

# Promoting transition to formality for peace and resilience



International  
Labour  
Organization



Jobs for Peace and Resilience

Development and Investment Branch (DEVINVEST)



Promoting transition to  
formality for peace and  
resilience

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# PREFACE

Two billion people – more than 61 per cent of the world’s employed population – make their living in the informal economy and about 2 billion people currently live in fragile and conflict-affected situations. These “two billion people” could not be a coincidence. The informal economy thrives mostly in a context of high unemployment, underemployment, poverty, gender inequality and precarious work. The situation is aggravated in conflict-affected and fragile situations where a large part of the population has no alternative than operating in the informal economy for securing livelihoods.

Given the severe decent work deficits associated with informality in conflict-affected situations, transition to formality becomes an important component of the decent work strategy to improve working and living conditions, strengthen the recovery process and consolidate peace and social cohesion. The destination of transition to formality needs to go beyond merely formalizing the informal economy and the ultimate objective should be to achieve decent work for all through peace and resilience.

There is now global consensus, prioritizing prevention and addressing the root causes of conflicts and their drivers, as well as on promoting transition to formality. The UN 2030 Agenda for Sustainable Development, the Sustainable Development Goal (SDG) 8 on Decent Work and Economic Growth, the SDG 16 on Peace, Justice and Strong Institutions and the SDG 9 on Industry, Innovation and Infrastructure create a momentum for inclusive growth, employment generation, decent work and transition to formality, as core components for conflict prevention and post-conflict recovery. The ILO Centenary Declaration,

Transition from the Informal to the Formal Economy Recommendation (R204), Employment, Decent Work for Peace and Resilience Recommendation (R205) and Employment Policy Convention (C122) provide policy guidance on these two areas.

This publication is a first initiative to promote the transition to formality agenda in conflict and post-conflict settings and is complementary to the ILO publication “A Handbook. How to Design, Monitor and Evaluate Peacebuilding Results in Jobs for Peace and Resilience programmes”. It, first, explains some conceptual issues of informality in conflict-affected settings and the theory of change of how the ILO integrated strategy on transition to formality could address conflict drivers and hence potentially promote peace and resilience. Second, it provides tips and questions to be considered for designing projects that anchor transition to formality in conflict-affected settings.

This is a version that should be used for field-testing. ILO staff, constituents and other humanitarian and development practitioners are encouraged to test the guidance presented and provide suggestions for improving the next version.

Vicky Leung and Felix Rüdiger, the co-authors, were guided by the Coordination Support Unit for Peace and Resilience (CSPR/DEVINVEST), in particular Nieves Thomet. This guide also benefits from comments from ILO colleagues: Christina Behrendt, Chris Donnges, Christine Hofmann, Esther Gomez, Frédéric Lapeyre, Eva Majurin, Henrik Moller, Federico Negro, Elisa Selva, Guy Tchami, Mini Thakur, Nieves Thomet, Judith Van Doorn and Carlien Van Empel.

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# LIST OF ABBREVIATIONS

PBSO	Peace Support Office, UN
FPRW	Fundamental Principles and Rights at Work
GDP	Growth domestic product
HDI	Human Development Index
ICLS	International Conference of Labour Statisticians
ILO	International Labour Organization
JPR	Jobs for Peace and Resilience Programme (ILO)
SDG	Sustainable Development Goal
ToC	Theory of change
UNHCR	United Nations High Commissioner for Refugees
UN	United Nations







# 1

## INTRODUCTION

Two billion people – more than 61 per cent of the world’s employed population – make their living in the informal economy. Informality is associated with severe decent work deficits, which are aggravated in conflict or post-conflict situations, where informal employment is estimated at 84.3 per cent of total employment.<sup>1</sup> Transition to formality is, therefore, an important component of the ILO’s Decent Work Strategy to improve working and living conditions, strengthen the recovery process and consolidate peace and social cohesion. However, transition to formality needs to go beyond mere formalization of the informal economy. It should achieve decent work for all through peace and resilience as its ultimate objective. There is now global consensus on prioritizing prevention, addressing the root causes of conflicts and their drivers, and promoting transition to formality. The UN 2030 Agenda for Sustainable Development, notably the Sustainable Development Goal (SDG) 8 on Decent Work and Economic Growth, the SDG 16 on Peace, Justice and Strong Institutions and the SDG 9 on Industry, Innovation and Infrastructure create a momentum for inclusive growth, employment generation, decent work and transition to formality, as core components for conflict prevention and post-conflict recovery. The ILO Centenary Declaration, Transition from the Informal to the Formal Economy Recommendation (R204), Employment, Decent Work for Peace and Resilience Recommendation (R205) and Employment Policy Convention (C122) provide policy guidance on these two areas. This publication is a first initiative to promote transition to formality in conflict and post-conflict settings. It provides practitioners with recommendations and ILO’s best practices to guide their efforts in such contexts.

### 1.1 Purpose of this publication

While the strong presence of informality in conflict and post-conflict situations is commonly known, transition to formality and peacebuilding, and their potential reciprocity, are rarely explicitly addressed in research on the subject or during project design. For that reason, this publication aims to encourage further discussion by calling for more research and empirical evidence to support policy-making and project-level interventions so that what is effective or ineffective in the transition to formality for peace and resilience can be identified.

This publication complements the ILO publication “*A Handbook. How to Design, Monitor and Evaluate Peacebuilding Results in Jobs for Peace and Resilience programmes*” (hereinafter “ILO Handbook” and box 1), where concrete operational guidelines are set out to manage the project cycle of peacebuilding employment programmes. To align with the scope of the ILO Handbook, this publication focuses on fragile settings arising from conflicts since fragility is not synonymous with conflict or post-conflict situations but conflicts inflict fragility and vice versa.

1 Women and men in the informal economy: A statistical picture, 3rd ed., ILO, 2018 (Geneva).

## BOX 1

### Designing, monitoring and evaluating peacebuilding results in ILO Jobs for Peace and Resilience programmes

This ILO Handbook gives detailed guidance on how to include specific peacebuilding objectives in the design, monitoring and evaluation of employment promotion programmes in fragile settings. It lists specific outputs, outcome statements and indicators that enable project designers and managers to tailor their programmes to the task of peacebuilding. It offers tools, such as key informant interviews, focus group discussions and participant surveys, which aim to change the way the ILO measures its outcomes in Jobs for Peace and Resilience programmes. The guidance is helpful for any ILO project that aims to include peacebuilding in its core results framework.

Source: ILO. 2019. *Handbook. How to design, monitor and evaluate peacebuilding results in Jobs for Peace and Resilience programmes*. Available at: [https://www.ilo.org/employment/Whatwedo/Instructionmaterials/WCMS\\_712211/lang-en/index.htm](https://www.ilo.org/employment/Whatwedo/Instructionmaterials/WCMS_712211/lang-en/index.htm) [22 Nov. 2019].

Section 2 focuses on introducing some conceptual issues, linkages of informality and the challenges in conflict and post-conflict situations.

Section 3 presents the theory of change of how the ILO integrated strategy on transition to formality could address the three conflict drivers that can be addressed by decent employment. These include: (i) lack of contact; (ii) lack of opportunities; and (iii) grievances and sense of injustice. Tackling these issues potentially promotes peace and resilience. Before transforming policy frameworks into interventions, it is important to understand the different project design perspectives, for example, whether a project's primary goal is peacebuilding through transition to formality in conflict and post-conflict settings or vice versa, and how to develop specific formalization interventions that are adapted to conflict and post-conflict situations.

Section 4 aims to support ILO constituents, other humanitarian and development practitioners, and ILO staff, in designing projects that anchor transition to formality in conflict and post-conflict situations for peacebuilding. It covers the first phase of the project management cycle: project design, which is the initial identification of a problem or project idea, and the analysis and formulation of the project. This leads to the preparation of a Project Concept Note or Project Document. The advice and questions raised focus solely on the specific challenges associated with transition to formality projects in such settings.

Annex I presents examples of outcomes, outputs and indicators in a tabular format and annex II a list of core resources.



# 2

## CONCEPTUAL ISSUES OF INFORMALITY IN CONFLICT AND POST-CONFLICT SITUATIONS

Informality is a common reality in conflict and post-conflict situations and explicit policy guidance on how formalization of the informal economy can be achieved in these situations remains largely absent.<sup>2</sup> Indeed, evaluation of ILO’s work has shown that transition to formality has not been an explicit objective in most projects in these settings. They have not even been included in sub-components of projects.<sup>3</sup> This section aims at spelling out the conceptual linkages between the two technical areas.

### 2.1 What is the informal economy?

In ILO’s Recommendation concerning the Transition from the Informal to the Formal Economy, R204, “the term ‘informal economy’ refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements.” “In law” means those excluded or only partially covered by the law, such as agricultural workers and domestic workers in some countries. “In practice” refers to the situation where the laws may exist but the institutions of the state and enforcement mechanisms do not reach certain segments of the workforce.

It is worth noting that R204 “does not cover illicit activities, in particular the provision of services or the production, sale, possession or use of goods

forbidden by law, including the illicit production and trafficking of drugs, the illicit manufacturing of and trafficking in firearms, trafficking in persons, and money laundering, as defined in the relevant international treaties.”<sup>4</sup>

Concerning informal employment and its composition, table 1 shows the different categories of informal production unit by type, and informal jobs by employment status. It is important to differentiate between them because informal economy actors are in informal employment for different reasons and would need different policy measures.

### 2.2 Key challenges in conflict situations

About 2 billion people in the informal economy currently live in fragile and conflict situations of whom more than 400 million are aged between 15 and 29 (figures 1 and 3).<sup>5</sup> Poverty is increasingly concentrated in such settings with the share of global poor living in fragile and conflict-affected situations projected to rise from 17 per cent of the total today to almost 50 per cent by 2030.<sup>6</sup> Given the risks posed by climate change, rapid urbanization and low levels of human development, such numbers are expected to continue rising unless communities worldwide build their resilience.

2 S. Schoofs: *Making sense of informal economies in fragile contexts: Issues, dilemmas and questions*, Netherlands Institute of International Relations, 2015, [www.clingendael.org/sites/default/files/pdfs/PB\\_Informal\\_Economies\\_0.pdf](http://www.clingendael.org/sites/default/files/pdfs/PB_Informal_Economies_0.pdf) [accessed 13 Nov. 2019].

3 The evaluation lists 17 thematic areas of ILO interventions in such areas, with the informal economy not being specifically mentioned as one of them. ILO: *Independent thematic evaluation of the ILO’s work in post-conflict, fragile and disaster-affected countries* (Geneva, Evaluation Office, 2015).

