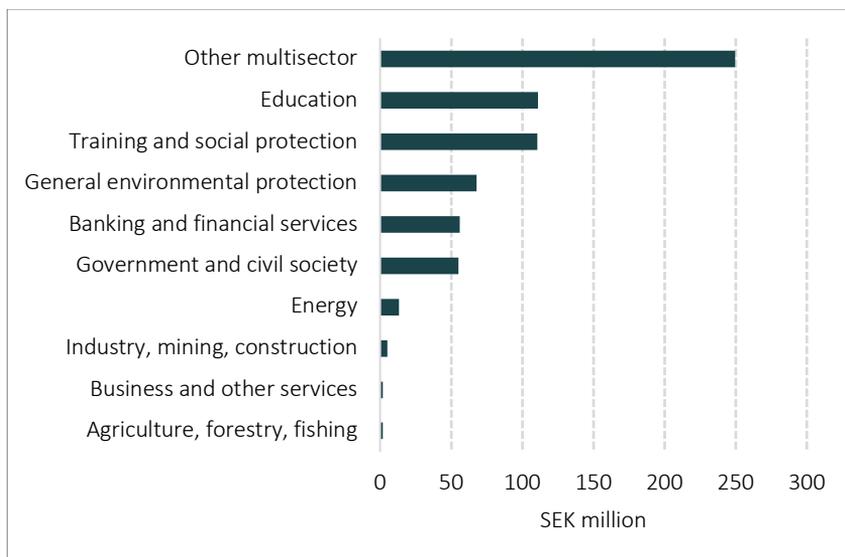
Sida’s engagement in Rwanda during the period 2011–2021 was designed to support Rwanda’s strategy of economic and social transformation and development. The Government of Sweden consistently articulated three objectives (Sida, 2018):

1. Contribute to a better environment, limited climate impact, and greater resilience to environmental impact, climate change, and natural disasters.
2. Contribute to strengthening democracy and gender equality, and greater respect for human rights.
3. Contribute to better opportunities and tools to enable poor people to improve their living conditions.

Sida’s support for programs to improve the quantity and quality of employment opportunities in Rwanda fell under the third objective.

Sida’s employment-marked portfolio in Rwanda over the period included 31 projects that had employment as a principal or significant objective, with total disbursements of SEK 672 million (Figure 11). Of the above total, the projects and programs directly linked to employment outcomes (employment is a principal objective) constituted 45 percent of disbursements and are summarized in Table 2. The program with the most funds allocated is support for the Government of Rwanda’s (GoR’s) National Employment Program (NEP) (including diagnostic work and technical support for M&E). The second largest is the World Vision Creating Off-farm Rwandan Enterprises (CORE) project (training and provision of equipment plus banking and financial services).

**Figure 11: Sida’s financing for project components with employment as a principal or significant objective, Rwanda, 2011–2021**



Source: Own elaboration using Sida data.

**Table 2: Projects with employment as a principal objective**

Program	Amount disbursed (SEK million)	Share
NEP (including associated technical assistance) <sup>14</sup>	179	60 %
CORE (World Vision, phases 1 & 2)	98	32 %
Others <sup>15</sup>	25	8 %

<sup>14</sup> Includes employment-marked disbursements for projects 10120, 51160077, 51160093, 51160118, and 51160124.

<sup>15</sup> Includes smaller amounts of much larger programs (for example, SEK 20 million out of a total SEK 55 million Access to Finance program). Note that for this project, although about one-third of funding by value of this program is assigned the employment marker principal objective, the results framework did not include explicit employment-related outcomes and thus this project was excluded from the analysis.

Projects supported that are expected to indirectly contribute (employment is a significant objective) include support to the United Nations Development Program (UNDP) in Rwanda, support to the development of higher education in Rwanda, support to the GoR's program to improve access to finance for households and micro and small businesses, and support for increased energy generation using carbon-neutral technology (general environmental protection and energy).

### 6.3 Project review

To analyze the contribution of Sida-financed projects to the employment outcomes covered in this report, three projects were selected for in-depth analysis:

- *The National Employment Program (NEP)* represented the majority of Sida financing in Rwanda during the period, expected to directly contribute to the achievement of employment outcomes. The NEP supported a combination of skills training and apprenticeships but also access to finance for nonfarm household enterprises. In this case, Sida provided funding directly to the GoR for its activities.
- *The Adolescent Girls Initiative (AGI)* was a World Bank project focused on helping young women start their own self-employment businesses. This project was initiated in 2012 and completed in 2015, before the employment marker system was developed, and therefore does not appear in the chart above.
- *The World Vision Creating Off-farm Rwandan Enterprises (CORE) program (phases 1 & 2)* provided skills training for nonfarm self-employment and for new entrants in the labor market (youth), as well as access to finance for cooperatives. World Vision was the implementing partner.

These projects offer a good representation of Sida's employment-focused work in Rwanda and in SSA, given Sida's focus on skills and on self-employment businesses, particularly in the context of the rural

nonfarm economy. The AGI project only allowed female participants, so it provides a good example of Sida's efforts to experiment with gender-explicit projects as a way to better understand how to address the specific challenges faced by this group. The CORE project recruited participants among rural women and youth, again reflecting Sida's focus in SSA on these often-excluded groups. All projects included either an external evaluation or a project-implemented impact evaluation and thus had a good basis for analysis.

### **6.3.1 The National Employment Program (NEP)**

#### **Background**

Following extensive interministerial and stakeholder consultations, the Ministry of Public Service and Labor (MIFOTRA) launched the GoR's NEP in January 2014. The program had the following three objectives:

1. Creating sufficient jobs that are adequately remunerative and sustainable across the economy.
2. Equipping the workforce with vital skills and attitudes for increased productivity that are needed for private sector growth.
3. Providing a national framework for coordinating all employment and related initiatives and activities in the public and private sectors and civil society (MIFOTRA, 2014).

The NEP supported the Rwanda's Second Economic Development and Poverty Reduction Strategy, launched in September 2013. This was the main strategy document of the GoR for achieving sustained economic growth and social development over the five-year period 2013–2018. It was followed by a secondary strategy document, the National Strategy for Transformation 2015–2024, which targeted the creation of over 200,000 off-farm jobs annually. The goals of the NEP were consistent with the long-term vision of the GoR to develop and transform the country's economic and social structures towards the achievement of middle-income status.

The NEP contained four pillars:

1. Skills development.
2. Entrepreneurship and business development (supporting the creation, growth, and productivity of MSMEs).
3. Labor market interventions (including matching services in Kigali and enhanced labor market data collection and analysis).
4. Coordination, monitoring, and evaluation.

Key programs under the NEP, implemented by GoR entities at the national and local levels and by associated contractors (e.g., private vocational training providers) were:

- Mass vocational training: Short- and medium-term TVET training in skills demanded by key sectors, for out-of-school youth and others (three to six months, TVET skills only).
- Rapid response training (RRT): Internships for secondary school and university graduates in companies, including on demand training of new employees for companies (mostly in the garments sector; companies were required to retain 75 percent of trainees for at least one year).
- Provision of a start-up toolkit to TVET/apprenticeship graduates and other low-income people to help them start their own self- or family-run business (business advice from local business development advisors (BDAs) and access to finance through local savings and credit cooperative organizations [SACCOs]).
- Artisan/craftsperson certifications (recognition of prior learning).
- Development of the nonfarm economy through creating and supporting artisan/craft cooperatives, including provision of subsidized credit and grants for the purchase of equipment (e.g., sewing machines, saws, welding equipment).
- Provision of business advisory services to existing MSMEs and access to finance through subsidized lines of credit.

- Development of employment centers to support job search and matching (not actually realized during the first phase).

The multisectoral NEP was originally coordinated by MIFOTRA. After this proved unworkable, coordination was transferred to the Rwanda Development Board, in part to strengthen connections with public and private companies. Sida funding was provided directly to the Ministry of Finance, which transferred the funds to implementing ministries and agencies. Sida funded the program in two phases: phase 1 (2014–2017, SEK 100 million) and phase 2 (2017–2019, SEK 60 million).

### Potential employment outcomes

The NEP, if successful, had the potential for direct and indirect employment outcomes, according to evidence summarized in the ToCs prepared for this review, including net new employment and earnings increases for participants.

1. **Mass TVET:** TVET programs for current nonfarm household enterprise owners **can increase earnings** if they help beneficiaries undertake a higher-earning economic activity or improve productivity in their nonfarm business. These programs could also be a successful strategy for **increasing net new jobs for new entrants** who are currently OLF if they help people (including youth) start their own businesses. However, short-course TVET training for out-of-school youth is usually not, by itself, sufficient to help youth start a business, especially if other skills are not included. The key assumption for these outcomes to occur is (i) that the training is of high enough quality and covers the skills needed by participants to start or improve their business, and (ii) *that there are no other obstacles constraining the deployment of the skills developed* (see ToC 1: prior to or during entry into work and ToC 3: Interventions to increase output/productivity/profits in nonfarm household/micro enterprises).

2. **Rapid Response Training:** Placing youth leaving school and seeking to enter the labor force in internships and apprenticeships **can help them get jobs in companies, which will be net new employment** if the companies expand employment as a result of the training being available (see ToC 1: Skills development prior to or during entry into work).<sup>16</sup>
3. **The Toolkit programs** targeted at start-up household and micro enterprises **could help increase earnings** by complementing skills training. It could also **create net new employment** by drawing those OLF into employment (see ToC 3: Interventions to increase output/productivity/profits in nonfarm household/micro enterprises).
4. **Advisory services and access to finance** for SMEs only **increases net employment** if firms expand production and hire more workers. If firms use subsidized credit for other purposes such as working capital, no employment gains can be expected (see ToC 4: Interventions to increase output/productivity/profits in SML enterprises).
5. Artisan/craftsperson certifications and the development of employment matching programs do not create net new jobs, but they can raise the earnings if the certifications are valued in market by customers. Matching programs can increase earnings. (see ToC 2: Job Matching and ToC 3: Interventions to increase output/productivity/profits in nonfarm household/ micro enterprises).
6. **Support to the formation and growth of cooperatives does not have an evidence base** as it is not a widely used strategy outside of agriculture and savings groups. There is some evidence from Africa that social business is a preferable form of employment and earnings support in the craft and small-scale manufacturing sector, owing to the need for quality control and marketing expertise (Brogan & Dooley, 2023).

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<sup>16</sup> According to a study in Uganda, companies that employed TVET graduates after an internship did not increase total employment compared to similar companies that did not participate in the program. See Alfonsi et al. (2020).

## **Actual employment outcomes**

The program, as designed and implemented, was a complex one, involving national and local government actors and private sector implementors. For example, each of the 30 districts received a business development center to support business startup and expansion (including connecting potential business owners to TVET training providers). The business development center also supported the activities of business development advisors in each of the 416 sectors (the next level of government below the district). Beneficiaries were mostly identified and funneled to programs at the sector level, although work with companies (formal firms) was conducted at the district level.

While Rwanda has a unified system of government and budgeting, M&E of outputs and outcomes was nonetheless challenging throughout the program. The original M&E design in the NEP plan called for the development of an integrated monitoring system that would aggregate outputs and outcomes from programs operated by private and public actors at the national and subnational levels. This data was to be supplemented by a new labor market information system using national statistics survey data as well as administrative data from ministries. This plan proved to be difficult to execute. Following a mid-term review of phase 1, Sida provided an M&E expert to support the program's M&E ambitions. However, even after this support, activities, budgets, and, in many cases, outputs (numbers of individuals trained) were tracked but proper outcome measurement was limited. Owing to the lack of baseline data on the beneficiaries, outcome measurement depended on agency reports, which often did not even attempt to measure outcomes consistently and usually ignored the previous employment status of beneficiaries (Rwanda Development Bank, 2020). As a result, it is impossible to assess the true employment impact of this project.