4 ILO: Recommendation concerning the Transition from the Informal to the Formal Economy (R204) adopted by the International Labour Conference, 104th Session, Geneva, Jun. 2015.

5 OECD. 2018. Op. cit.; *Global employment trends for youth: Paths to a better working future*, ILO, 2017, [www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_598669.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_598669.pdf) [accessed 12 Nov. 2019].

6 *World Bank Group strategy for fragility, conflict and violence 2020–2025, Concept Note*, 2019, [consultations.worldbank.org/Data/hub/files/consultation-template/world-bank-group-strategy-fragility-conflict-and-violence/en/materials/conceptnote\\_06\\_041519.pdf](http://consultations.worldbank.org/Data/hub/files/consultation-template/world-bank-group-strategy-fragility-conflict-and-violence/en/materials/conceptnote_06_041519.pdf) [accessed 12 Nov. 2019].

**TABLE 1.** Conceptual framework for informal employment

Production unit by type	Job by status in employment								
	Own-account workers		Employers		Contributing family workers	Employees		Members of producers' cooperatives	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal sector enterprises					1	2			
Informal sector enterprises	3		4		5	6	7	8	
Households	9					10			

**Notes:** Dark grey cells refer to jobs that, by definition, do not exist in the type of production unit in question. Light grey cells refer to formal jobs. Cells that are not shaded represent the various forms of informal jobs. Informal sector enterprises exclude households employing paid domestic workers (defined in the 15th ICLS resolution concerning statistics of employment and in the informal sector). Households refer to those producing goods exclusively for own final use, and those employing paid domestic workers.

Cells 1–6 and 8–10: informal employment; cells 3–8: employment in informal sector; cells 1, 2, 9 and 10: informal employment outside the informal sector.

Cells 1 and 5: Contributing family workers: no contract of employment and no legal or social protection arising from the job, in formal enterprises (cell 1) or informal enterprises.

Cell 5: Contributing family workers with a contract of employment, wage, social protection, etc., would be considered employees in formal employment.

Cells 2, 6 and 10: Employees who have informal jobs, whether employed by formal enterprises (cell 2) or informal enterprises (cell 6), or as paid domestic workers by households (cell 10).

Cells 3 and 4: Own-account workers (cell 3) and employers (cell 4) who have their own informal enterprises. The informal nature of their jobs follows directly from the characteristics of the enterprise they own.

Cell 7: Employees working in informal enterprises but having formal jobs. This may occur, for example, when enterprises are defined as informal using size as the only criterion.

Cell 8: Members of informal producers' cooperatives.

Cell 9: Producers of goods for own final use by their household (e.g. subsistence farming).

**Sources:** ILO. 2001. 17th International Conference of Labour Statisticians (Geneva, Nov. 2003) *Guidelines concerning a statistical definition of informal employment*; R. Hussmanns: *Informal sector and informal employment: Elements of a conceptual framework*, paper presented at the Fifth Meeting of the Expert Group on Informal Sector Statistics (Delhi Group), New Delhi, 19–21 Sep. 2001.

### 2.3 The magnitude of informal economy in fragile situations

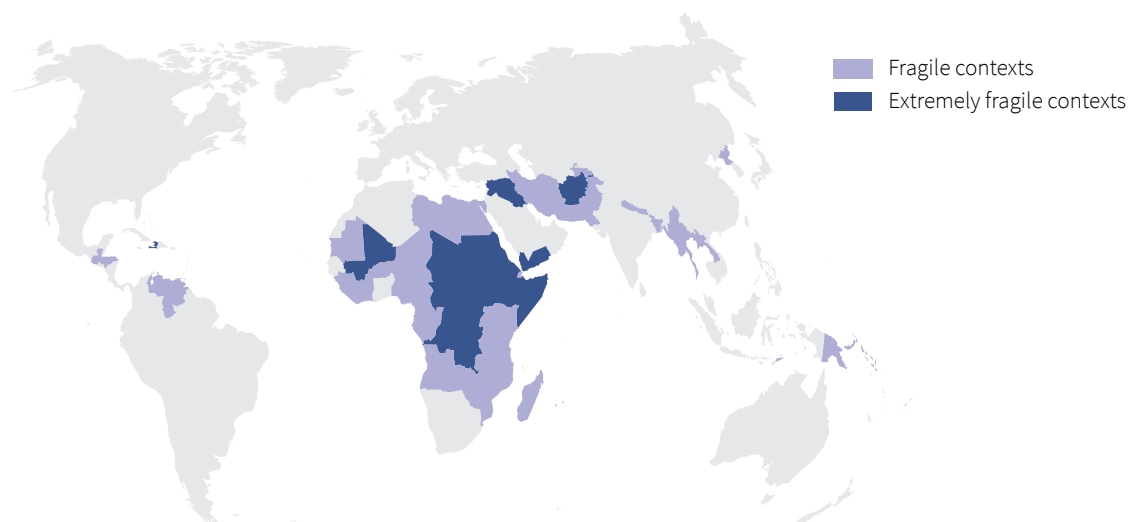
It is estimated that the informal sector in a typical developing country produces approximately 35 per cent of GDP and employs 75 per cent of the workforce.<sup>7</sup> The situation is aggravated in fragile and conflict situations where, for a large part of the population, there is no other alternative to working in the informal economy to secure livelihoods.<sup>8</sup> According to ILO data available for 30 of the 58

fragile contexts, average informal employment in fragile contexts is estimated at 84.3 per cent of total employment (figure 2) and is far higher than the global average at 61 per cent – with countries in sub-Saharan Africa and South Asia most affected (figures 2 and 3). The informal economy plays a significant role in such circumstances, especially in income generation, because of the relative ease of entry and low requirements for education, skills, technology and capital.

7 N. Loayza. *Informality in the process of development and growth*. World Bank Policy Research Working Paper 7858, p, 35, 2016, [pubdocs.worldbank.org/en/278451476349329578/Informality-in-the-Process-of-Development-Norman-Loayza.pdf](https://pubdocs.worldbank.org/en/278451476349329578/Informality-in-the-Process-of-Development-Norman-Loayza.pdf) [accessed 12 Nov. 2019].

8 Employment and Decent Work in situations of Fragility, Conflict and Disaster, ILO, 2016 (Geneva), [https://www.ilo.org/wcmsp5/groups/public/-ed\\_emp/documents/instructionalmaterial/wcms\\_141275.pdf](https://www.ilo.org/wcmsp5/groups/public/-ed_emp/documents/instructionalmaterial/wcms_141275.pdf) [accessed 12 Nov. 2019]

**FIGURE 1.** States of fragility in 58 countries of the OECD, 2018



Source: Organization for Economic Co-operation and Development (OECD). 2018. *States of Fragility 2018*. Available at: [www.oecd-ilibrary.org/development/states-of-fragility-2018\\_9789264302075-en](http://www.oecd-ilibrary.org/development/states-of-fragility-2018_9789264302075-en) [12 Nov. 2019].

## BOX 2

### Key concepts related to peace and resilience

**Peacebuilding** refers to the process to prevent the resurgence of conflict and to create the conditions necessary for a sustainable peace in war-torn societies. It is a holistic process involving broad-based inter-agency cooperation across a wide range of issues, including activities such as disarmament, demobilization and reintegration of armed forces and groups; rehabilitation of basic national infrastructure; human rights and elections monitoring; monitoring or retraining of civil administrators and police; training in customs and border control procedures; advice or training in fiscal or macroeconomic stabilization policy and support for landmine removal.

Source: *Handbook. How to design, monitor and evaluate peacebuilding results in jobs for peace and resilience programmes* (defined by the IAWG on DRR in 2006), ILO, 2019, p. 7, [www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/instructionalmaterial/wcms\\_712211.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/instructionalmaterial/wcms_712211.pdf) [accessed 12 Nov. 2019].

**Sustaining peace** refers to a process for managing conflict risk, creating peace in the long term and providing the basic opportunity for economic development.

Source: *Challenge of sustaining peace*, United Nations, 2015, [reliefweb.int/sites/reliefweb.int/files/resources/150630\\_Report\\_of\\_the\\_AGE\\_on\\_the\\_2015\\_Peacebuilding\\_Review\\_FINAL.pdf](http://reliefweb.int/sites/reliefweb.int/files/resources/150630_Report_of_the_AGE_on_the_2015_Peacebuilding_Review_FINAL.pdf) [accessed 12 Nov. 2019].

**Resilience** can be described as the ability of a system, community or society exposed to hazards to resist, absorb, accommodate, adapt to, transform and recover from the effects of a hazard in a timely and efficient manner, including through the preservation and restoration of its essential basic structures and functions through risk management.

Source: *UNDRR Terminology*, UN Office for Disaster Reduction, 2017, [www.unisdr.org/we/inform/terminology#letter-r](http://www.unisdr.org/we/inform/terminology#letter-r) [accessed 12 Nov. 2019].

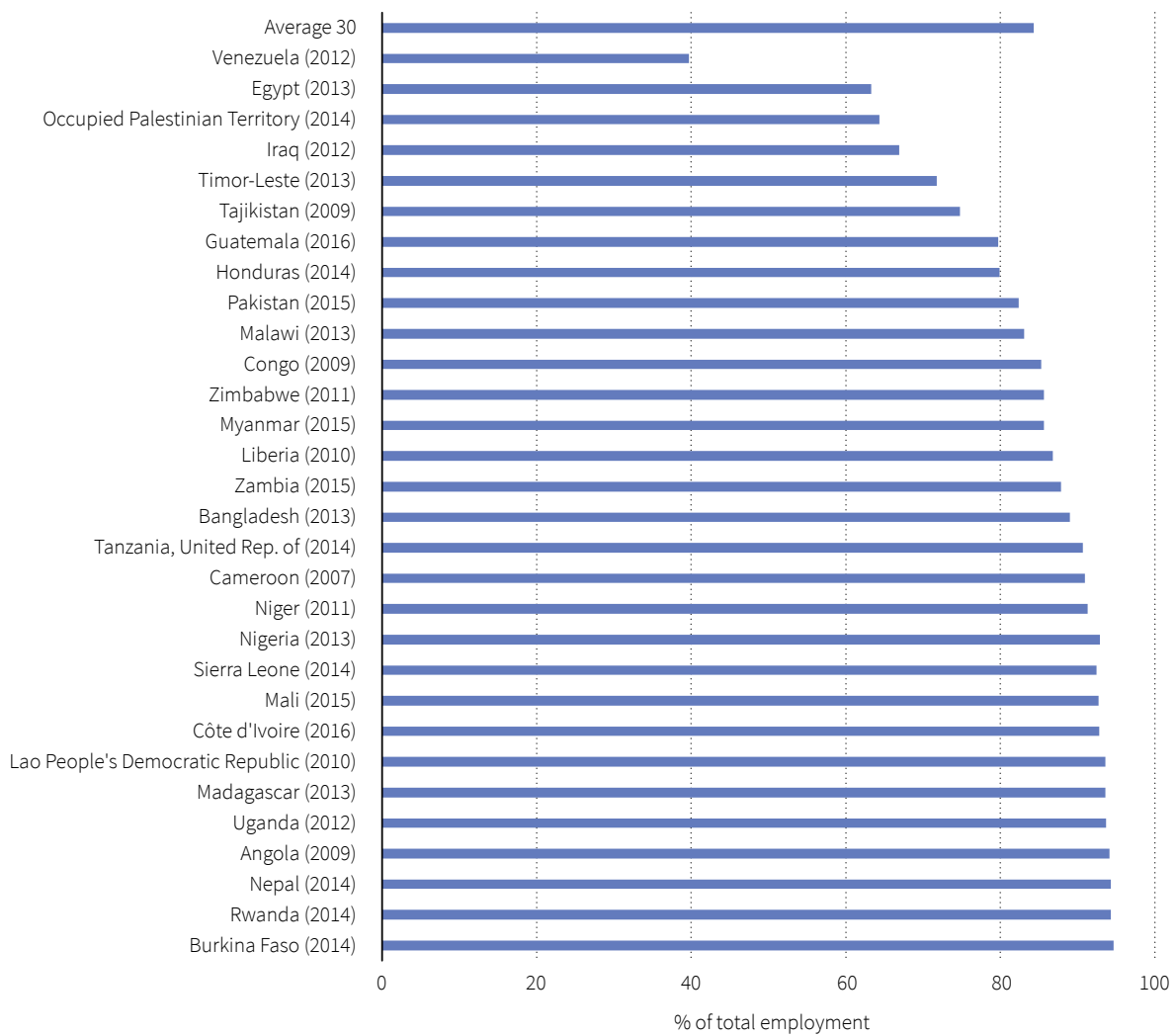
**Conflict** can be defined as a prolonged struggle between two or more parties, including international armed conflict (two or more opposing states) and non-international armed conflict (between governmental forces and non-governmental armed groups, or between such armed groups), as well as other situations of violence that destabilize societies and economies. Post-conflict settings are often characterized by, among others, weakened institutions, economies, the destruction of productive assets, and the scarcity of human and social capital.

Source: *Employment and decent work in situations of fragility, conflict and disaster*, ILO, 2016, [www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/instructionalmaterial/wcms\\_141275.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/instructionalmaterial/wcms_141275.pdf) [accessed 12 Nov. 2019].

**Displacement settings:** At the close of 2018, 70.8 million people were forcibly displaced from their home. The local economies and labour markets of hosting communities are often heavily impacted by the arrival of large numbers of forcibly displaced persons, with refugees and host community members often competing in the informal economy to secure their livelihoods. Facilitating equal access to local labour markets, and promoting formal employment and social protection for both host communities and refugees is one of the main avenues through which this can be achieved.

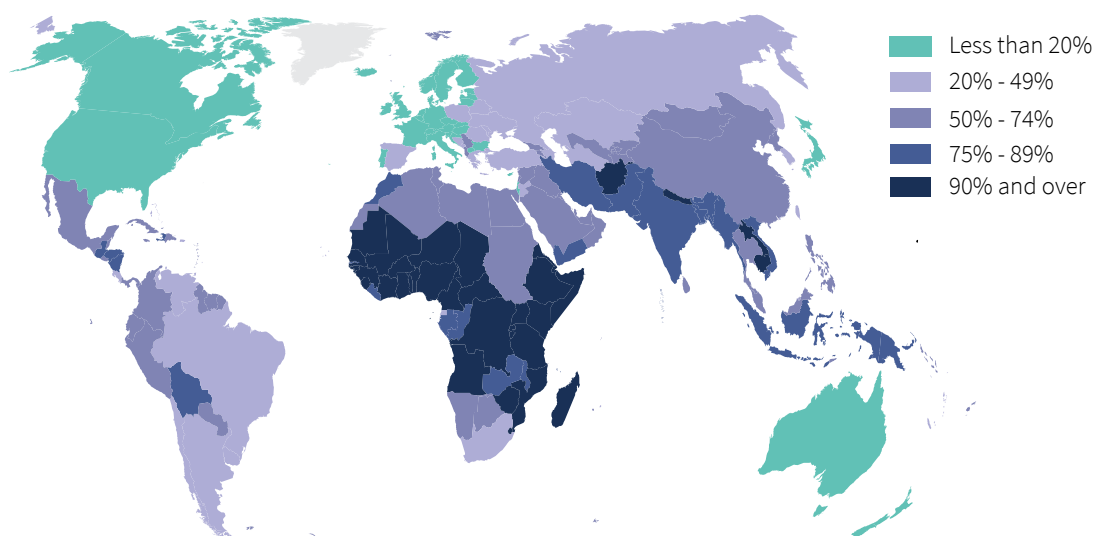
Source: Among them 25.9 million refugees, 41.3 million internally displaced people and 3.5 million asylum-seekers. See *Global trends 2018*, UN Refugee Agency, 2018, [www.unhcr.org/statistics/unhcrstats/5d08d7ee7/unhcr-global-trends-2018.html](http://www.unhcr.org/statistics/unhcrstats/5d08d7ee7/unhcr-global-trends-2018.html) [accessed 12 Nov. 2019].

**FIGURE 2.** Informal employment as a percentage of total employment in selected fragile contexts



Sources: ILO. 2018. Women and men in the informal economy: A statistical picture, 3rd ed (Geneva) and ILOSTAT.

**FIGURE 3.** The distribution of informal employment around the world

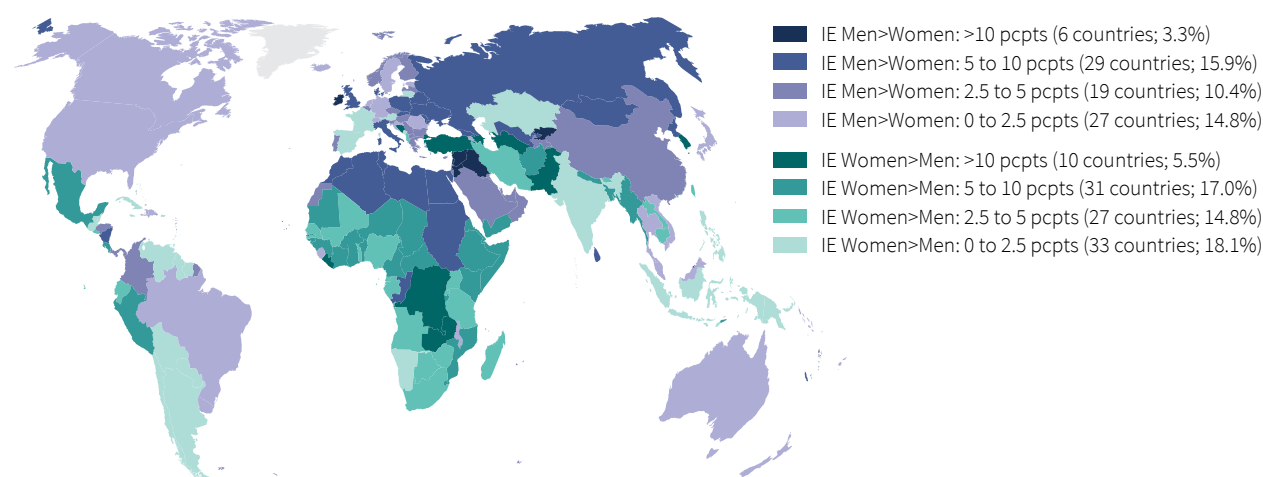


Source: ILO. 2018. Women and men in the informal economy: A statistical picture (third edition). (Geneva).

Age matters regarding informality, as the proportion of informal employment is extremely large in developing countries where informality affects 96.8 per cent of employed youth. The higher incidence of young workers in the informal economy is also concentrated in certain sub-regions and fragile contexts, notably in sub-Saharan Africa and South Asia (figures 1 and 3).<sup>9</sup> In addition, women tend to be in informal

employment compared with men in low- and low-middle income countries, especially in Latin America, South Asia and sub-Saharan Africa (figure 4). The overlap between fragile context, informality, and youth and gender gap in informality is a serious challenge to decent work.

**FIGURE 4.** Gender gap in the share of informal employment in total employment including agriculture



Source: ILO. 2018. *Women and men in the informal economy: A statistical picture* (third edition) (Geneva).

### BOX 3

#### Humanitarian-development-peace nexus

The humanitarian-development-peace nexus focuses on the work needed to coherently address people's vulnerability before, during and after crises. It challenges the status quo of the aid system, which is overstretched and operates with little coordination between project-based development and humanitarian interventions. Consequently, it does not effectively meeting the needs of the most vulnerable people. The nexus is a continuation of long-running efforts in the humanitarian and development fields, and the embedding of conflict sensitivity across responses.

Source: Oxfam. 2019. *Humanitarian-development-peace nexus: What does it mean for multi-mandated organizations? Discussion paper* (London). Available at: <https://policy-practice.oxfam.org.uk/publications/the-humanitarian-development-peace-nexus-what-does-it-mean-for-multi-mandated-o-620820> [accessed 26 Nov. 2019].

9 ILO. 2017. Op. cit J. Chacaltana; F. Bonnet and V. Leung. *The Youth Transition to Formality*, ILO, 2019 (Geneva), [https://www.ilo.org/global/docs/WCMS\\_734262/lang-en/index.htm](https://www.ilo.org/global/docs/WCMS_734262/lang-en/index.htm) [accessed 14 Jan. 2020].



## 2.4 Vicious cycle between conflict, informality and decent work deficits

Conflict and informality are both a cause and a consequence for each other, and are characterized by un- or under-employment and decent work deficits: Conflict has severe implications for the world of work, while poverty, unemployment and decent work deficits can themselves become triggers of vulnerability and fragility, potentially creating a vicious cycle.<sup>10</sup> Building peace and resilience is thus a prerequisite for economic, social and environmental development, and vice versa.