Nevertheless, the final evaluation provides some insights regarding employment outcomes. Sida commissioned a final evaluation of the project by independent consultants, who produced a report in 2020

(Gray et al., 2020). The evaluators attempted to gauge program effectiveness through surveys of beneficiaries, analysis of decentralized data from the labor market information system, and key informant interviews.

The beneficiary surveys relied on participant recall with respect to their employment and income-earning status before the program, an unreliable method of assessing outcomes. In addition, the survey did not count working on one's own farm as employment, given the focus on nonfarm employment. For this reason, statements in the report about "unemployment" or "gaining employment" must be treated cautiously (see discussion below based on a more complete survey of participants' IGAs in the next project).

NEP skills development succeeded in reaching many people countrywide – over 50,000 individuals, about 1 percent of total employment in Rwanda.

- 17,300 participated in mass TVET, while about 4,000 participated in small other TVET/apprenticeship programs.
- 6,000 post-secondary graduates participated in RRT in companies.
- Almost 20,000 participated in certification programs to recognize prior learning (which does not involve actual new skill development; it focused mostly on construction trades).
- 3,600 people already employed in companies received additional training.

## **Achievements reported in the final evaluation**

- Of those who completed TVET training or RRT apprenticeships, 25 percent (5,775 individuals) reported that they had not been employed before the training but had gained employment (including self-employment) as a result of the training. Most likely, these were mostly the RRT participants, as these were just out of school and reportedly unemployed, while, in order to participate in the program and receive the subsidies for their apprentices/interns, companies had to promise to employ 75 percent of the participants once the program had ended (ensuring the risk of no jobs following the internship did not materialize). Given this requirement, we can assume that companies would only agree to participate if they were planning to expand employment. The evaluation report contains anecdotes regarding a few businesses that were able to expand employment, including one building material business that was able to expand production owing to a combination of new employee training under the RRT program and credit provision through access to subsidized credit.
- 12 percent of mass TVET participants and 11 percent of RRT participants started a business.
- The fact that the overwhelming majority of TVET participants did not start a business indicates that one of the key goals of the training was not achieved. It is not clear whether this result owed to the quality of the training or the presence of other binding constraints. Some joined cooperatives, where they would have mostly worked as independent producers.
- 32 percent reported that they were unprepared for the labor market. Most likely, these were the mass TVET participants, who did not receive any general training on how to approach the labor market or on how start a business and keep it going, indicating that training was not of sufficient quality to achieve this result.

- The share of participants reporting unemployment before the program was 32.5 percent, and that at the end 34 percent.
- On average, NEP training participants reported an 18 percent increase in earnings in nominal terms, implying little or no real earnings gains on average given inflation in Rwanda.<sup>17</sup> 59 percent reported improved living conditions (which could have been caused by a number of factors, including earnings of non-participants in their households or remittances received).
- 39 percent of NEP training participants reported having no income before participating in trainings (using retrospective reporting, which is unreliable) but only 20 percent reported this afterwards, implying that 19 percent had real earnings gains. These gains may have come from other activities.
- No achievements were reported specifically for the skills certification program; there is no information regarding whether the certifications helped increase income.

One reason why participants may not have started a business – the main way employment outcomes were to be achieved – is that most were not able to access credit. Those who succeeded in starting (9 percent) or maintaining (10 percent) a business after any type of interaction with NEP programs (training, business advisory, or finance) mostly reported that they had not accessed credit or in-kind transfers. Only 7 percent of new business owners reported accessing any credit. Most of the subsidized credit (provided through SACCOs or formal banks) went to non-Pillar 1 (e.g. non-TVET, RRT, or recognition of prior learning) participants, including existing businesses (Gray et al., 2020). These businesses did not necessarily expand production or employment. Indeed, many were in the trading sector, where demand is often a limitation. This is consistent with evidence on informal businesses in Africa – for various reasons,

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<sup>17</sup> The Rwandan Consumer Price Index increased by 35% between 2014 and 2020. See <https://data.worldbank.org/indicator/FP.CPI.TOTL?locations=RW>

including owner preference, they are not able to expand (Filmer & Fox, 2014; Bassi, et al., 2023).

The policy to push new or existing nonfarm businesses into cooperatives may have also been responsible for the poor results on earnings. The evaluation report contains anecdotes on cooperatives that had started and obtained credit and physical capital but had not been successful in repaying their loans owing to poor organization, lack of understanding of the market, and lack of linkage with the broader economy. Many folded, resulting in no earnings gains for the participants. This result suggests that the assumption that TVET training would be enough to run a successful business did not hold.

Interviews with GoR implementers revealed a tremendous appreciation for Sida's approach and financing as well as recognition of the challenges of M&E of such a complex program to the satisfaction of donors. The GoR developed and implemented a follow-on program – the National Skills Development and Employment Promotion Strategy 2019–2024. However, Sida's bilateral cooperation strategy for 2020–2024 did not include continuing this type of support, in part because of the challenges of working with such a large government program.

In conclusion, it appears that NEP programs overall did create some **net new jobs** through the RRT. This component succeeded because the training was completely aligned with the needs of the hiring firms, a key assumption behind the provision of training. In addition, outcome risks were reduced through the requirement that companies retain 75 percent of trained interns. Other components were less successful. The program may have increased **earnings for a few participants**, through helping participants diversify out of agriculture by starting or growing a nonfarm business. However, the results measured in the final evaluation suggest that overall, this outcome was not achieved. Since the employment status of the mass TVET participants (including own-farm employment) prior to participation is not known, it is not clear whether the few startups

that occurred as a result of mass TVET were actually net new employment or even partially net new employment.

The share of the active labor force actually benefiting from NEP programs was quite low. The share reporting net new jobs was even lower (less than 20 percent), especially compared with the GoR target in the National Strategy for Transformation of creating 200,000 new jobs *annually* under the program. This suggests that the measures put in place were not adequate to the task at hand. In particular, the assumption that TVET skills training alone would enable most participants to start a business did not hold. Although the programme recognized that additional inputs might be necessary, these were not provided to participants in the skills development components due to coordination challenges in a large and decentralized project. This major risk (lack of complementary inputs for trainees) thus materialized, blocking the desired outcomes from occurring with sufficient magnitude. In addition, access to credit did not seem to encourage companies to expand production, another assumption that did not hold (although it may have increased firm profits, allowing existing employment to be maintained).

### **6.3.2 Adolescent Girls Initiative (AGI)**

#### **Background**

The Rwanda AGI project, launched in 2012, was part of a program organized by the World Bank. It was supported by donors and recipient governments and implemented in eight countries to better understand what works in helping adolescent girls transition to productive employment. The objective of the Rwanda AGI was to improve employment, incomes, and empowerment of disadvantaged adolescent girls and young women (aged 15–24), and to test two integrated models for promoting education, empowerment, and employment.

The project provided seven months of training in:

- Life skills
- Entrepreneurship
- Vocational arts (culinary arts, food processing, beekeeping, or arts and crafts)
- Financial literacy, including how to open a savings account.

Trainees also received a stipend during the training period, some of which was placed in a savings account to be used as startup capital. Following the training, participants were provided with five months of support to help them start an individual/household business or join together in a cooperative business. The program enrolled 2,000 women, and 1,913 completed it. The GoR implemented the program based on grants from donors (including Sida), channeled through the World Bank.

### **Potential employment outcomes**

The potential employment outcomes from the project were similar to those of the NEP (which started later) – net new employment and earnings increases. The potential outcomes of the project include:

- Encouraging young women who are OLF to enter the labor force and start nonfarm businesses, either standalone or as cooperatives, can increase both employment (net new jobs) and earnings (for those already working). This is especially the case when vocational training is complemented by the types of general skills training women need to start and maintain a business (see ToC 1: Skills development prior to or during entry into work and ToC:3 Interventions to support output/productivity/profits in nonfarm household/micro enterprises).
- Providing access to startup finance through the savings component can increase the probability of success in training programs by reducing a major risk factor.

## Actual employment outcomes

Data on actual outcomes are available in an evaluation report prepared by the World Bank (Botea et al., 2015). Detailed data on employment and incomes were collected in baseline and endline<sup>18</sup> surveys of a subset of participants. These were complemented by focus group discussions to collect qualitative data from participants. In contrast to data collected for the NEP and CORE (see below), baseline and endline data included household agriculture as an IGA. The survey established that, at baseline, 81 percent of participants interviewed were already engaged in an IGA (including household agriculture), with the majority receiving some kind of remuneration for their work, either in cash or in kind. In other words, they were not unemployed, but underemployed.

Key employment and earnings results achieved were as follows:

- Increased participation in nonfarm economic activity from 50 percent to 75 percent. This work often complemented participants' work in family agriculture, as at both baseline and endline nearly 60 percent reported engaging in this activity. However, the number of participants reporting only family agriculture as their IGA decreased from 31 percent to 17 percent, and the number of participants reporting no IGA decreased from 19 percent to 8 percent. **This latter figure indicates that, for 11 percent of participants, the project created net new jobs.**
- Increased average number of IGAs among participants from 1.16 to 1.62. In other words, participants added activities to their schedule, implying that **most employment outcome gains were among the underemployed.**
- Results on type of nonfarm activity (from the endline survey of all participants):

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<sup>18</sup> The endline survey was implemented after completion of a post-training period of mentorship. No follow-up survey was performed after this.

- 1,511 participants (79 percent) formed or joined 69 cooperatives (Botea et al., 2015) (including some already working in a nonfarm IGA).
- 158 participants (8.3 percent) secured wage jobs with the local nonfarm private sector.
- 46 participants (2.4 percent) started their own independent business.

These results imply that **at least some net new jobs were created, and many participants reduced underemployment.**

In terms of earnings gains, the final report data showed a modest increase in the share of respondents who reported cash earnings for at least one of their IGAs (from 55 percent to 58 percent), but amounts earned increased significantly. **Average cash incomes (including those with zero cash income) almost doubled**, from RwF 5,415 to RwF 10,254 (nominal). Among the subsample of respondents who reported non-zero earnings, cash incomes increased from RwF 11,883 to RwF 19,288 (nominal) at endline.<sup>19</sup> These earnings gains, which arose over a period of just over one year, are large enough to swamp any erosion in purchasing power from inflation.<sup>20</sup>

One reason for the limited number of respondents with cash earnings is that these outcomes were measured only five months after training was completed, while participants were still in startup mode. Another reason is that one of the main vocational areas where training was provided – arts and crafts – did not have much market demand. This implies that one of risks inherent in vocational training programs (no market demand for the skills) did materialize. Many

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<sup>19</sup> Note that, in the baseline survey, some urban respondents reported working as maids but being paid only room and board (although their parents may receive or have received some compensation). In the same survey, 11% reported working as wage labor on another farm. While this activity usually results in a cash income, it may also be performed on an exchange basis.

<sup>20</sup> It is difficult to convert these figures to real ones given the different time periods covered in the endline surveys. However, the Rwanda national inflation rate was 5.9 in 2013 and 2.4 in 2014, so the nominal results must represent substantial real income gains.

participants who received training in this area ended up in retail trade instead, demonstrating the importance of knowledge of market demand for the design of effective skills development programs.

In conclusion, **both net new jobs and earnings increased substantially among participants.** The assumptions in the ToCs mostly held and the risks did not materialize since the training was comprehensive and access to startup finance was facilitated for trainees. One risk associated with TVET, that the demand for people trained does not exist in labor market, did materialize, but the non-TVET components of the training mitigated that risk. Additionally, the project’s “girl-friendly” components (general skills training + mentoring) led to reported improvements in life satisfaction and confidence among participants.