### 2.4.1 Conflict has adverse consequences for the world of work

Conflict has severe implications for the world of work: it can impede the availability and quality of jobs, as well as the resilience and capacity of important actors operating in the world of work, such as enterprises, workers, employers' and workers' organizations, cooperatives, and other social and solidarity economy organizations. The economic cost of violent conflict is staggering.<sup>11</sup> Central to the idea of a "humanitarian-development-peace nexus" (box 3), conflict can severely halt and reverse sustainable economic development, with manifold implications for the world of work.<sup>12</sup>

Regarding the quality of work, conflict situations severely limit the degree to which workers enjoy social protection<sup>13</sup> and Fundamental Principles and Rights at Work (FPRW). For example, they push

many children into worst forms of child labour and forced labour. Furthermore, research suggests that conflict may increase informality, and non-contractual and unregistered work,<sup>14</sup> particularly for youth, and prop-up illicit economies built on continued violence<sup>15</sup> and weak governance, thus making workers dependent on such work.

Research on what frames the "conflict-informality-employment" nexus is scarce. Some find that the informal economy brings positive developments to conflict recovery.<sup>16</sup> Some others argue that there is no evidence on the impact of employment contributing to peacebuilding.<sup>17</sup> However, one thing is clear: insufficient and unequal economic growth, decent work deficits and high unemployment rates, especially youth unemployment, are the most important determinants to increased social unrest.<sup>18</sup>

A joint ILO/PBSO/UNDP/World Bank comprehensive review of the academic literature and more than 450 employment programmes in fragile situations identified three main interconnected drivers of conflict that have been linked to unemployment and insufficient rights and quality at work. They are (i) a lack of contact and interaction, across different social groups; (ii) a lack of opportunity, particularly for youth and women; and (iii) the existence of grievances related to inequality, a lack of access to fundamental rights at work, and exclusion. The mechanisms of constructive contact, sustainable opportunities, and addressed grievances in turn provide a plausible "theory of change" (ToC) of how employment may contribute to peace, addressing

10 *World development report: Conflict, security and development*, World Bank, 2011, [openknowledge.worldbank.org/handle/10986/4389](https://openknowledge.worldbank.org/handle/10986/4389) [accessed 13 Nov. 2019].

11 *Pathways for peace: Inclusive approaches to preventing violent conflict*, UN and World Bank, 2018, [openknowledge.worldbank.org/handle/10986/28337](https://openknowledge.worldbank.org/handle/10986/28337) [accessed 13 Nov. 2019].

12 O. Jüttersonke and K. Kobayashi. *Employment and decent work in fragile settings: A compass to orient the world of work*, ILO, 2015, [www.ilo.org/global/topics/employment-promotion/recovery-and-reconstruction/WCMS\\_467329/lang-en/index.htm](http://www.ilo.org/global/topics/employment-promotion/recovery-and-reconstruction/WCMS_467329/lang-en/index.htm) [accessed 13 Nov. 2019].

13 ILO. 2016. Op. cit.

14 R. Mallett and R. Slater. *Growth and livelihoods in fragile and conflict-affected situations*, Working Paper 9, Secure Livelihoods Research Consortium (SLRC), Overseas Development Institute, 2012, [securelivelihoods.org/wp-content/uploads/SLRC-Growth-and-Livelihoods-in-Fragile-and-Conflict-Affected-Situations.pdf](https://securelivelihoods.org/wp-content/uploads/SLRC-Growth-and-Livelihoods-in-Fragile-and-Conflict-Affected-Situations.pdf) [accessed 13 Nov. 2019].

15 S. Schoofs. 2015. Op. cit.

16 See: P. Mackie et al. "Informal economies, conflict recovery and absent aid". In: *Environment and Urbanization* (2017, Vol. 29, No. 2) pp. 365–382, [journals.sagepub.com/doi/pdf/10.1177/0956247817719868](https://journals.sagepub.com/doi/pdf/10.1177/0956247817719868) [accessed 13 Nov. 2019].

Many positive developments emerged through self-help informal enterprises in Somaliland. First, Diaspora communities provided both the political support for peace and funds for state building. Second, small-scale informal economies provided a key source of livelihoods, and replaced disrupted services such as food, water, electricity and transport provision. Third, the role of community solidarity and trust has persisted. Finally, as seen in conflicts elsewhere, gender norms were disrupted, with women stepping in to fill key economic roles and playing an important part in peace negotiations. See also: A. Brown et al. *The informal economy in civil war: Hargeisa – Somaliland*. Cardiff University/ Gollis University, 2017, [www.cardiff.ac.uk/\\_\\_data/assets/pdf\\_file/0007/1057732/The-informal-economy-in-civil-war-Hargeisa.pdf](http://www.cardiff.ac.uk/__data/assets/pdf_file/0007/1057732/The-informal-economy-in-civil-war-Hargeisa.pdf) [accessed 13 Nov. 2019].

17 ILO. 2019. Op. cit.

18 *World of work report 2013: Repairing the economic and social fabric*, ILO, 2013, [www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms\\_214476.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_214476.pdf) [accessed 13 Nov. 2019].



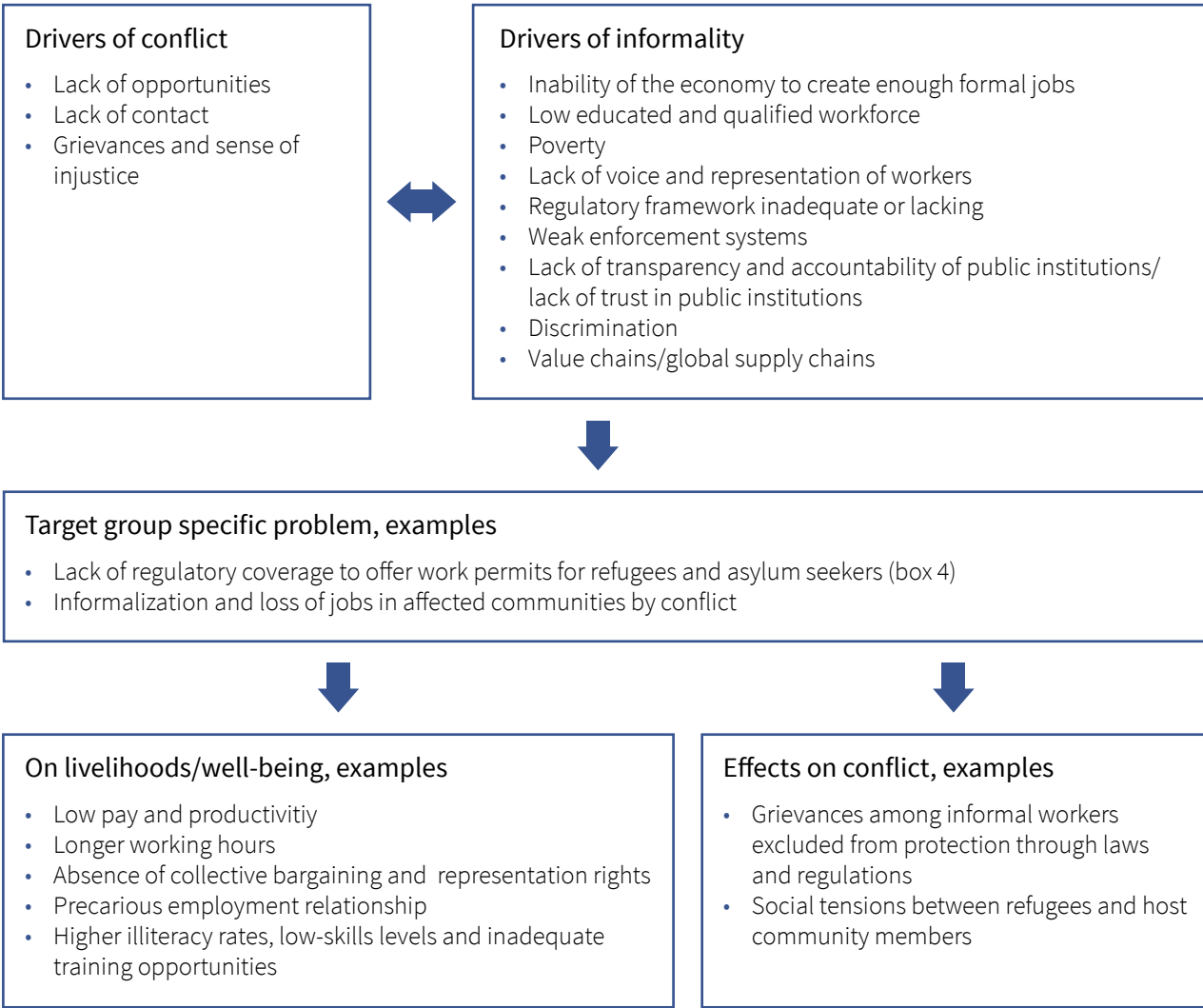
three conflict drivers, as part of a broader framework of inclusive and sustainable development.<sup>19</sup> Therefore, promoting formal employment creation at least addresses one of the root causes of conflict. Thus, addressing the quality aspect of employment through transition to formality may fill the impact gap of employment contributing to peacebuilding.

Mapping the drivers of conflict and informality provides a better understanding of the linkages between the two. This helps develop a ToC that promotes transition to formality for peace and resilience in project design. The fragility compass<sup>20</sup>

helps to map the “conflict-informality-employment nexus” in a specific context (figure 5), by addressing two questions:

- How is the specific problem related to the informal economy caused by the three conflict drivers? In particular, how do drivers of conflict and drivers of informality interact to cause the problem? (**conflict as a cause of informality.**)
- How does informal employment further aggravate social instability and conflict? (**conflict as a consequence of informality.**)

**FIGURE 5.** The interplay of conflict and informality drivers



Source: Authors’ elaboration, building on Jütersonke and Kobayashi (2015), Brück et al. (2016)<sup>21</sup> and ILO (2013).

19 See more detail on the ToC in “How decent work employment contributes to peacebuilding” in *Handbook. How to design, monitor and evaluate peacebuilding results in jobs for peace and resilience programmes*, ILO, 2019, [www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/instructionalmaterial/wcms\\_712211.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/instructionalmaterial/wcms_712211.pdf) [accessed 13 Nov. 2019].

20 Jütersonke and Kobayashi. 2015. Op. cit.

21 T. Brück, et al. Jobs aid peace: A review of the theory and practice of the impact of employment programmes on peace in fragile and conflict-affected countries, 2016, [www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---ifp\\_crisis/documents/publication/wcms\\_633429.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_crisis/documents/publication/wcms_633429.pdf) [accessed 13 Nov. 2019].

## BOX 4

### Causes of informality among Syrian refugees in Jordan

The complexity of informality among Syrian refugees in Jordan is due to several reasons. Firstly, Jordan is neither a signatory to the UNHCR 1951 Refugee Convention, nor its 1967 Protocol, and still lacks domestic refugee legislation and policies that would outline concrete measures and provisions for the protection of its refugee population.

Furthermore, prior to the crisis, Jordan was already facing challenges in terms of quality and quantity of employment – especially for young people. Syrian refugees have no choice but to seek informal work. Also, Syrians who receive benefits from UNHCR tend to avoid formal employment for fear that formal paid employment could result in losing such entitlements.

Moreover, foreign nationals do not have equal access to the Jordanian labour market. Under normal circumstances, work permits are applied for and delivered through employers and become invalid if workers change employers or job titles. A copy of the work contract, valid passport and the associated employer's business licence and social security registration must accompany all applications for a work permit. Consequently, prior to the adoption of the Jordan Compact, Syrians either did not apply for work permits or were denied such permits, leading most of them to engage in informal work without work permits.

Source: ILO. 2018. *Lessons learned and emerging good practices of ILO's Syria crisis response in Jordan and Lebanon*. Available at: [www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms\\_649484.pdf](http://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_649484.pdf) [14 Nov. 2019].

Regardless of whether conflict is a cause or a consequence of informality, they share similar drivers and affect each other. When conflict as a cause of informality, it negatively affects economic development, thus limiting the demand for labour in general, and formal skilled jobs in particular. Inflows of forcibly displaced persons, on the other hand, have in some cases functioned as an external supply shock to local labour markets, leading to the informalization of employment amongst both refugee and host community workers. Most importantly, conflict and post-conflict settings are almost invariably characterized by significant limits in the state's capacity to set and enforce collectively binding rules, and provide services to the population. This extends to the realm of labour market regulation and taxation, with limited state capacity and poor governance acting as a key driver of informality.<sup>22</sup>

As a result, for a large part of populations in conflict situations there is no other alternative to operating in the informal economy to secure livelihoods.<sup>23</sup> For example, the vast majority of workers in Africa rely on the informal economy: 85.8 per cent in Africa and 89.2 per cent in sub-Saharan Africa. More than half the countries in the region are considered

fragile states (see figure 1).<sup>24</sup> The greater the level of informal employment, the greater the population's exposure to decent work deficits and associated risks making it just one of the pathways through which conflict affects the world of work.

#### 2.4.2 Unemployment, decent work deficits and informality can aggravate conflict

From the social perspective, the core cause and driver of conflict is a demand by individuals or groups in a society for inclusion and access to services, resources, opportunities, rights or identity, which, when unanswered, leads to grievances, social tensions, rebellions and violence.<sup>25</sup> While conflict and post-conflict situations are often associated with greater levels of informal employment, the exclusion and vulnerabilities associated with informality may themselves act as further drivers of fragility, conflict and social unrest.

First, informality hinders the development of sustainable enterprises, as it limits their access to finance and lowers productivity. It creates unfair competition between formalized and informal enterprises, lowering job creation and economic growth. While the overall relationship is complex

22 *The informal economy and decent work: A policy resource guide supporting transitions to formality*, ILO, 2013, [www.ilo.org/emppolicy/pubs/WCMS\\_212688/lang--en/index.htm](http://www.ilo.org/emppolicy/pubs/WCMS_212688/lang--en/index.htm) [accessed 13 Nov. 2019].

23 ILO. 2016. Op. cit.

24 *Tackling vulnerability in the informal economy*, OECD and ILO, 2019, [read.oecd-ilibrary.org/development/tackling-vulnerability-in-the-informal-economy\\_939b7bcd-en#page58](http://read.oecd-ilibrary.org/development/tackling-vulnerability-in-the-informal-economy_939b7bcd-en#page58) [accessed 14 Nov. 2019].

25 O. Fayomi et al.: "Resilient informal economy in the milieu of African development", in: S. Olorunjoba and T. Falola (eds): *Palgrave handbook of African politics, governance and development* (Basingstoke: Palgrave Macmillan, 2018).

and varies in different country situations, analyses show a negative association between informal employment and GDP, the Human Development Index (HDI) and labour productivity, and a positive correlation with poverty. This limits economic opportunities available to men and women in conflict and post-conflict settings. The opportunity-cost model of violent behaviour assumes that economic rationales and the weighing of costs and benefits inform the decision to engage in (collective) violence. Lower opportunity costs of violence resulting from informal employment may hence further contribute to the economic root causes of fragility and conflict.<sup>26</sup>

Second, informality and the related decent work deficits may provoke grievances towards the state or between societal groups. Informality excludes workers from FPRW, unemployment protection, social protection and the rule of law. It undermines the role of workers' organizations in collective bargaining and social dialogue as well as fair entrepreneurial competition on national and international markets. Research shows that poor occupational safety and health (OSH) conditions prevail in the informal economy and come with high social and economic costs.<sup>27</sup> Econometric evidence suggests that job satisfaction, increasingly used to assess vulnerability and employment, is significantly lower for informal than for formal workers.<sup>28</sup> In some conflict and post-conflict settings, it is therefore, not unemployment, but the experience of exploitative, precarious and informal work that provokes grievances: research echoes findings in the non-fragile labour market literature which argues that "adverse incorporation" into the labour market, for example, through informal sector micro-enterprise activity or unregulated formal sector employment, can exacerbate poverty and instability.<sup>29</sup>

This risk is accentuated if access to formal employment is unequally distributed among groups. Some of the greatest risks of violence today stem from perceptions of exclusion and injustice, rooted in inequalities across groups. When an aggrieved group assigns blame to others or to the state for its perceived economic, political, or social exclusion, then emotions, collective memories, frustration over unmet expectations, and a narrative that arouses a group to violence can all play a role in mobilizing violence.<sup>30</sup>

Third, in conflict and post-conflict settings, a large segment of the economy remains out of the regulatory and legal purview of the state and can further undermine the government's scope of action in terms of economic, social and environmental policy. In general, conflict and post-conflict situations are characterized by a narrow tax base that often relies on customs revenues and revenues from non-renewable natural resources rather than a balanced mix across all sectors of economic activity.<sup>31</sup> A low tax base makes it difficult for the state to meet citizens' basic needs and impedes the establishment of a stable system of governance.<sup>32</sup> Exclusionary labour market institutions undermine the trust between the state and societal groups as well as among the groups themselves, and these institutions prevent society from dealing with its legacies of conflict.<sup>33</sup>

26 S. Woodward: "Economic priorities for successful peace implementation", in J. Stedman, D. Rothchild and E. Cousens (eds), *Ending civil wars: The implementation of peace agreements* (Boulder, Colorado: Lynne Rienner, 2002).

27 Ibid.

28 Ibid.

29 R. Holmes et al.: *What is the evidence on the impact of employment creation on stability and poverty reduction in fragile states*, Overseas Development Institute, 2013, [www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8386.pdf](http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8386.pdf) [14 Nov. 2019]; V. Bojicic-Dzelilovic: "Informality, inequality and social justice in post-war integration", in *Studies in Social Justice* (2013, Vol. 7, No. 2) pp. 211–228.

30 For a synthesis review of the scholarly evidence, see: World Bank and UN. 2018. Op. cit.

31 OECD. 2018. Op. cit.

32 A.L. Strachan: *Changes in economic activity during and after conflict*. K4D Helpdesk Report (Brighton, Institute of Development Studies, 2017).

33 World Bank and UN. 2018. Op. cit.



# 3

## INTERRUPTING THE VICIOUS CYCLE: TRANSITION TO FORMALITY

Conflict and post-conflict contexts are characterized by above-average levels of informality, making concrete programmes in such contexts an important contribution to “leaving no one behind” in the 2030 Sustainable Development Agenda. Furthermore, transition to formality can contribute to resilience and peace by tackling an important aspect of the socio-economic exclusion that drives fragility.<sup>34</sup> This section aims to show how transition to formality can help to break the vicious cycle of conflict and decent work deficits, and contribute to peacebuilding.

### 3.1 Theory of change on promoting transition to formality for peace and resilience.

How can transition to formality potentially address the three drivers of conflicts? How could addressing the quality aspect of employment through transition to formality outputs and outcomes, therefore, promote peace and resilience? Figure 6 provides an overview of the ToC and integrated strategy promoting transition to formality for peace and resilience.

R204 provides clear policy guidelines and guiding principles to facilitate the formalization of the informal economy, whilst acknowledging the diversity of settings, situations and conditions within the informal economy around the world. It advocates an integrated approach to achieving the following inter-related triple objectives:

1. Facilitating the transition of workers and economic units from the informal to the formal economy, while respecting workers’ fundamental rights and ensuring opportunities for income security, livelihoods and entrepreneurship;

2. Promoting the creation, preservation and sustainability of enterprises and decent jobs in the formal economy and the coherence of macroeconomic, employment, social protection and other social policies;
3. Preventing the informalization of formal economy jobs.

To realize the objectives of R204, the ILO integrated strategy on transition to formality comprises seven key areas of policy action: (i) inclusive growth strategies; (ii) an appropriate regulatory environment; (iii) organization, representation and dialogue; (iv) equality; (v) entrepreneurship and skills development; (vi) extension of social protection; and (vii) local development strategies. It points to multiple avenues towards formality by deepening action in each of the policy areas and shows the total impact of these different policies that can create an enabling/disabling environment towards formality (coherence among these policy areas).<sup>35</sup>

Furthermore, tripartite constituents recognize the “conflict-informality-employment nexus” in R205 based on their national experience. R205 calls for a phased multi-track approach implementing coherent and comprehensive strategies, including transition to formal economy – paragraph 8(c). Inclusive measures on employment and income-generation opportunities should encourage the transition of workers and economic units in the informal economy to the formal economy, taking into account R204 – paragraph 11(f). In preventing and responding to crisis situations, member States should give special attention to the training and economic empowerment of affected populations, including the informal economy – paragraph 19(e). Concerning refugees and returnees, R205 also

34 World Bank and UN. 2018. Op. cit.

35 ILO. 2013. Op. cit.

emphasizes the promotion of their access to formal job opportunities, income-generation schemes and entrepreneurship, by providing vocational training and guidance, job placement assistance, and access to work permits, as appropriate, thereby preventing the informalization of labour markets in host communities – paragraph 33(b).<sup>36</sup>

Given the policy guidance in R205 and the Jobs for Peace and Resilience (JPR) Programme's local resource-based approach, policy areas in the integrated strategy on transition to formality can address specific drivers of conflict. Policy interventions at project level as outputs can be developed and/or adapted to conflict and post-conflict settings under the sphere of control of the project. The project should then be able to influence government, social partners and informal economy actors to implement policy measures and scale up actions as the immediate outcome (first-order outcome) with political will, improved knowledge, and strengthened capacity and enhanced coordination, further lead to mid-term outcomes (second-order outcomes) and ultimately achieve peace and resilience.