**The baseline and endline data collected for the project demonstrates the importance of collecting detailed and complete data on *all* activities participants undertake to create an income, in cash or in kind.** The baseline data indicates that most participants (80 percent) were not actually unemployed at the start of the program. While the 30 percent of participants engaged only in household agriculture at the beginning of the program may have reported themselves as being unemployed, they were in fact working, and probably not looking for a job – so therefore were not unemployed according to the international (ILO) definition (see Box 1).

### **6.3.3 Creating Off-farm Rwandan Enterprises**

#### **Background**

The CORE project also supported the Rwandan strategy of creating off-farm household, micro, and small enterprises. The CORE project can be viewed as part of Sida’s support to the policies and programs of the NEP, but working through a non-state development partner, World Vision, instead of providing direct support to the GoR. CORE targeted two specific aspects of the NEP:

- Development and strengthening of nonfarm producer cooperatives as a vehicle for nonfarm employment creation.
- Support to women and youth to form independent nonfarm businesses.

CORE was designed to test out approaches to achieving these goals in two districts in Western Rwanda, Rusizi and Nyamasheke. Unlike the AGI and the NEP, Sida was the sole donor, financing over 95 percent of expenditures.

The overall objective of CORE was to increase earnings for low-income or out-of-work *women and youth* and therefore to increase the income and consumption of their households. Specific project outcomes targeted were:

1. A strengthened environment for the creation and successful management of women and youth cooperatives.
2. Increased off-farm entrepreneurship among women and youth.
3. Increased access to financial services for women and youth cooperatives and household enterprises (building on the options provided under the NEP Pillar 2).
4. Improved beneficiary access to information and communication technology for development (ICT4D) services to support marketing and price analysis.
5. Development of community-based and government-implemented monitoring systems robust enough to estimate intervention impact.

In Phase 2 of the CORE project, an additional outcome was added:

6. Strengthened value chains (honey and tailoring) to increase business competitiveness and improve incomes in the target group.

The main activities included the following:

- The project identified and trained community-based organizations (CBOs) to develop and support cooperatives and beneficiaries throughout the project.
- Local business development officers and other local leaders were trained in how to support nonfarm businesses.
- CBOs trained cooperative members in business and success mindsets, and financial management and literacy (using World Vision approaches and tools).
- CBOs and NEP-funded TVET providers trained beneficiaries (mostly youth) in the technical skills needed to start independent businesses (e.g. carpentry, masonry, welding, tailoring, etc.); the project often equipped the TVET providers and provided the consumables needed for the training.
- Access was facilitated to equipment and finance to develop and strengthen nonfarm cooperatives and businesses. The CORE project included a special revolving fund operated by a micro-finance agency to support cooperatives. As available locally, beneficiaries were also supported in opening an account at a formal financial institution.
- Support was given to the formation of village savings and loans associations (VSLAs) and savings and credit cooperative organizations (SACCOs) where they did not exist.
- Community Knowledge Centers were equipped with ICT equipment (computers, printers, and a photocopier) to help link entrepreneurs with markets outside of their district.

In Phase 2, two additional activities were added to strengthen the competitiveness and incomes of cooperative members:

- Honey-producing cooperatives were linked with two major honey processing and marketing firms. The firms provided modern, efficient beehive frames and trained the cooperatives in techniques

to produce high-quality honey. Once cooperative honey quality went up, the firms bought the product at a higher price.

- A local garment maker (Ineza) was linked with tailoring cooperatives. Ineza provided higher-quality sewing machines and training and mentoring to the tailors, who then became contract tailors to the firm. This approach provided Ineza with a flexible workforce, able to execute orders from more distant customers. Tailors also purchased their materials for other projects from Ineza.

The first phase was conducted in 2015–2018, and the second phase ran during 2021.

### **Potential employment outcomes**

The potential employment outcomes from the project were similar to those of the NEP (and relate to the same ToCs – mainly ToC 3: Interventions to increase output/productivity/profits in nonfarm/micro household enterprises).

- Training participants to start a nonfarm business, either standalone or as a cooperative, can succeed in creating net new jobs if participants were OLF, or to increased earnings for those in employment. For this to occur, the training needs to be sufficiently comprehensive, targeted at the manufacture of products with adequate demand, and include access to complementary inputs (e.g. in-kind or monetary grants to procure inputs and equipment). These comprehensive programs are especially helpful for underemployed participants seeking more opportunities to make money (see ToC 1: Skills development prior to or during entry into work and ToC 3: Interventions to increase earnings in nonfarm household enterprises).
- Supporting these businesses to increase revenues and profits by providing training and inputs for quality upgrading (phase 2) could have an earnings effect, assuming there is adequate access to markets where demand for higher-quality products exists.

## Actual employment outcomes

World Vision conducted a baseline survey of beneficiaries at the start of the project. Surveys were conducted at mid-term and by the evaluators of phase 1 (Highlands Center for Leadership and Development, 2019). As with the data on the NEP above, none of the surveys asked about on-farm work or incomes. The evaluators of phase 2 also conducted surveys, but the results were not directly comparable to those from the evaluation of phase 1.

While a key focus of the project was the development of nonfarm producer cooperatives – consistent with GoR policy and the strategy of the NEP – in the end, only a minority chose to form or join cooperatives. At the end of phase 2, only one-third of beneficiaries were in producer cooperatives. However, this still represents a nearly 50 percent increase in cooperative membership compared with the baseline. Of those who “graduated” from participating in village savings and loans associations and savings and credit cooperative organizations (e.g. finance-only cooperatives) to nonfarm employment, the majority set up their own businesses. The focus group discussions conducted for the evaluation of phase 2 indicated that those in cooperatives appeared satisfied with their choice.<sup>21</sup>

Key employment and earnings results achieved were as follows:

- At baseline, 9 percent of female participants reported working more than 30 hours per week in nonfarm employment. At the end of phase 1, 42 percent reported achieving this key project outcome indicator. For youth, the share increased from 18 percent to 57 percent. **This indicates a substantial reduction of underemployment, and likely earnings increases.**

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<sup>21</sup> They noted that forming the cooperative and registering with the Rwanda Cooperative Authority had given them legal standing to sign contracts and helped them collect debts (a persistent problem in household and micro businesses).

- **About 20 percent of new businesses also created new employment for others.** The report does not elaborate on whether the new employment was full- or part-time. **This result is likely to have reduced underemployment among the new employees but not net new jobs.** This is because the new employees probably worked part time on a piecework basis and probably continued to participate in other activities such as agriculture.
- At baseline, the mean income of participants was RwF 24,856 for women and RwF 22,944 for youth. At the end of phase 2 (six years), the mean income for all beneficiaries was RwF 50,000 (nominal), **implying nominal (and, probably for some participants, real) earnings increases.**

In sum, available data suggests that it is plausible that net new jobs were created, and that earnings increased for many participants, implying that local conditions supported the main assumptions underlying the choice of interventions. Owing to the comprehensive nature of the program and the coordination between training and the provision of other supports to business startups and expansion (including market access), the usual risks to household enterprise start-up programs did not appear to materialize.

The project seems to have effectively targeted women and youth, producing important for these vulnerable and often excluded groups.

## 6.4 Conclusions

Without a doubt, all three projects did have employment and earnings outcomes, especially the AGI and the CORE project. However, owing to inconsistent monitoring surveys and a lack of complete information on beneficiaries' income-earning activities at baseline, it is impossible to quantify the full employment and earnings impacts. Data from the AGI project on the average number of economic activities among young women in Rwanda suggests the new employment activities realized by the beneficiaries most likely

reduced underemployment among participants rather than creating net new employment.

Key success factors included:

- **Comprehensive training programs** (found in AGI and CORE), including development of the skills needed for business success instead of just technical skills (which proved not even to be needed among the AGI participants who were trained in arts and crafts). The NEP's mass TVET program, which did not include these skills, was not successful.
- **The complementary provision of finance**, through either savings programs or the provision of production inputs in kind (found in AGI and CORE). The design of the NEP did not explicitly assume that TVET training alone would be enough to realize net new job creation or higher earnings, as the toolkit component was supposed to provide complementary inputs in the form of business advice and finance. However, during implementation, these inputs were mostly not forthcoming to NEP trainees, so the training did not provide much value in terms of employment outcomes.

**This case study has shown the difficulty of quantifying the net employment outcomes attributable to Sida-financed projects, in a situation of widespread informality.** Only in the case of AGI – a project developed explicitly to test and evaluate a program – was the data needed to actually quantify net new employment collected. Even in this case, the answer to the question “How many jobs were created?” is not readily available because of the widespread practice of pluri-activity (multiple jobs). Even more detailed data on hours worked in each activity at baseline would be needed to answer this question as the answer would need to be denominated in FTEs, not “jobs”, given that the over 80 percent of participants were already engaged in an IGA and the key outcome on the extensive margin (number of net new jobs created) appeared to be more activities, not new, full-time jobs.

**Earnings gains are easier to measure. Cash earnings gains were well quantified in all projects,** so it is clear that this employment outcome occurred in the AGI and CORE projects – two projects that explicitly targeted women. **These reported gains should, however, have been adjusted for inflation.** In the case of the NEP, with this adjustment the gains appear to vanish. The NEP did not report outcomes separately by gender, so their results cannot be easily compared to the other two projects.

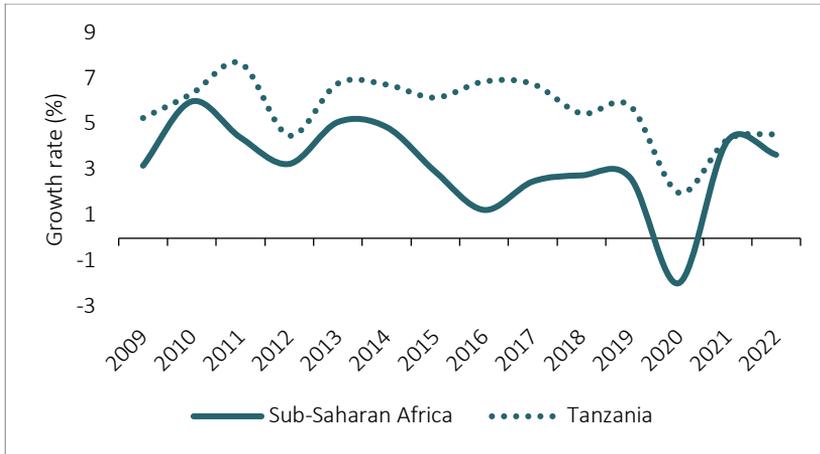
## 7 Tanzania case study

### **7.1 Background: Tanzania's economic growth and transformation performance**

Tanzania has emerged as one of Africa's standout economic performers, with real GDP expanding at an impressive average rate of 5.7 percent between 2009 and 2022. This growth rate significantly surpasses the SSA average of 3.2 percent (Figure 12). This robust growth has been fueled primarily by the rapid expansion of the industry and construction sectors, which have dramatically reshaped the country's economic landscape (National Bureau of Statistics, 2017, 2023).

The economy has seen some transformation (Figure 13). The services and industry sectors have expanded from USD 13.6 billion and USD 7.8 billion to USD 27.5 billion and USD 20.3 billion, respectively, between 2010 and 2023. The industry sector's growth has been supported by major public investments in transport and energy infrastructure (Onder et al., 2023). Meanwhile, agriculture, forestry, and fishing have struggled with persistent productivity challenges, resulting in a modest rise from USD 10.3 billion to USD 17.2 billion. This sectoral performance highlights both the opportunities and the structural challenges facing Tanzania's continued economic development.