First, based on the assumption of the opportunity-cost model of violent behaviour, tangible improvements in the lives of vulnerable men and women in the informal economy are at the heart of the transition to formality agenda. The recent

Progress Study on Youth Peace and Security found, for example, that most young people's economic inclusion manifests itself primarily as a conversation on fair access to *meaningful* and *reliable* employment.<sup>37</sup> Individual projects and initiatives may target this issue directly, e.g. through employment-intensive investment programmes and skills training (box 5) or through better employment services (box 6). They may have an impact on the ultimate beneficiaries in the medium-term, i.e. once inclusive structural transformation policies and business environments conducive to entrepreneurship show tangible effects through creating more formal and decent jobs. Formal employment, and the income associated with it, increases opportunity costs of engaging in violence: when populations of working age have access to decent work opportunities with adequate social protection coverage, they may be less prone to political and armed violence.<sup>38</sup> As the transition to the formality agenda encompasses the main building blocks of formal employment promotion, and makes these sensitive to the specific requirements of the informal economy, programmes in the three areas of: employment growth strategies; entrepreneurship and skills development; and local economic development, can help to create peace dividends in terms of sustainable and decent economic opportunities.<sup>39</sup>

## BOX 5

### Recognizing Syrian refugees' skills to facilitate their transition to formality

Following the Syrian civil war, many Syrians sought refuge in Jordan and Lebanon without certificates or evidence of qualifications; many had been working in Syria in the informal economy without a certificate in the first place. Moreover, skills erosion poses a tangible risk for refugees after more than five years in a host country with limited access to the labour market. It is also clear that reconstructing Syria will require numerous qualified workers.

The ILO has implemented skills training programmes for Syrian refugees and Jordanians working in the construction sector in collaboration with the National Employment and Training Company (NET). The objective was to improve workers' employability in occupations that are subject to licensing through the completion of an ILO-supported recognition of prior learning process. The training courses helped refugees upgrade their technical expertise, gain knowledge on OSH, and obtain accredited skills certificates, which increase their employability – even if they return to Syria.

Source: ILO. 2018. *Lessons Learned and Emerging Good Practices of ILO's Syria Crisis Response in Jordan and Lebanon*. Available at: [www.ilo.org/beirut/publications/WCMS\\_649484/lang-en/index.htm](http://www.ilo.org/beirut/publications/WCMS_649484/lang-en/index.htm) [14 Nov. 2019].

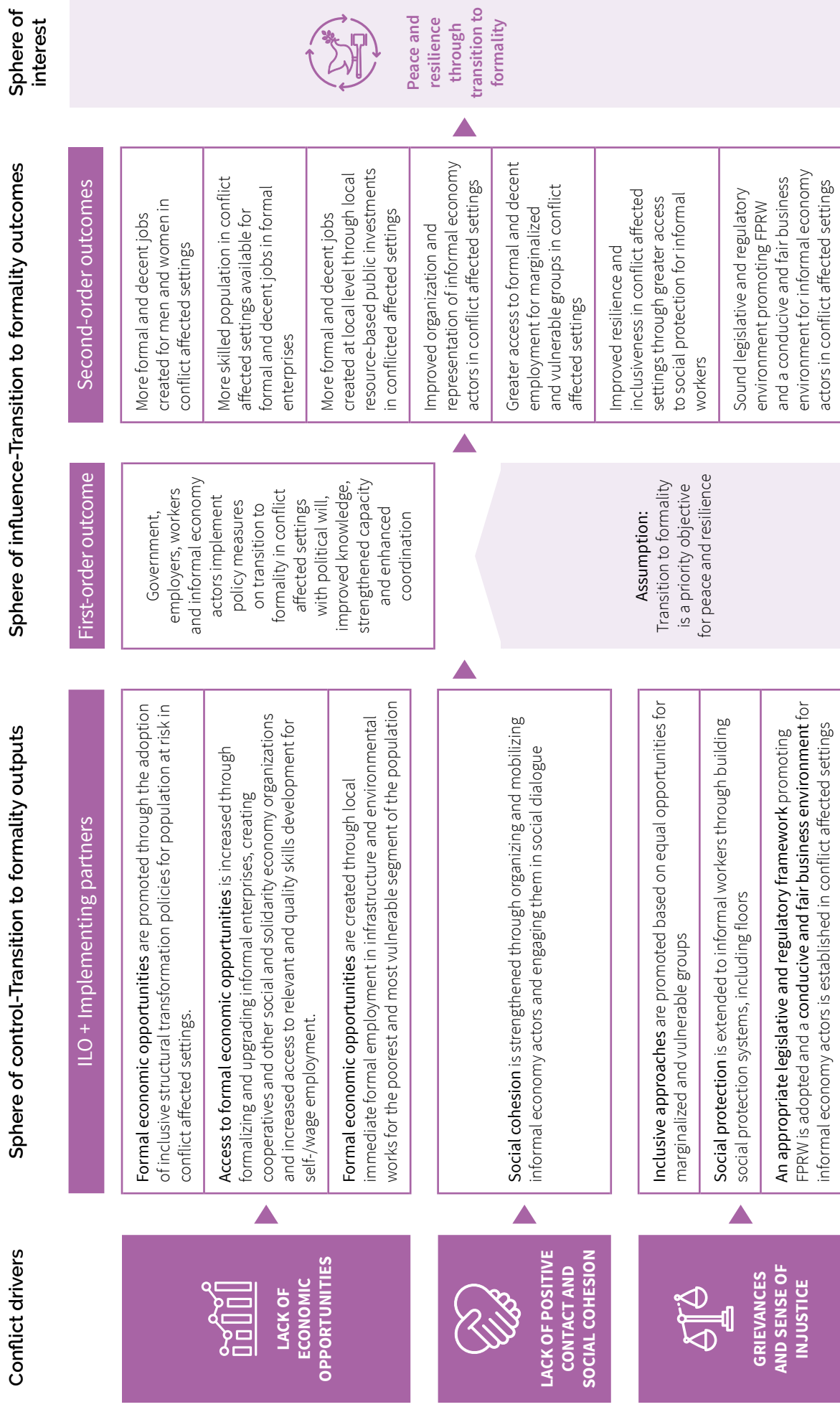
36 Guided by R205, and facilitating concrete programmes with a view to its implementation, the ILO Jobs for Peace and Resilience (JPR) flagship programme is based on the modular local resource-based approach which focuses on four key objectives including providing direct job creation and income security, enhancing skills for employability, supporting self-employment, enterprises and cooperatives and bridging labour supply and demand. These key objectives are achieved through institution building, FPRW and social dialogue.

37 *The missing peace. Independent progress study on youth, peace and security*, UNFPA, 2018, [www.unfpa.org/resources/missing-peace-independent-progress-study-youth-and-peace-and-security](http://www.unfpa.org/resources/missing-peace-independent-progress-study-youth-and-peace-and-security) [accessed 15 Nov. 2019].

38 For a review of supporting literature, see: M. Draca and S. Machin. "Crime and economic incentives", in *Annual Review of Economics*, Vol. 7, [www.annualreviews.org/doi/pdf/10.1146/annurev-economics-080614-115808](http://www.annualreviews.org/doi/pdf/10.1146/annurev-economics-080614-115808) [accessed 15 Nov. 2019].

39 ILO. 2016. Op. cit.

**FIGURE 6.** Promoting transition to formality for peace and resilience: ToC and integrated strategy contributing to peacebuilding



Peace and resilience through transition to formality



## BOX 6

### Access to formal employment for refugees through employment services

In August 2017, ILO and UNHCR, in coordination with the Government of Jordan, launched the Zaatari Office for Employment to help camp residents' access formal work opportunities across Jordan. The Zaatari camp is in the Mafrq Governorate, close to Jordan's northern border with Syria, and has become emblematic of the displacement of Syrians across the Middle East. Following its establishment in 2012, the camp's informal market comprises approximately 3,000 informal shops and businesses.

This centre provides employment services and facilitates the issuance of work permits for camp residents. It advertises job vacancies and training opportunities through job fairs, exhibits and other means. Employment Service Centres aim to link candidates with suitable employment opportunities, and refer them to potential employers for interviews. The centres also provide refugees with counselling services, information on labour rights, training opportunities and job-matching services.

Source: ILO. 2018. *Lessons Learned and Emerging Good Practices of ILO's Syria Crisis Response in Jordan and Lebanon*. Available at: [www.ilo.org/beirut/publications/WCMS\\_649484/lang--en/index.htm](http://www.ilo.org/beirut/publications/WCMS_649484/lang--en/index.htm) [14 Nov. 2019].

Second, evidence shows that if conflict is driven by negative perceptions among groups, increasing constructive inter-group contact at the work place and on the market through transition to formality and formal employment promotion may reduce conflict.<sup>40</sup> By organizing people, especially informal workers, and strengthening opportunities for dialogue among members of different groups, employment programmes may break down stereotypes and increase social cohesion.<sup>41</sup>

The support to world of work organizations is crucial here: they contain groups, organizations and associations, including district and local governments, employers' and workers' organizations, training institutions, medium-to large-sized enterprises, cooperatives, other social and solidarity economy organizations, and non-profit civil society organizations, including faith-based organizations. Organizations at this level are crucial for the horizontal resolution of community-level conflicts between different social groups, and will be better able to take over such functions when their coverage and membership extends to members of the informal economy. Such organizations form the backbone of community-level social cohesion and trust, which often suffer in times of conflict and crisis, particularly when state capacity and presence is limited and

non-state actors “fill the gaps” in governance.<sup>42</sup> Many ToCs in the realm of peacebuilding are founded on the assumption that organizations at this level can actively help to prevent conflict and build peace in their communities, and there is evidence that such organizations are particularly effective when active in the world of work.<sup>43</sup> Under the rubric of “organization and representation” of the transition to formality agenda, the ILO's tripartite system is a unique instrument.

Furthermore, social partners and other community-level associations help organize and channel collective interests to governments, including their representatives at local, district, provincial and national levels. Without organization and representation, workers in the informal economy are not able to pursue their employment interests through collective bargaining, or to lobby policy-makers on issues such as access to infrastructure, property rights, taxation and social security.<sup>44</sup> Employers' and workers' organizations have been taking initiatives to engage informal economy workers and operators, either through existing organizational structures, or through the formation of informal economy associations, thereby reducing the real and perceived exclusion of vulnerable segments of the population and promoting their “voice” in government.

40 J. Rydgren, D. Sofi and M. Hällsten: “Interethnic friendship, trust and tolerance: Findings from two north Iraqi cities” in *American Journal of Sociology* (2013, Vol. 118, No. 6), pp. 1650–1694.

41 T. Brück et al. 2016. Op. cit.

42 T. Börzel and T. Risse: “Dysfunctional state institutions, trust, and governance in areas of limited statehood”, in *Regulation & Governance* (2016, Vol. 10), [onlinelibrary.wiley.com/doi/epdf/10.1111/rego.12100](http://onlinelibrary.wiley.com/doi/epdf/10.1111/rego.12100) [accessed 14 Nov. 2019].

43 UNFPA. 2018. Op. cit.

44 ILO: *Transitioning from the informal to the formal economy*. Report V(1). International Labour Conference, 103rd Session, Geneva, 2014, [www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_218128.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_218128.pdf) [accessed 14 Nov. 2019].

## BOX 7

### E-work permit and e-counselling system for formalizing refugees and host communities in Jordan

The Jordanian Ministry of Labour, in collaboration with the General Federation of Jordanian Trade Unions (GFJTU) and the ILO, set up an electronic work permit system in 2018 in order to help Syrian refugees living in camps who work in the sectors of construction and agriculture obtain and renew work permits more easily.

Employment Service Centres also go digital with the web-based e-counselling system that integrates web, mobile and telephone services under one platform, offering workers and employers across Jordan to access employment information, job and training opportunities, career guidance and support to enhance their businesses and livelihoods. Syrian refugees and Jordanian with valid national ID cards or UNHCR ID cards can register on the e-counselling platform to access job matching services.

Source: ILO. 2018. *Jordan issues first e-work permit for Syrian refugees in construction*. Available at: [https://www.ilo.org/beirut/media-centre/news/WCMS\\_645267/lang--en/index.htm](https://www.ilo.org/beirut/media-centre/news/WCMS_645267/lang--en/index.htm) [accessed 26 Nov. 2019] and ILO. 2019. *Employment Counselling System in Jordan*. Available at: [https://www.ilo.org/beirut/information-resources/factsheets/WCMS\\_671348/lang--en/index.htm](https://www.ilo.org/beirut/information-resources/factsheets/WCMS_671348/lang--en/index.htm) [accessed 26 Nov. 2019].

Third, many of today's violent conflicts relate to group-based grievances arising from inequality, non-respect of human and labour rights, exclusion, lack of participatory mechanisms and dialogue as well as feelings of injustice. Furthermore, in some cases, it is not unemployment, but the experience of exploitative, precarious, informal work, the lack of respect for FPRW, that spurs grievances as well as a sense of injustice. For example, research from Afghanistan and the Democratic Republic of the Congo echoes findings in the non-fragile labour market literature which argues that "adverse incorporation" into the labour market, for example through informal sector micro-enterprise activity or unregulated formal sector employment, can exacerbate poverty and instability.<sup>45</sup>

Inclusive and transparent employment and social protection programmes, to improve equality in opportunities and livelihoods, that extend rights at work and unemployment protection to members of the informal economy, could reduce the risk of conflict by addressing individually and collectively held grievances.<sup>46</sup> On the individual level, transition to formality prevents and reduces "adverse incorporation" into the labour market, as it recognizes that the type of job created can be more important than just creating a job.<sup>47</sup> In cases where particular social groups are specifically excluded from formal employment opportunities,

and the fundamental rights that go with them, targeted interventions can help to promote equal and inclusive access to decent work in the formal sector.

In cases where conflict was prevented, or peace was sustainably consolidated, governments have invested in addressing structural factors, launching programmes targeting socio-economic grievances, and improving state-society relations.<sup>48</sup> Here, transition to a formality agenda focuses on various domains of effective and inclusive labour market governance, including inclusive structural transformation policies and capacities aimed at enforcing International Labour Standards (ILS) for all members of the economy and the work force.

Finally, this level includes central governments, as well as national tripartite structures that are often facilitated and hosted by the state. With a view to promoting peace as a stable social contract between the state and its citizens, efforts aimed at the better implementation of existing laws, or the reduction of unnecessary regulations, especially through the applications of new technologies, or known as "e-formality"<sup>49</sup> (box 7), can contribute to the output-legitimacy of the state in the eyes of its citizens. Enabling approaches to formalization that are educational, persuasive, transparent and participatory – as specified in R204 – may in turn influence the input-

45 ILO. 2019. Op.cit.; Holmes et al. 2013. Op. cit.

46 World Bank and UN. 2018. Op. cit.

47 *World development report 2013: Jobs*, World Bank, 2013, [documents.worldbank.org/curated/en/263351468330025810/World-development-report-2013-jobs](https://documents.worldbank.org/curated/en/263351468330025810/World-development-report-2013-jobs) [accessed 14 Nov. 2019].

48 Ibid.

49 J. Chacaltana, V. Leung, and M. Lee. *New technologies and the transition to formality: The trend towards e-formality*, 2018, ILO (Geneva).



## BOX 8

### “Do no harm” approach for peacebuilding through transition to formality

Reconstruction and development assistance has often had unintended impacts such as further dividing societies or even rekindling a previous conflict. Therefore, in all contexts, but especially in post-conflict settings, development projects need to use conflict-sensitive approaches based on detailed political and socio-economic analysis and an awareness of how international cooperation interacts with local dynamics.

The informal economy is usually the main source of income for a majority of vulnerable men and women in conflict-affected situations. The main consideration for any initiative must be not to do harm, and to preserve and improve existing livelihoods during the transition.

State engagement with the informal economy is complex and can even entail negotiated arrangements over taxation or regulatory policies between government actors and informal actors. Furthermore, state representatives themselves can engage in informal economic activities in conflict-affected settings.

legitimacy of governance actors.<sup>50</sup> Extending the right of association and collective bargaining to the most vulnerable segments of the population in the informal economy has been considered an effective mechanism in enabling workers to voice their grievances, increase workers’ and employers’ organizations positive engagement with the state, and increase the population’s perception of the legitimacy of the state.<sup>51</sup>

Moreover, transition to formality enhances the domestic resource mobilization capacity of states. A greater tax base increases the resources available for economic and social development, lessens states’ dependency on donors and has been linked to more accountable and responsive governance.<sup>52</sup>

Research has shown that state legitimacy, understood as the perception that the government has the “right to rule”, is inextricably linked to peace and stability.<sup>53</sup>

Conflict and post-conflict settings are highly diverse and, as with all of ILO’s interventions, any engagement will necessarily build on a thorough analysis of the specific context, and the wider social, economic and political frameworks within which the informal economy is embedded. This also calls for careful attention to be paid to potential harms caused by transition to formality initiatives where the informal economy provides the basic

livelihoods for a vast majority of men and women, or the basis of power and wealth of local elites (box 8 and table 3, step 1.6 “Do No Harm” approach).

### 3.2 Transforming policy framework into interventions: Mainstreaming conflict sensitivity and informality considerations at project level

The entry point and focus of the project can be viewed from two angles: (i) transition to formality for peacebuilding projects with the primary goal on building peace through formalization; and (ii) conflict-sensitive transition to formality projects with the primary goal on formalization taking into account conflict-specific aspects. Interventions to formalize enterprises and employment could take into account “formalization in practice” based on a list of dimensions defining formality (table 2).

#### 3.2.1 Mainstreaming peace and resilience in the transition to formality agenda in conflict and post-conflict situations

Project designers need to decide whether contributing to peace or social cohesion can reasonably be said to be a primary goal of their intervention. In this case, project outcomes should specifically relate to building peace and resilience, and aspects such as the targeting of beneficiaries

50 Input legitimacy can be defined as legitimacy of a governor resulting from “the degree to which the institutional design enables those being governed to have a say in the rule- or decision-making process – its participatory quality”, while output legitimacy entails “legitimacy through providing services to citizens”, in S. Krasner and T. Risse T.: “External actors, state-building, and service provision in areas of limited statehood”, in *Governance* (2014, Vol. 27), [onlinelibrary.wiley.com/doi/abs/10.1111/gove.12065](https://onlinelibrary.wiley.com/doi/abs/10.1111/gove.12065) [accessed 14 Nov. 2019].

51 M. Mutisi, F. Olonisakin and O. Ismail: Youth, economic vulnerability, socio-political exclusion, and violence in Africa (Toronto: International Development Research Centre (IDRC), 2017).

52 D. Bräutigam: “Introduction: Taxation and state-building in developing countries”, in: D. Bräutigam, O. Fjeldstad and M. Moore (eds): *Taxation and state building in developing countries: Capacity and consent* (Cambridge, Press: 2008), pp. 1–33; W. Prichard: *Taxation, responsiveness and accountability in sub-Saharan Africa: The dynamics of tax bargaining* (Cambridge, University Press, 2015).

53 Krasner and Risse. 2014. Op. cit.

and bringing specific activities in line with the project's peace and resilience building strategy.<sup>54</sup> Such a focus (and effort to address one or more drivers of conflict) is intentional and embedded in a project's design and objectives (outcomes/objectives and outputs with specific indicators), which also seeks to address specific formal employment and decent work issues. This is what the ILO wants to achieve with the JPR programmes (box 9).

There may be cases where projects are limited to the goal of promoting transition to formality, but it is anticipated that they will be implemented in conflict and post-conflict contexts. It is, therefore, important that the projects do not undermine peace or exacerbate conflict but, wherever possible, contribute to peacebuilding (box 8 and table 3, step 1.6 "Do No Harm" approach). This is what the ILO usually does in conflict-affected countries and remains a valid option for project design outside of the JPR Programme.

A project's focus runs through the entire project cycle. For instance, in analysing the main "problem" that a project aims to tackle, a transition to formality for peacebuilding project will primarily focus on conflict- and peace-related challenges such as inter-group tensions or a lack of state legitimacy, and then argue how world of work measures can contribute to building peace and resilience. Conflict-sensitive transition to formality projects will frame problems in terms of a lack in quantity or quality of work, and then explain how potential risks created by conflict will be taken into account.

Similarly, the question of focus has implications for the outcomes and outputs by which a project's ultimate success is in part being measured. Transition to formality for peacebuilding projects include indicators and wording related to peace- and resilience-building in the outputs, outcomes and impact, i.e. in the project's logframe. Conflict-

sensitive transition to formality projects usually focus on "classical" world of work indicators, such as the number of decent jobs created, whether a labour policy has been adopted, or the extra number of people covered through social protection programmes.

### **3.2.2 Formalization considerations in developing interventions**

After deciding the focus of the project, it is important to understand what formalization means in practice in order to transform policy frameworks into actions. Table 2 shows different dimensions defining formality for enterprises and employment. While the nature and concept of formality are all about the coverage of formal arrangements that require strong institutions to implement enforcement and compliance measures, this is particularly challenging in conflict settings and is always missing. At the same time, transition to formality is also about gradual progress towards formality instead of achieving immediate full formality.