**Figure 12: Real annual gross domestic product growth rate**



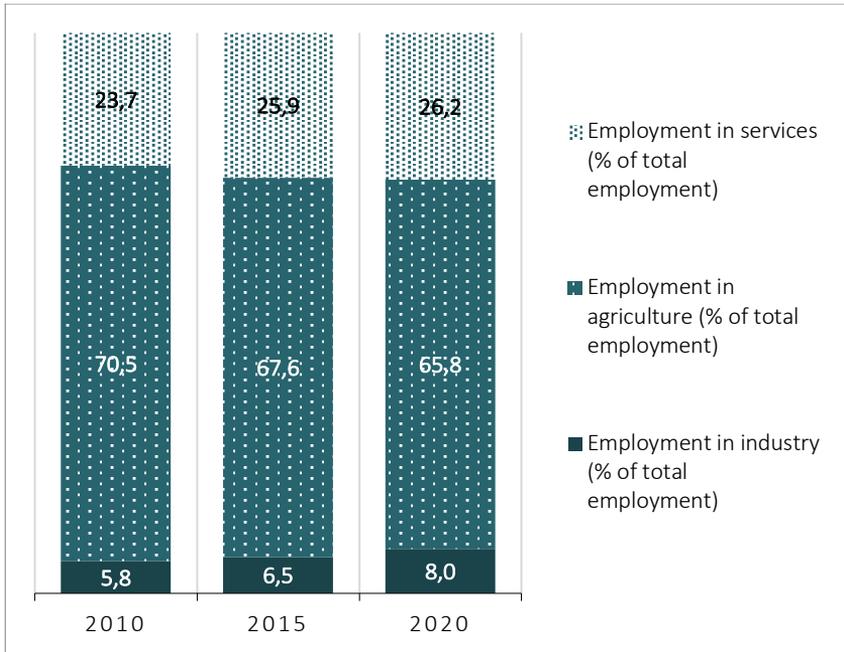
Source: Own elaboration using World Development Indicators.

**Figure 13: GDP value added by sector in real terms**



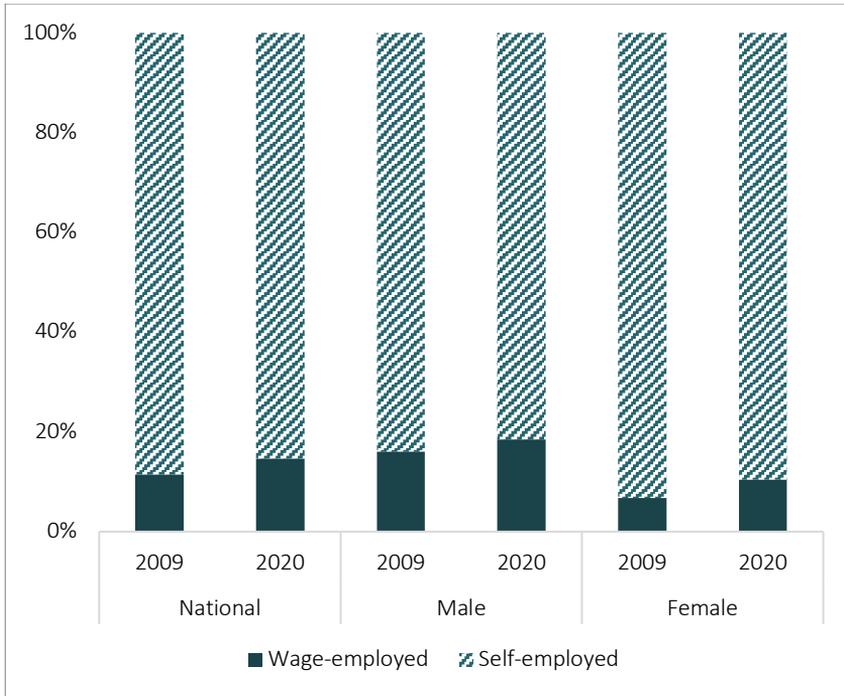
Source: Own elaboration using data from WDI, World Bank.

**Figure 14: Employment by sector**



Tanzania's employment landscape has undergone a notable, yet uneven, transformation alongside its economic restructuring. Non-agricultural sectors absorbed a growing share of the workforce. Nonetheless, agriculture employs the majority of the labor force, revealing a critical structural weakness. The construction sector, while serving as a major driver of GDP growth, has generated relatively few productive jobs for Tanzanians. Meanwhile, the services sector's growing employment share reflects only limited economic modernization but mostly a surge in informal, low-productivity household enterprises, using family labor (Figure 15). Survey data indicates that 83 percent of Tanzanian entrepreneurs start businesses not out of opportunity-driven ambition but rather out of necessity, to provide basic financial support for their families (Ministry of Trade and Industry, 2012). The result is a labor market transformation that, while real, has yet to deliver enough quality employment opportunities to match Tanzania's impressive macroeconomic performance.

**Figure 15: Status of employment, by sex**

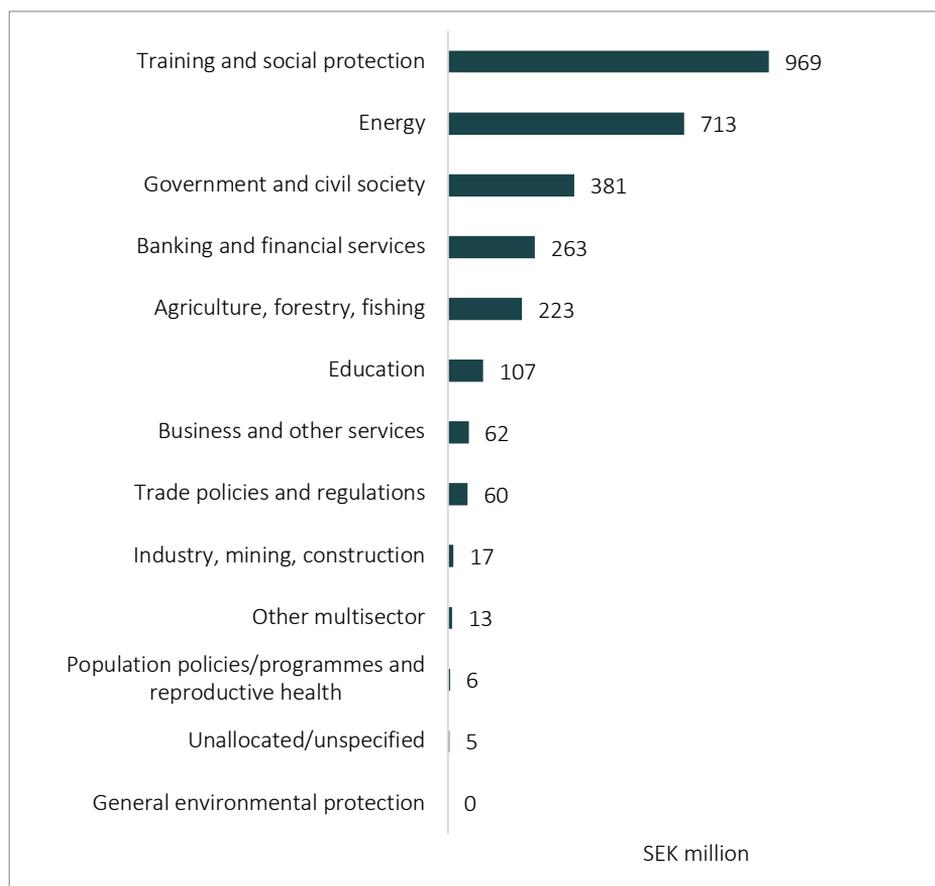


## 7.2 Sida’s activities in Tanzania 2011–2021

Sida’s engagement in Tanzania 2011-2021 aimed to contribute to sustainable growth that provides people living in poverty with better opportunities to support themselves by obtaining work and starting and running productive businesses. The focus has been on more and better jobs in the agriculture and energy sectors, improved education and increased entrepreneurship, strengthened democratic accountability and transparency, and increased awareness of human rights. Other objectives added in the 2020–2024 strategy included support for (i) increased respect for human rights, gender equality, and improved governance, and (ii) green energy development and increased resilience to climate change (Regeringskansliet, 2020a, 2020b).

Sida’s employment-marked portfolio in Tanzania over the period included 56 projects that had employment as a principal or significant objective, with total disbursements of SEK 2.8 billion (Figure 16). Of these, projects with employment as the principal objective accounted for 44 percent of total disbursements, with the Productive Social Safety Net (PSSN) (phases 1 and 2) alone accounting for 76 percent (see Table 3).

**Figure 16: Sida’s financing for project components with employment as a principal or significant objective, Tanzania, 2011–2021**



Source: Own elaboration using Sida data.

**Table 3: Projects with employment outcomes as a principal objective, Tanzania**

Project	Amount disbursed (SEK million)	Share
Productive Social Safety Net (PSSN)	938.6	76%
Tanzania United Nations Development Assistance Plan (UNDAP) II	139	11%
Africa Enterprise Challenge Fund (AECF) 2013–2025 Tanzania Agribusiness Window (TZAW)	67.5	5%
Restless Development SP 2016–2020	50.2	4%
Private Agriculture Sector Support (PASS) <sup>22</sup>	6.8	1%
Others	36.8	3%

Source: Own elaboration using Sida data.

## 7.3 Project review

To analyze the contribution of Sida-financed projects to the employment outcomes analyzed in this report, four projects were selected for in-depth analysis:

1. The Productive Social Safety Net (PSSN) is the project absorbing the largest share of the portfolio of projects expected to have a direct employment impact.
2. The Private Agriculture Sector Support (PASS) trust is the next largest project, not in disbursements but in terms of the guarantee provided.
3. The Africa Enterprise Challenge Fund (AECF) Tanzania Agribusiness Window (TZAW) is the third largest project.

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<sup>22</sup> Relative value in the portfolio significantly higher as this was a SEK 190 million guarantee operation. The net disbursements of SEK 6 million as of 2021 are related to the small share of defaults in the guarantee portfolio.

4. The Agricultural Markets Development Trust (AMDT) (phases 1 & 2) is a large project that was not marked as having employment outcomes as a main overall goal but does have improvements in farmers' income as a key expected result.

These projects provided a good representation of Sida's focus in Tanzania, and in SSA more broadly, on increasing earnings in rural areas and in the agricultural sector, where earnings are lowest on average. All except PSSN had employment outcomes as monitorable indicators. Only the PSSN project had an external evaluation or a project implemented impact evaluation, however. Unlike in Rwanda, projects did not explicitly target women or youth, but all had members of these groups as participants.

Two projects with employment outcomes as a principal objective, but focusing on outcomes not assessed in the evaluation, were not included:

1. The United Nations Development Assistance Plan (UNDAP) focuses on strengthening the public sector to achieve outcomes related to inclusive economic growth, employment, and social protection. The project does not have net new jobs or increased earnings in its monitoring framework so data for assessing its contribution to achieving these outcomes are not expected to be available.
2. Restless Development focuses on capacity-building for youth and increasing youth's voice in policy, including employment policy.

### **7.3.1 Productive Social Safety Net (PSSN)**

#### **Background**

The PSSN project started implementation in 2012 as part of the Government of Tanzania's (GoT's) efforts to reduce intragenerational transmission of poverty in the country. The program was created with the specific objective of increasing vulnerable populations'

income and consumption to help them better cope with income shocks and to enhance their children's human capital. In particular, it was expected to contribute to the realization of the priorities of Tanzania's National Strategy for Growth and Reduction of Poverty.

## **Activities**

PSSN provided income support, livelihood enhancement via boosting community savings, and targeted development infrastructure to vulnerable, extremely poor households. The objectives were to:

- Shield vulnerable populations from the severest consequences of poverty.
- Increase avenues for vulnerable populations to be able to support themselves through enhanced and diversified livelihoods.
- Increase vulnerable populations' access to critical services.

The main components included:

- Cash transfers:
  - A monthly income of TZS 10,000 to poor households to increase their income and consumption.
  - An additional monthly income of TZS 4,000 to households with children and a monthly variable income of up to TZS 12,000, conditional on sending children to school and to health clinics for checkups.
- Public works employment: Wage payments to adults from cash transfer beneficiary households working in seasonal labor-intensive public works, such as construction and/or rehabilitation of social infrastructure, including schools, health facilities, and portable water supplies.
- Community savings promotion: Support to the mobilization of community savings groups to help beneficiaries save.

The Tanzania Social Action Fund implemented these interventions with Tanzanian Local Government Authorities and Unguja and

Pemba Islands in Zanzibar. Targeting mechanisms focused on (i) poor communities, and (ii) poor households within poor communities. In terms of reach, by 2013, the GoT had scaled up PSSN to benefit 1.1 million poor households in 9,960 communities. By 2020, the project had scaled up to 5.4 million direct beneficiaries out of a total population of 61.7 million. As the project was scaled up, the focus on cash transfers was enhanced and the role of the public works program reduced, in part because simply providing cash is a more efficient way to provide resources to households.

The expected project outcomes were:

- *Increases in income and consumption*, owing to cash transfers and income from participating in public works.
- *Improved household food security and ability to cope with shocks*, owing to a boost to incomes from participating in public works and cash transfers as well as increased savings.
- *Enhanced human capital development of children*, expected to be driven by an increase in productive investment in children's health and education as a result of cash transfers and improvements in social infrastructure.

Note that the project monitoring system did not specifically target the outcomes of interest in this report. The first outcome (increased income net of transfers) would be mostly equivalent to increased earnings since participants had almost no other sources of income. Unlike the other projects reviewed in the case studies, PSSN outcomes were reported at the household level, so a gender disaggregation is not possible.

### **Potential employment outcomes**

- Providing cash to households engaged in farming, running a nonfarm enterprise, or seeking to start a nonfarm enterprise can **increase earnings** (and incomes above the transfer level) if the cash is invested in production and there are no other binding constraints to increased production and income (see ToC 3:

Interventions to increase output/productivity/profits in nonfarm household or micro enterprises, and ToC 5: Interventions to increase profits on the farm).

- Providing opportunities to earn an income off-season (public works employment) has the same effect as cash, although it may reduce household labor available to engage in household production. As a result, the effect on earnings beyond the public employment period is likely to be low (see ToC 6: Public employment interventions).
- Spillover effects from increased household consumption among beneficiaries can increase demand for goods and services produced by non-beneficiaries. If demand is a constraint, cash transfers spent in the community will **increase non-beneficiary earnings and incomes**, provided non-beneficiary providers of goods and services can expand their production of goods and services (i.e. face no additional constraints).
- An increase in savings can ease households' liquidity constraints, boosting investment in productive agriculture and non-agricultural activities, which can enable increased household production (farm or nonfarm), if liquidity is the binding constraint. Assuming access to markets for household production, **earned incomes would increase** (see ToC 3: Interventions to increase output/productivity/profits in nonfarm household or micro enterprises).

### **Actual employment outcomes**

A mid-term evaluation of the program (actually implemented about 2/3 of the way through phase 1) was undertaken by the World Bank in 2019 (Rosas et al., 2019). The evaluation used a randomized control trial (RCT) methodology, with a treatment group (beneficiary households) and a control group (non-beneficiary households with incomes near the poverty cutoff for benefits in the same catchment area). The evaluation then gauged the impact of the program's interventions by comparing

the outcomes of each group (mostly at the household level) to its baseline level.

The RCT reported the following direct impacts of the program:

- Transition from casual farm wage employment to self-employment, mostly nonfarm enterprises, **appeared to increase earnings**. The program also caused a surge in sectoral transitions for HEs, mostly from production to trade. Treated HEs in the trade sector were found to have higher monthly revenues (TZS 100,000 more) and profits (TZS 147,000 more) (USD 43 and USD 64, respectively)<sup>23</sup> than those in production sectors.
- Treatment households' consumption expanded by 19.5 percent (excluding the value of the cash transfer) compared with the control group. This suggests a potential long-term consumption increase owing to **increased earnings from household production**.
- There was a modest increase in the share of households with savings, and a modest decrease in the share of households forced to sell assets in the event of a negative shock. Poor households reported an increased ability to cope with shocks and increased economic security through increased access to and use of financial services, including savings and insurance. Children's enrollment, retention, attendance, and literacy rates rose.
- Health outcomes improved, with decreased illness among children and adults facilitated by increased visits to a healthcare provider and increased uptake of health insurance services.
- Housing and living conditions improved.

The evaluation was not able to compare the effectiveness of cash versus wages from public works employment in terms of increasing incomes because of delays in getting the public works component

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<sup>23</sup> Using end-year 2019 exchange rates.

started (which may be one reason the project shifted towards simply providing cash).

As noted above, cash transfers can generate important spillover or indirect effects on employment and earnings. By improving the economic conditions of beneficiary households, they can stimulate economic activity both within communities and in surrounding areas. A study commissioned by the Food and Agriculture Organization of the United Nations (FAO) (Daidone et al., 2023) in 2023 assessed the indirect impact of PSSN on the local economy. The study employed a local economy-wide impact model to simulate the income and production spillovers resulting from PSSN's cash transfer. The study estimated that **PSSN had had a significant spillover effect. Each Tanzanian shilling transferred to a poor household raised average cash income in the immediate area by TZS 2.09, or about TZS 1.5 in real terms, owing to the increased economic activity in the area.**<sup>24</sup>

The study did not measure whether the recipient households had increased their land or labor productivity. However, it is likely that this happened, since the World Bank evaluation found an 18 percent increase in ownership of productive assets or livestock. The FAO study estimated that a 5 percent increase in total productivity (5 percent more output per TZS 1 of inputs) would produce an even larger income effect, perhaps closer to TZS 3 for each TZS 1 transferred. Because there are about twice as many ineligible (comparatively richer) households in the immediate area than eligible households, the effects on ineligible households as a whole were found to be higher than the effects on the very poorest households receiving the transfer, even though the effect per household is smaller.

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<sup>24</sup> Increased income is not the same as increased earnings but, given that labor earnings are the main source of income for poor households, it is a reasonable proxy.

The study did not attempt to measure employment effects. A similar study in Kenya found the employment effects to be negligible (Egger et al., 2022). There are several reasons for this.

- Many poor households are labor-constrained – there may be only one adult in the household. So, even if demand for labor increased, poor households would not be able to supply it.
- Owing to a lack of demand and the indivisibility of capital, factors of production are underutilized in rural areas (for example, processing equipment or inventories). So, an increase in demand can be accommodated by the existing labor force through the reduction of underemployment of labor, land and capital.

**In sum, PSSN appears to have contributed significantly to increasing earnings through direct and indirect effects, with limited to no impacts on net job creation.** While the evaluation provides no information on other potential constraints to earnings growth—such as technology in the agricultural sector or skills in the nonfarm enterprise sector—at the production levels at which beneficiary households were operating, finance appears to have been the primary constraint. This was the constraint that the project addressed. This probably accounts for its success. An improvement in human capital development (reflected in increased health and educational outcomes) implies that the program’s contribution to better labor market outcomes could outlast the duration of its interventions.

### **7.3.2 Private Agriculture Sector Support (PASS)**

#### **Background**

PASS is a guarantee scheme, established in November 2000 by the governments of Tanzania and Denmark to facilitate agribusiness entrepreneurs’ access to financial services and business development services (BDS). PASS became operational in 2001 with the overall objective of reducing poverty levels for agribusinesses in Tanzania.

PASS's primary intervention focuses on enhancing access to financial services for smallholder farmers and agribusiness SMEs. PASS has adopted a dual approach – direct engagement with beneficiaries and indirect support through financial institutions serving these groups. By easing access to financial services and BDS, PASS seeks to unleash productive investment by agribusinesses. PASS works with large and small commercial banks and microfinance institutions (MFIs) to reach its target beneficiaries: individual smallholder farmers, farmer groups, and SMEs in the agribusiness sector. The project operates in all main commercial agricultural regions and provides the following services:

**Traditional guarantee:** Banks are provided with a 60 percent guarantee (scaled up to 80 percent for women) of a loan amount. This reduces the cost of finance to the beneficiary. Loans covered can be to individual farmers, farmer cooperatives, or agribusiness SMEs.

**BDS,** including support in the design of business plans and conducting feasibility studies, is available for a fee.

**Portfolio guarantee:** A guarantee is provided to a financial institution based on a loan portfolio for a group of farmers (producer cooperative) or agribusiness entrepreneurs. This reduces the cost of finance to the beneficiary.

**Institutional guarantee:** Larger commercial banks' commercial loans to MFIs or community banks are guaranteed to increase the supply of credit to smallholder farmers and agricultural SMEs.

**Agribusiness incubation center:** Incubation support is given to high-potential agricultural/agribusiness SMEs, as well as BDS and mentorship to aid their growth (PASS Trust, 2017).

In 2017, Sida joined the program by entering into a seven-year Guarantee Agreement with PASS of approximately USD 20 million (SEK 190 million) to increase PASS's capacity to guarantee more loans and provide BDS to agribusiness entities and producer cooperatives.

Following the successful uptake of the loan guarantee as well as BDS in the 2013–2017 period, and with the backing of a guarantee from Sida, PASS’s targets for 2018–2022 were (PASS Trust, 2017):

1. Provide 1,267,800 loans to farmers and agribusinesses.
2. Increase employment and income opportunities through increased productive investments by beneficiaries.
3. Increase annual guarantee commitments from TZS 126 billion in 2018 to TZS 184 billion in 2022.
4. Digitalize PASS’s services.
5. Encourage leasing finance.
6. Expand financial and BDS to include green investments.
7. Reach more female clients.

### **Potential employment outcomes**

The combination of BDS and semi-guaranteed loans allowing more access and a potentially lower cost of finance for beneficiaries can represent an effective combination to support enterprise growth. BDS can strengthen beneficiaries’ entrepreneurial and management capacities in multiple ways – improving strategic decision-making, fostering innovation in product or service design, facilitating entry into new markets, and enhancing overall competitiveness. BDS can help entrepreneurs find viable high-return investment opportunities, which can then be realized through access to affordable finance, if the support is of high enough quality to respond to the needs of the enterprises. Charging for BDS reduces the risk that PASS delivers low-quality, ineffective support. Higher output **can lead to the creation of net new jobs, and possibly higher earnings** for new hires. This outcome depends on firms not investing in labor-saving technologies or using business development services to deploy existing labor more efficiently (see ToC 4: Interventions to increase output/productivity/profits in SML enterprises).

Farmers **increase their output and earnings** through improved access to finance provided they have the knowledge to use the finance productively and can manage the inherent risks of agricultural production (see ToC 5: Interventions to increase profits on the farm).

### **Actual employment outcomes**

The performance and impacts of PASS's interventions are detailed in its annual reports, which are based on the applications submitted by enterprises and large farms (for traditional guarantees) and by lending institutions (for portfolio guarantees). PASS has been successful in creating the conditions to expand access to finance throughout the agricultural value chain. This is reflected in the continuous high guarantee utilization prior to and after Sida guarantee support. Access to and use of financial services and BDS has contributed to investments and better business practices, as evidenced by interviews with a sample of beneficiaries.

PASS staff estimate jobs created and earnings impacts using loan applicants' stated expectations regarding the potential employment effects of loan utilization. For traditional loan guarantee services, applicants are required to provide information regarding the expected jobs to be created. For portfolio services, beneficiaries' information on expected jobs to be created is obtained from commercial banks and MFIs.

To assess the authenticity of employment effects for traditional guarantee recipients, a sample of beneficiaries (about 5 percent) is periodically interviewed by M&E teams to determine how many jobs have actually been created. However, M&E teams do not use this information to adjust the total estimated jobs created reported in annual reports. Nor do they retrospectively account for job losses associated with beneficiaries who may have defaulted and exited their businesses. Using this methodology, staff estimated that 89,295 jobs were created by PASS beneficiaries in 2022. The 2022 annual report asserted that PASS's guaranteed loans benefited 763,854

people, 34 percent of whom were women, but provided no information on how this estimate was derived (PASS Trust, 2023).

Since there is no verified quantitative data on beneficiaries' employment trends before and after loan uptake, the reported employment effects cannot be verified. Nor is data on income increases among farmers receiving loans through producer cooperatives collected. It is probable, based on the ToCs and information on the context, that the assumptions required to achieve net employment gains and higher earnings for smallholder farmers held. However, it is impossible to know the extent of the employment outcome achievements. Sida is undertaking an independent evaluation; this may shed more light on employment outcomes.

### **7.3.3 Africa Enterprise Challenge Fund, Tanzania Agribusiness Window (TZAW)**

#### **Background**

The TZAW was created as a targeted financing initiative to stimulate private sector investment in Tanzania's agribusiness sector. Through grants and non-recourse<sup>25</sup> loans for agribusiness enterprises, the program aimed to boost employment, increase incomes, and reduce poverty in underserved communities. Implemented by AECF, and using a rigorous competitive selection process, TZAW ensured funding was allocated to high-impact projects with the greatest potential to drive rural development. Over the course of its operation, the program completed four funding rounds, supporting a diverse range of agribusinesses. Sida contributed financing to rounds 2 and 3.

The primary intervention was to provide financial support – grants and loans – to agribusinesses operating in rural areas. According to

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<sup>25</sup> A loan that limits the lender's ability to collect on a defaulted loan to the collateral securing the loan. No other property can be seized, nor can other income sources be tapped for loan repayment.

interviews with program officials, it primarily targeted medium- and large-scale agribusinesses that were already operational and commercially active. These established enterprises were specifically selected because they demonstrated business viability yet faced challenges in securing financing from traditional commercial lenders. This approach aligned with the broader objective of strengthening agricultural value chains in underserved regions.

Funded agribusinesses engaged in a variety of activities, such as:

- Primary production (farming, plantations, ranching), including participation in outgrower schemes
- Leasing agricultural machinery and equipment
- Manufacturing and distribution of agricultural inputs (seeds, fertilizers)
- Agro-processing
- Market access facilitation (trading, merchandising)
- Market information services
- Extension and advisory services

For off-farm beneficiaries (e.g., input suppliers, service providers), the program sought businesses that directly supported smallholder farmers, delivering services in addition to selling products (e.g., training farmers in the use of agricultural technologies, equipment), or selling improved inputs (e.g., high-yield seeds). The multifaceted approach of the program was to ensure financial support not only boosted agribusiness growth but also generated spillover benefits for rural farming communities, mainly through increased incomes for smallholder farmers.

### **Potential employment outcomes**

Agribusinesses that received loans or grants could have used the financing to expand production capacity, possibly leading to **increased employment at the business**. The risk is that benefi-

ciary agribusinesses may use financing to adopt labor-saving technologies. Advice from BDS providers might likewise help firms use labor more efficiently, thus achieving output growth without using more labor. Key risks include weather and market access, which may constrain firms' or farms' abilities to sell increased output, consequently restraining both employment and income growth (see ToC 4: Interventions to increase output/productivity/profits in SML enterprises, and ToC 5: Interventions to increase profits on the farm).

Beneficiary agribusinesses such as input suppliers and service providers may have been able to extend their reach to more smallholder farmers, creating indirect earnings increases through improved access to inputs, technologies, and markets. This secondary effect could have further amplified the program impact by ultimately boosting incomes among the smallholder farmers served by these intermediary businesses.

### **Actual employment outcomes**

Information from (i) interviews with program authorities conducted for the evaluation, (ii) the program progress report, and (iii) conclusion and performance reports were used to identify project outcomes. The program authorities obtain baseline employment and income data from beneficiary agribusinesses' applications for finance. Following intervention implementation, (field) teams conduct periodic site visits to these enterprises to systematically track employment and income progression.

This primary data collection process involves direct verification of formal employment contracts and company accounts to assess employment growth. To establish causal attribution, the assessment focuses exclusively on beneficiary enterprise departments or segments that have directly received program support. This approach helps isolate the program's specific contribution to employment and profit outcomes. It is important to note that reported employment figures reflect peak annual staffing levels and, consequently, do not capture job turnover or seasonal fluctuations

in labor demand. This methodological limitation means that the data may overstate net job creation by not accounting for workforce churn throughout the reporting period.

Regarding *net new jobs*, the progress report mentions that, **as of 2020, interventions had created 773 FTE positions during round 2, increasing to 1,361 positions in round 3 (AECF, 2022). These effects appear relatively modest since they are gross employment effects.** However, the cost per job created of about USD 5,000 is not unusual for this type of project. McKenzie (2017) reports a cost per job of around USD 8,500 for a business plan competition in Nigeria but cites other estimates of below USD 1,000 per job when grants were provided to small businesses in Ghana.

The progress report states that **median annual nominal net benefits for households were USD 153.33 for round 2 and USD 133.67 for round 3. However, information is not provided as to how these net income benefits are measured** and whether, by referencing households, indirect or spillover effects, or actual wages or incomes of households of beneficiary agribusiness owners, are considered.

The progress report identifies several factors that constrained intervention effectiveness. Cultural practices were reported to be a persistent barrier, particularly farmers' resistance to transitioning to new crops. This resistance notably limited the uptake and sustainability of introduced crops, ultimately reducing potential impacts on employment and incomes. Environmental factors, particularly unreliable rainfall patterns, further disrupted production cycles for certain beneficiaries. Regulatory hurdles in the business environment – especially enterprise registration challenges – constituted additional barriers to intervention success.

Aside from these challenges, interventions were mostly successful in enhancing the production of improved inputs such as seeds and the provision of complementary support services to farmers, as well as linking smallholder farmers to buyers and service providers. However, the

transformative potential of these achievements remained constrained by insufficient access to critical complementary inputs, particularly equipment and infrastructure, and by market volatility. Without stable output prices and reliable demand, increased availability of improved inputs yields limited income gains for farmers.

**In sum, the evidence suggests TZAW interventions contributed to modest job creation, and possibly to some earnings growth for some direct or indirect beneficiaries.**

### **7.3.4 Agricultural Markets Development Trust**

#### **Background**

AMDT was established as a registered trust in 2014 through a joint effort by the governments of Tanzania, Sweden, Switzerland, Denmark, and Ireland (AMDT, n.d.). Phase 1 began in 2015 and lasted until 2020. Phase 2 was scheduled to end in 2025. The total Sida contribution for phases 1 and 2 was SEK 43.5 million.

The overall objective of AMDT is the development of targeted value chains to increase incomes and employment opportunities for people experiencing poverty. This reflects the approach of making markets work for people experiencing poverty. More specifically, interventions focused on developing the sunflower, maize, and pulse value chains. Targeted beneficiaries are poor and rural women, men, and young people involved in smallholder agricultural production. The reason for targeting these value chains was their relevance to the livelihoods of the (rural) poor, their ability to contribute to income growth, and the potential to effect changes in market systems to support growth.

1. At its inception, the Trust planned to reach 500,000 beneficiaries and to achieve the following outcomes:
2. Reduce systematic constraints in targeted agricultural value chains to spur opportunities for people with low incomes.
3. Support business entry and growth.

4. Support the development of targeted agricultural market systems.
5. Create avenues for evidence-based dialogue among stakeholders and agribusinesses as well as government authorities.
6. Increase the availability of new agricultural technologies and practices to benefit the productive poor (AMDT, 2023b).

The Trust's approach was to collaborate with Market Facilitators (agencies that remain outside a market but that can propel changes within it) and Market Actors (organizations or individuals, including the private sector, the public sector, and research institutions, that can influence a market system) to implement interventions to ease constraints that hamper the development of targeted value chains.

The project focused on addressing key constraints hindering the development of two primary beneficiary groups: smallholder farmers and agribusiness MSMEs. Interventions were customized for each group. For agribusiness MSMEs, the primary obstacle was limited access to finance. The project directly sought to address this barrier by facilitating connections to financial intermediaries, to enable enterprises to expand operations and improve productivity. For smallholder farmers, interventions combined training and capacity-building to enhance access to finance, markets, and modern farming practices.

Key focus areas included:

- *Improved inputs and climate-smart agriculture:* Smallholder farmers received training on the benefits of high-quality seeds, drought- and flood-resistant varieties, and sustainable crop management techniques to boost yields while adapting to climate challenges.
- *Mechanization and technology adoption:* Hands-on training introduced smallholder farmers to modern machinery and equipment, to increase productivity and reduce post-harvest losses.

- *Strengthened extension services:* Dedicated extension officers provided guidance on optimal farming methods, soil management, and the effective use of improved inputs.
- *Financial inclusion:* Tailored sessions covered loan application processes, collateral requirements, financial recordkeeping, and business management, equipping beneficiaries with the skills to engage more effectively with financial institutions.
- *Market linkages:* Training emphasized collective marketing and contract farming, connecting farmers with buyers and off-takers to secure stable demand and fair pricing.
- *Entrepreneurship and business skills:* Smallholder farmers gained critical skills in negotiation, marketing, and value-added processing.

By integrating these components, the Trust sought not only to address immediate constraints but also to lay the groundwork for lasting rural economic prosperity and environmental sustainability.

The Trust started with the sunflower value chain. Piloting activities for this value chain began in January 2017 with nine Market Facilitators. Piloting activities for the maize value chain followed immediately after, commencing in December 2018, with three Market Facilitators. The inception phase for pulses took place in July 2021.

### **Potential employment outcomes**

Smallholder farmers and agribusiness entrepreneurs face multiple constraints to increase earnings. The provision of improved inputs combined with extension advice on how to use them effectively and financial inclusion training to ensure that farmer could get the credit to purchase the inputs, **could raise earnings for participant farmers. Increased employment on the farm is not expected**, as increased use of modern inputs such as herbicides and mechanization are both labor-saving technologies.

The comprehensive approach reduced the risk that only one constraint would be addressed, leaving the others in place and

limiting beneficiaries' capacity to increase income. Yet, farm earnings gains may still be limited by market access and/or weather shocks (see ToC 5: Interventions to increase profits on the farm).

Facilitating HE/micro enterprises and SMEs' access to credit can translate into meaningful production capacity and productivity improvements when complemented by viable investment opportunities, adequate workforce skills, and sound managerial capacity. **Earnings for the owner should increase.** The integrated approach used in AMDT, which includes facilitating market access, was designed to ensure these conditions are met (see ToC 4: Interventions to increase output/productivity/profits in SML enterprises).

### **Actual employment outcomes**

As noted above, the AMDT project took some time to set up and start yielding results. The project underwent a mid-term review in April 2019 by eMJee Consult Tanzania Ltd to ascertain the progress and outcomes of interventions, mainly for the sunflower value chain, as there had not yet been outcomes for the maize and pulses value chains (AMDT, 2023a). Owing to data scarcity and unreliability—including reliance on abstract annual progress reports that provided limited information, as well as the limited availability of quantitative data—the review could not draw on robust quantitative evidence. As a result, it relied primarily on qualitative evidence, including documents from stakeholders and interviews with a sample of stakeholders and beneficiaries. This created potentially biased responses, owing to AMDT selecting key informants interviewed in the field (see results of 2023 evaluation reported below for comparison).

The main findings from the mid-term review were as follows:

- More than 70,000 smallholder sunflower farmers benefited from the project. Six improved seed varieties were introduced into markets and were reportedly used by smallholder farmers. **Farmers' incomes reportedly rose by 42 percent (nominal) – but this estimate covers only the farmers who participated**

**in the review, which was not a random sample. Thus, these reported income gains were likely much higher than the average gain.**

- The market systems model was reported to be beneficial for developing the sunflower value chain. Interventions facilitating linkages between processors, SMEs suppliers of critical inputs, and farmers increased farmers' yields and subsequently processors' operational activity to the whole year from seven months. **This led to an increase in net employment (days worked) for processors and their family labor.**<sup>26</sup>
- Advocacy interventions with government agencies facilitated a value added tax waiver for processors in the edible oil subsector, a review of the import duty on crude palm oil to support domestic sunflower oil production, and an increase in the producers' price for maize.

Phase 1 did not undergo any final evaluation. Instead, Ipsos undertook an expansive assessment of the impacts of interventions in February 2023. The methodological approach used in this endline report was like that of the mid-term review, using a combination of desk reviews of program documents, focus group discussions, household surveys, key information interviews, and case studies to collect data from a sample of beneficiaries. Outcomes indicators (for 2022) were gauged against those of the previous farming season and not a baseline. **With more extensive data collection, reported results were less positive than those found in the mid-term review.**

Key findings were as follows:

- Farmers interviewed reported a 50 percent increase in harvest yield and a 29 percent improvement in the quality of their yields, driven mainly by the rise in the use of improved seeds and the

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<sup>26</sup> Most sunflower seed processors were small-scale, household enterprises. Few hired outside labor.

adoption of better agricultural practices, which increased both the quantity and the quality of production.

- **Employment effects were neutral.** Farmers reported increased use of labor-saving agricultural technologies such as seed planters, but they also reported hiring a few more days of labor (each) for tasks such as land preparation and harvesting, owing to access to finance.
- **Productivity and income gains** owing to the use of upgraded machines were reported for processors.

Income gains were uneven, however. AMDT experienced its greatest success in the sunflower oil value chain, where production on the farm expanded and processors were supported to purchase farmers' output and expand oil production. The cowpea value chain suffered from a major market access shock in the early years of development, as the major export market, India, suddenly closed to imports, causing farmers and processors to lose money. The maize value chain was also subject to shocks in market access owing to swings in government policy around maize prices.

On average, across all value chains, as many as 37 percent of farmers did not use improved seed varieties, primarily because of the high cost of seeds; for pulses, the problem was more extensive (at 51 percent). Interventions to increase market access using contract farming yielded limited impact; 56 percent of smallholder farmers were not able to engage with any purchasers. Despite training services and linkages with financial institutions to boost access to finance, access to finance was still a hindrance, especially among smallholder farmers. On average, 49 percent of farmers did not have access to finance, mainly because of challenges in meeting the requirements for a loan, such as collateral.

In sum, the **AMDT's interventions appear to have supported an increase in farmers' and processors' earnings, on average, albeit with results uneven across value chains.** Some of the risks reflected in the ToCs did materialize, including issues with

affordability of inputs and market access. **Weak project M&E limits the strength of the conclusions regarding outcomes.** When outcome data were provided, they were not disaggregated by gender.

## 7.4 Conclusions

Tanzania's economy grew and diversified during the period under review, in part owing to growth in value added in sectors mostly not targeted by Sida-financed projects marked with the principal employment objective. Instead, Sida-financed projects appear to have complemented other public and private investments that spurred growth. The focus on rural areas and the agriculture sector was appropriate to the poverty perspective. PSSN in particular was found to be reaching the poorest and most vulnerable households, yielding important income gains through higher earnings. The spillover effects on non-project beneficiaries also supported higher earnings and inclusive growth, providing a wide swath of poor and near-poor Tanzanians with better employment opportunities. Sectorally, PSSN might be considered as much a rural income project as a social services one.

The focus of the PASS guarantee scheme on the whole agricultural value chain, including agro-processors (who are classified as manufacturing enterprises) did support both agricultural sector and industrial sector growth. PASS probably expanded wage employment opportunities, supporting employment transformation. Combining increased access to finance with BDS support may have mitigated the risk that finance, by itself, would not be adequate to increase farm earnings or firm profits. In addition, by strengthening the whole agricultural value chain, PASS may have indirectly supported productivity and income gains on the farm (a positive spillover), although this was not the focus of its monitoring system. However, PASS's employment outcomes monitoring is weak, so the quantitative importance of the results achieved is unknown.

The AMDT appears to have raised earnings in one of the three value chains targeted – sunflower oil production. Earnings in the maize and cowpea value chains appear to have suffered from the well-known risks in agricultural value chains – market access and weather – materializing. How much these risks affected outcomes is not known from the monitoring data provided.

While the reported net employment increases under the TAZW may have been overstated, since there was no adjustment for part-time or seasonal hiring, the project had an adequate system for outcome monitoring in that the implementing partner actually reviewed the records of the beneficiary firms. It was also **cost-effective**, as the cost per new job does not seem high for this type of project. It can be considered a success in employment creation.

The results from the M&E systems used in the Tanzania projects show that most were not able to capture the complexity that widespread informality brings to the definition and measurement of employment outcomes. PSSN, with a major donor like the World Bank involved and with a complete evaluation strategy in place from the start, yielded much clearer evidence on employment outcomes, despite not targeting these outcomes at the outset. For the other Tanzania projects reviewed, even with completed final evaluations it would be quite difficult to establish any employment gains, especially where baseline data was not collected. Projects in Tanzania did not report outcomes by gender.

## 8 Conclusions and recommendations

In seeking to help SSA countries reduce their pervasive poverty, Sida financed over 400 projects during the period 2011–2021 that were expected to directly or indirectly improve employment outcomes. Improving employment outcomes in Africa requires economic transformation, an objective that needs action in a broad array of sectors, including measures to improve policies and institutions that govern the economy. Sida identifies the projects expected to contribute to this result directly or indirectly with an employment marker in its internal system. Analysis of the whole portfolio of Sida-financed projects that have an employment marker reveals that Sida has taken a comprehensive approach. Some projects registered in the system may affect employment outcomes only indirectly and after a significant time lag, but overall, the employment marker system reveals that Sida has taken an appropriately broad and inclusive approach to reducing poverty through improving employment outcomes.

But which employment outcomes that can be directly influenced by Sida-funded projects deserve a focus? While the case for a focus on employment creation in Africa – the region with the world’s youngest and fastest-growing labor force – may seem obvious, the extensive informality characterizing African livelihoods brings complications in operationalizing this objective. New entrants to the labor force do need to find employment but, given the early stage of structural transformation in most countries, most new entrants will have to create their own jobs, on household farms and in businesses.

This is a process, not a one-off outcome. Multiple income generation activities (pluri-activity) are common, especially for those living in rural areas. The implication is that a policy focus on job creation, as normally understood in high-income countries – the addition to the economy by a hiring entity of an activity performed by one person,

usually for a wage – does not suit the local context. In addition, the already high number of working poor combined with low levels of unemployment and high levels of underemployment suggest interventions to help raise earnings are potentially more important than those helping new entrants (mostly youth) establish themselves in employment.

Projects designed to directly affect employment outcomes are designated with the principal objective employment marker in Sida's internal system. This report focused on two employment outcomes: (i) creating more new jobs for the growing labor force, and (ii) raising earnings for existing labor force participants. Sida finances projects designed to affect other labor market focus areas as well, such as conditions of employment, social insurance and social protection, and social dialogue. Of the 124 projects that were designated with the principal employment marker during the 10-year period 2011–2021, 57 percent incorporated interventions that could, in theory, be expected to achieve one or both of the employment outcomes studied in this report.

Analysis of the main interventions used in these projects reveals that **the vast majority of Sida-financed projects used interventions that were not likely to create net new employment per se. Over half did address the demand side of the labor market, which is where net employment and earnings gains are most likely to be realized. Through these interventions, it is likely that earnings increased for participants. This focus on raising earnings is entirely appropriate in the African context, as it can affect both existing participants and new entrants who seek to create their own livelihood.** Increased earnings are a key step on the road to poverty reduction.

Creating net new employment is also relevant, however, and projects that encourage firm growth (a demand-side intervention) can be an effective way of doing so. Wage jobs in firms are usually better paid and offer more secure earnings than self-employment (although not all firms in agricultural value chains operate year around). Examples

of successful approaches from the case studies include the PASS guarantee project, targeting SML businesses in the agricultural value chain, and the TZAW project, targeting already successful firms seeking to grow their business. Both of these projects used finance combined with technical assistance provided to firms to achieve their outcomes.

Access to affordable finance is obviously a critical intervention in SSA to improve employment outcomes. It was used in two Rwanda projects that successfully increased earnings for self- and household-employed people. Indeed, the success of the Tanzania safety net project PSSN in raising rural incomes well beyond the amount of the cash grants provided underscores the key role affordable finance – whether from own savings or from banks and credit cooperatives – plays in raising earnings of the rural self-employed.

However, **the most used intervention was skills training. The case studies suggest this can be an effective intervention when (i) the skills developed are those actually valued in the labor market (meaning personal effectiveness and other general skills) and (ii) the complementary inputs needed to put the skills to work are available.** In some cases, the complementary input is a tool of the trade (e.g., efficient and effective beekeeping frames in Rwanda’s CORE project); in some cases, it is access to affordable finance, whether through savings incentives, affordable credit, or both. Coordinating all these inputs proved too much of a challenge in Rwanda’s NEP, so the expected earnings gains were not realized for participants in the mass TVET schemes. Only when the program subsidized the firm intending to hire new employees to do the training itself did the expected outcomes occur. Meanwhile, PSSN outcomes suggest finance (in this case cash) was really the binding constraint, as no TVET or business training was supplied – yet new activities began and earnings increased.

**Sida regularly reports its achievements through annual reports. It is common for Sida to report in these documents a figure for “jobs created” as a result of a successful project. This practice**

**is problematic, for reasons elaborated in this report.** Since most project beneficiaries are already engaged in some form of IGA, the “jobs created” are probably not net new employment. For example, in the AGI project in Rwanda, the baseline survey revealed that 80 percent of participants were already engaged in at least one IGA – that is, they were not unemployed. Often, the main outcome of projects is increased earnings by means of helping beneficiaries add a nonfarm IGA to their schedule. A more accurate description of employment outcomes from the projects in Rwanda and Tanzania that focused on supporting nonfarm self-employment activities is that they **contributed to higher earnings by reducing under-employment.**

Measuring employment outcomes from development projects operating in the sectors where poorer people have their livelihoods in SSA is a challenge owing to high levels of informality. **In order to adequately and reliably report employment outcomes from projects financed, Sida needs to ensure that implementing partners use effective M&E systems that are designed to accurately measure these outcomes. Tracking employment outcomes requires accurate collection of data on economic activities and earnings of participants prior to project commencement as well as at completion. Yet Sida guidance on RBM does not explicitly require baseline surveys of beneficiaries.**

**The AGI project in Rwanda and the PSSN project in Tanzania are the only projects reviewed in either case study that accurately surveyed self- or household-employed participants on all of their baseline IGAs before project activities began.** One explanation for this result is that both projects, implemented by the World Bank, included at the outset an impact evaluation, which required a baseline and midline or endline survey with extensive supervision from World Bank experts. Many of Sida’s local implementing partners do not have the capacity or the funds for this and may not want to use project financing for such monitoring. For example, neither the NEP in Rwanda nor the AMDT project in

Tanzania included a baseline survey of participants. CORE in Rwanda included a baseline survey of participants but this did not include questions measuring participants' on-farm activities.

PASS and TZAW by design collect data on participating firms prior to disbursing loans, which can be used as baseline data on firm employment. If, as was the case with TZAW, data on firm employment is collected (and verified) after the intervention is complete, the number of new jobs at the firm (and even the quality) can be known. Not all would necessarily be attributable to the project, however, and, as there is no data on the activities of those hired, not all can be assumed to be net new jobs. The new hires may have given up another economic activity, pointing to both job creation and destruction. A better description could be "improved employment".

**Sida-financed projects reviewed in the case studies did a better job of collecting data on earnings gains – arguably a more relevant measure of “better jobs”.** In addition to the AGI and PSSN, CORE measured participants' earnings (in cash) at baseline and at the end of phase 1. But the NEP and AMDT evaluations asked a sample of participants to retroactively estimate their earnings gains from project activities, which is not a reliable method of data collection. AMDT evaluations did not include a random sample of beneficiaries. **None of the case study projects corrected their estimates of earnings gains for inflation, meaning gains were overstated.**

While some projects provided data on the number of participants by gender, outcome data were not disaggregated by gender except in the two projects in Rwanda that explicitly targeted women. This leads to the observation that across projects, employment outcomes are not reported in any type of standardized fashion. This could be an area where Sida could offer standardized guidelines as well.

**Finally, the analysis undertaken here could find no case where end-project evaluations checked for displacement or spillover effects.** Yet an outside analysis of PSSN in Tanzania found positive

spillovers in the form of earnings gains to be larger than the earnings gains to beneficiaries caused by project interventions. Sida may wish to include this element in some evaluations to strengthen learning.

## **8.1 Recommendations**

While recognizing that Sida targets a broader set of employment outcomes than are discussed in this report, the two outcomes covered, especially earnings, are arguably the most important in terms of the ultimate goal of poverty reduction. In order to strengthen Sida's work in this area, the following recommendations are offered.

### **8.1.1 Focus Sida financing on projects that directly contribute to earnings gains**

While appreciating that a broad scope of projects is needed to contribute to employment outcomes, for those projects designed to directly contribute to employment outcomes, targeting participant earnings gains seems the best approach, especially for informal sector income-earning activities. Earnings gains proved easier to track than net employment gains in the projects reviewed for the case studies. So, there is a case for trying to monitor this variable effectively, as it links closely with Sida's ultimate impact target, poverty reduction, as well as with conditions in the economies of most SSA countries.

**Sida should continue to support new firm creation and firm growth through, for example, guarantee schemes such as PASS, but the employment outcome expected should not necessarily be labeled “new jobs created”, as this outcome is quite difficult to monitor.** None of the projects reviewed in the case study actually surveyed new hires to find out what they had been doing before they were hired. But presumably all new hires increased their earnings.

As far as possible, Sida should avoid reporting on “jobs created” from its portfolio. While outside stakeholders unfamiliar with the nature of livelihoods in SSA may wish for this simple measure of success, and unsophisticated implementing partners may report such data, the difficulties with accurately collecting these data may outweigh the benefits of having them.

When reporting earnings gains for beneficiaries, Sida should require that all implementing partners provide the data in real terms, adjusted for inflation.

### **8.1.2 Review use of TVET training to achieve employment outcomes**

It is possible that Sida-financed projects are overusing training, especially TVET training as an intervention to raise incomes. On the one hand, the higher-quality, comprehensive training provided in projects such as CORE in Rwanda appears to have succeeded where the mass TVET provided under the NEP did not. But PSSN in Tanzania raised the incomes of participants who were similar to those participating in CORE without training. One method of identifying whether training is needed is whether the market access actors, be they lead firms subcontracting with self-employed informal businesses or larger firms seeking new workers, propose the training, assure the quality, and promise to hire the trainees or buy their products afterwards.

### **8.1.3 Guidance materials for monitoring employment outcomes**

**In African conditions, especially in rural areas where pluri-activity is common, monitoring employment outcomes is technically challenging. The case studies revealed that it is difficult for implementing partners, except for the World Bank, to undertake this task.** A plausible estimate of employment outcomes for the other projects reviewed in Rwanda and Tanzania

would have required significantly stronger efforts by implementing partners prior to project commencement as well as during the early stages of implementation. It appeared from the interviews conducted for the case studies that many did not have the technical knowledge. For example, even though CORE in Rwanda had a monitoring system designed to carefully measure project effects through use of an impact evaluation design, the narrow focus of the monitoring instruments rendered the results less than convincing.

Sida guidance requires project desk officers in the recipient country to assess the monitoring capability of the implementing partner. But what if Sida project officers do not themselves have this capability? Many Sida project officers are not employment specialists. **To achieve more consistent and careful monitoring of employment outcomes, Sida may wish to develop specific materials and handbooks for project officers combined with training on how to screen or train implementers to measure these outcomes properly. The Box below provides a list of resources that could be helpful.**

**A second approach would be to carefully monitor employment outcomes for only a subset of projects, where the implementing partner has the capability and interest to undertake the required data collection and analysis.** This approach would require much more careful screening by Sida of the implementing partners of the selected projects, as well as close monitoring to make sure they have actually carried out the monitoring properly. For the rest of the projects in the portfolio, Sida could report outcomes with less precision and causal certainty. This approach could be particularly useful for the question of job creation.

Sida's employment marker system provides an opportunity for a different type of reporting on employment outcomes, moving away from quantitative outcome reporting. Using both types of employment markers, **Sida could report on the share of total disbursements that had a direct or indirect effect on employment outcomes, without specifying quantitative outcomes.** This

approach might disappoint some stakeholders, but it would recognize that the Sida-financed projects that indirectly contributed to employment outcomes may have more impact in the medium term on employment and earnings outcomes by facilitating broader economic growth and structural transformation than the projects that are expected to have direct employment outcomes.

**Box 2: Resources for measuring employment outcomes in the presence of widespread informality**

The measurement of employment status and earnings in the presence of widespread informality is not a simple task. Questions such as “do you work” “do you have a job” may not be understood by an informal business owner in the way that in the interviewer intends, as words such as “work” and “job” may only be associated with formal economic activities in the respondent’s mind. For this reason, extensive survey research has been conducted to develop questions and techniques for eliciting the correct information from respondents.

Often the best resource to tap is National Statistics Offices (NSOs) in country where the project is being implemented. For their own labor force surveys, they will have tested survey questions and methods to find what works to collect data consistent with standard measures of employment concepts (such as unemployment and underemployment). They will have questionnaires available in local languages.

In SSA, NSOs have usually received training on measuring employment outcomes from the ILO, which sets the standards for defining and measuring employment outcomes. The ILO has developed recommendations on survey questionnaires and methods that are consistent with their standards.

These are available on the ILO website:

<https://ilostat.ilo.org/methods/>; and

<https://ilostat.ilo.org/resources/lfs-toolkit/>

NSOs may also have received support from the World Bank's Living Standards Measurement project, which has also conducted extensive survey research on how to measure employment outcomes in surveys. World Bank labor statistics experts have also advised project team leaders on collecting data specifically for project results measurement purposes. See for example: <https://www.worldbank.org/en/programs/lsms/publication/Employment-and-own-use-production-in-household-surveys>

The Donor Committee for Enterprise Development (DCED) has developed some resources for project implementers using its Market System approach, including how to define and measure employment indicators. See <https://www.enterprise-development.org/implementing-psd/market-systems/#C2>

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## List of abbreviations

AECF	Africa Enterprise Challenge Fund
AfDB	African Development Bank
AGI	Adolescent Girls Initiative
AMDT	Agricultural Markets Development Trust
BDS	Business Development Services
CBO	Community-Based Organization
CORE	Creating Off-farm Rwandan Enterprises
EBA	Expert Group for Aid Studies
FAO	Food and Agriculture Organization of the United Nations
FTE	Full-Time Equivalent
GDP	Gross Domestic Product
GoR	Government of Rwanda
GoT	Government of Tanzania
ICT	Information and Communication Technology
ICT4D	Information and Communication Technology for Development
IGA	Income-Generating Activity
ILO	International Labour Organization
IOM	International Organization for Migration
LIC	Low-Income Country
LMIC	Lower Middle-Income Country
M&E	Monitoring and Evaluation
MFA	Ministry for Foreign Affairs
MFI	Microfinance Institution
MIFOTRA	Ministry of Public Service and Labor
MSMEs	Micro, Small, and Medium Enterprises

NEP	National Employment Program
OECD-DAC	Organisation for Economic Co-operation and Development, Development Assistance Committee
OLF	Out of the Labor Force
PASS	Private Agriculture Sector Support
PSSN	Productive Social Safety Net
RBM	Results-Based Management
RCT	Randomized Control Trial
RR	Resource-Rich
RRT	Rapid Response Training
SACCO	Savings and Credit Cooperative Organization
Sida	Swedish International Development Cooperation Agency
SME	Small and Medium Enterprises
SML	Small, Medium, and Large (enterprises)
SSA	Sub-Saharan Africa
ToC	Theory of Change
TVET	Technical and Vocational Education and Training
TZAW	Tanzania Agribusiness Window
UNDAP	United Nations Development Assistance Plan
UNDP	United Nations Development Programme
VSLA	Village Savings and Loan Association

# Appendix

**Table A1. List of informants, Tanzania case study**

Informants	Personnel	Title/Role
Embassy of Sweden in Dar es Salaam, Tanzania	Rebecca Sundbom	Program Officer – Education and Social Protection
Embassy of Sweden in Dar es Salaam, Tanzania	Brasio Msugu	Officer – Private Sector Development
AMDT	Charles Ogutu	Chief Executive Officer
AMDT	Delta Shila	Monitoring and Results Measurement Officer
AECF	Mathias Hague	Executive Advisor
AECF	Victoria Sabula	Chief Executive Officer
PASS	Yohane Kaduma	Managing Director
PASS	Herman Bashiri	Business Development Manager

**Table A2. List of informants, Rwanda case study**

Informants	Personnel	Title/Role
Embassy of Sweden in Kigali, Rwanda	Sofie Habram	First Secretary
Embassy of Sweden in Kigali, Rwanda	Livingstone Mugisha	National Program Officer
NEP	Bernard Harerimna	Sector Capacity Building Analyst, MINIFOTRA
NEP	Eric Gentil Birasa	Employment Coordination Specialist, MINIFOTRA
CORE	Innocent Mutabaruka	Project officer World Vision
Background on TVET in Rwanda	Boran Goergiva	Resident advisor Office of the Director General TVET Board
Background on Rwanda	Mphatso Kumwenda	Rwanda Country Economist IGC

## List of online appendices

1. Evaluation Theories of Change
2. List of Sida projects used for analysis

The appendices that accompany the study are published online and may be found at <https://eba.se/en/reports/>

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Produktiv sysselsättning är en central drivkraft för fattigdomsminskning, särskilt i Afrika söder om Sahara där många är verksamma inom informella, lågbetalda och ofta osäkra former av sysselsättning. Denna rapport utvärderar hur Sida-finansierade insatser har bidragit till sysselsättning och inkomster i regionen under perioden 2011–2021. Studien bygger på en portföljanalys samt fördjupade fallstudier i Rwanda och Tanzania.