In this regard, when developing formalization interventions at project level, project designers could look at whether interventions are able to consider some formality dimensions, and facilitate the registration of business licences, permits, taxes, social security contributions and enterprise transactions. They could also support the implementation of labour legislation, the provision of social security, the registration of workers with public authorities, and the implementation of formal employment practices. For instance, a first step towards formality would be issuing work permits to Syrian refugees in Jordan because it recognizes their right of access to the labour market (boxes 4 and 7).

<sup>54</sup> An example of such programmes are "integrated employment for peacebuilding programmes", as defined and explained in ILO. 2019. Op. cit.

## BOX 9

### Contributing to peace and resilience as a primary or secondary objective

Interventions in all policy areas in fragile and conflicted-affected states should contribute to tackling conflict and fragility as a primary or secondary set of objectives. Simply adding peacebuilding activities into an employment programme without considering how they complement each other does not constitute integrated employment for peacebuilding programming.

As an example of integrated employment for peacebuilding programming, in Jordan and Lebanon, the ILO is implementing employment programmes that contribute to building interaction and inter-group contact, while reducing grievances and a sense of injustice between the Syrian refugee community and the host community, while developing the local economy, fostering economic opportunities through joint ventures and upgrading of public infrastructure.

Source: ILO. 2019. *Handbook: How to design, monitor and evaluate peacebuilding results in jobs for peace and resilience programmes*. Available at: [www.ilo.org/employment/Whatwedo/Instructionmaterials/WCMS\\_712211/lang--en/index.htm](http://www.ilo.org/employment/Whatwedo/Instructionmaterials/WCMS_712211/lang--en/index.htm) [accessed 14 Nov. 2019].

**TABLE 2.** Dimensions defining formality for enterprises and employment

	Dimension	Example
<b>Formal enterprise</b>	• Registration with relevant authorities	• Chamber of commerce • Ministry of industry • Trade/business registry
	• Relevant operating licences and permits	• Sanitary permit • Zoning • Building • Fire safety • Occupational safety and health • Sector/occupation specific permits
	• Compliant with tax obligations	• Value added tax • Profit tax
	• Compliant with social security contributions	• Health insurance • Pension contributions • Employment injury insurance • Unemployment and disability insurance
	• Formal transactions	• Receipts and invoices • Formal accounting practices
<b>Formal employment</b>	• Coverage by labour legislation	• Recognition of employee's status and associated rights • Rights at work put into practice • Issuance of work permit for refugees and returnees
	• Social security coverage	• Recognition of entitlements to social security benefits, including paid sick leave, maternity leave • Registration with the social security system and payment of contributions
	• Registration/declaration to the public authorities	• Registration of employment • Income tax declaration and payment
	• Formal employment practices	• Written contract/terms of employment • Payroll/payment accounting



# 4

## FROM THEORY TO PRACTICE

Developing interventions at project level is an important step in transforming policy objectives into actions. A project is the main instrument used in the planning of development cooperation activities. It comprises interrelated and coordinated activities designed to achieve clearly defined results, ranging from policy change to practical direct action, and contributes to solving a specific problem within a given budget and timeframe. The project cycle is a way of dividing the stages in the life of a project – enabling practitioners to see what needs to be planned and carried out to make a project successful, with each stage carrying forward to the next one. This section provides guidance from theory to practice with tips and questions to consider for project design on promoting transition to formality for peace and resilience.

**Design is the first phase of the project cycle.** It includes the initial identification of a problem or project idea, and the analysis and formulation of the project. It results in the preparation of a Project Concept Note or Project Document.

The main questions relevant to the transition to formality for peace and resilience are:

- How can we ensure that initiatives and projects focusing on promoting transition to formality are

conflict-sensitive and maximize their positive impact on peace and resilience?

- How can we ensure that projects focusing on promoting employment; social protection; FPRW; skills development; or enterprise creation in conflict and post-conflict settings contribute to the transition to formality?

### 4.1 Stage 1: Project identification

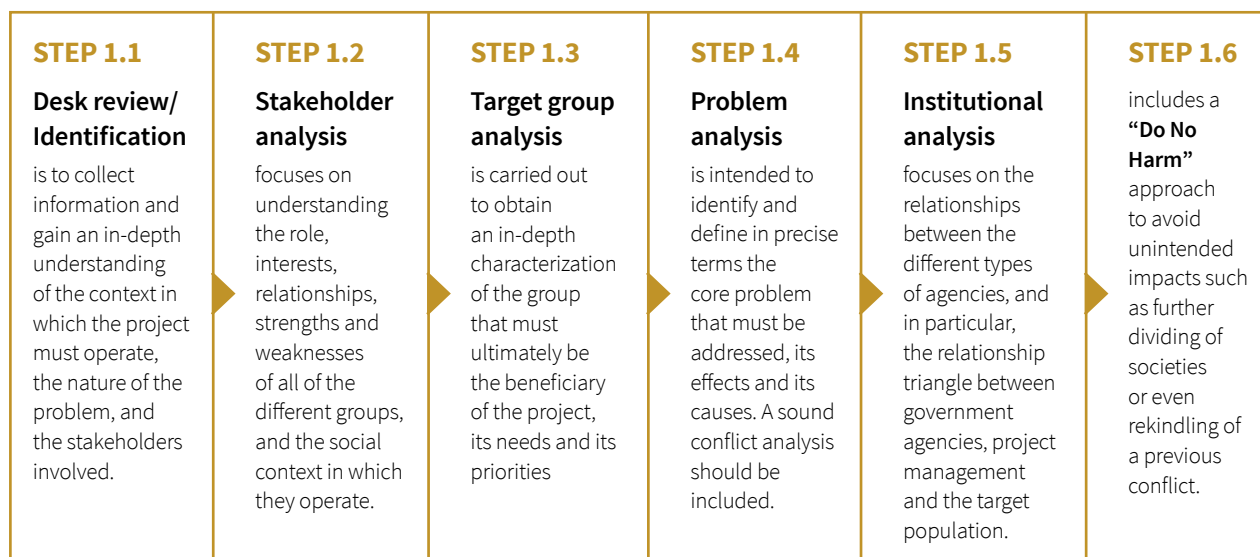
**Project identification is the first phase in project design.** The objective of this phase is to have a sufficiently complete understanding of the problem to be addressed in order to design a consistent response. At this stage, an analytical effort is made to collect good quality information and gain an in-depth understanding of the context in which the project must operate, the nature of the problem, the stakeholders involved and the lessons learned from previous projects. Figure 7 shows the different steps during the project identification phase and table 3 identifies key considerations and questions specific to transition to formality projects in conflict and post-conflict settings. The key is to respond to these questions in such a way that the information can be used to design an appropriate intervention.

### Complementary guidance materials

This guide focuses on the design phase of the project cycle. For ILO purposes, it is complementary to the following ILO guides:

- *Handbook: How to design, monitor and evaluate peacebuilding results in Jobs for Peace and Resilience Programmes* – provides guidance and tools for assessing conflict sensitivity and including peacebuilding outcomes and indicators in employment programmes operating in fragile and conflict contexts.
- *Development cooperation internal governance manual* – a step-by-step guide on how to design, implement, monitor and evaluate development cooperation programmes and projects.
- *Employment and decent work in situations of fragility, conflict and disaster* – provides practical instructions on multidisciplinary approaches for crisis response.
- *Informal economy and decent work: A policy resource guide supporting transitions to formality* – synthesizes knowledge, policy innovations and good practices facilitating transition to formality.

**FIGURE 7.** Steps for project identification phase



**TABLE 3.** Project identification and conflict analysis stage of transition to formality in conflict and post-conflict settings

**STEP 1.1: Desk review/Identification**

Tips	Questions
<p><b>T1:</b> Ensure that any response is in line with international, national, and ILO policy frameworks, particularly R204 and R205.</p> <ul style="list-style-type: none"> <li>Carry out proper assessment and diagnostics of factors, characteristics, causes and circumstances of informality in the national context (R204).</li> </ul> <p><b>T2:</b> Possible data sources include desk review of relevant policy and academic publications, project documentation and evaluations of previous projects implemented by the ILO and international partners, national statistics, cost-benefit analysis, etc., as well as primary data collected through interviews with experts and stakeholders through focus group discussions or surveys.</p>	<p><b>Q1:</b> Have you investigated the role of the informal economy in relevant international and national policy frameworks on socio-economic development, poverty reduction, employment, and peace and resilience?</p> <p><b>Q2:</b> Have you considered the implications of R204, and the country’s strategies for a transition to formality, for your project?</p> <p><b>Q3:</b> Have you considered the implications of R205, and other global, regional and country-specific peace and resilience strategies for your project?</p>

**STEP 1.2: Stakeholder analysis**

Tips	Questions
<p><b>T1:</b> Use a gender-sensitive participatory approach, and ensure all stakeholders, especially informal and conflict-affected populations<sup>55</sup> but also conflicting groups, are able to voice their concerns throughout the analysis.</p> <p><b>T2:</b> Be aware of the political economy of informality in the targeted communities.</p> <ul style="list-style-type: none"> <li>Some political and economic actors may have considerable stakes in the status quo, particularly if informal economies are linked to conflict economies, refugee economies or other illicit activities.</li> <li>Transition to formality may reallocate resources, including through increased tax income, and prospective relative benefits of different social groups need to be analysed.</li> </ul>	<p><b>Q1:</b> Have you considered who is most affected by informality? Do certain group-level characteristics, such as gender, age, ethnicity, nationality or political affiliation correlate with the propensity for operating in the informal economy?</p> <p><b>Q2:</b> Can you analyse the extent to which questions of formalization and access to decent work constitute an object of political debate, conflict and/or vested interests?</p>

55 An overlap of being informal in conflict and post-conflict situations increases vulnerability. According to R204, groups especially vulnerable to the most serious decent work deficits in the informal economy include, but are not limited to, women, young people, migrants, older people, indigenous and tribal peoples, persons living with HIV or affected by HIV or AIDS, persons with disabilities, domestic workers and subsistence farmers.

## STEP 1.2: Stakeholder analysis (cont.)

Tips	Questions
<p><b>T3:</b> Include not only those who you expect to be willing to promote, or profit from, transition to formality, but also those who may have vested interests in the current status quo.</p> <p><b>T4:</b> Identify those informal institutions and actors that currently provide services and utilities destroyed by conflict in replacement economies.</p> <p><b>T5:</b> Ensure the collection of data disaggregated by sex, age, ethnicity, workplace and other specific socio-economic characteristics on the size and composition of the informal economy, including the number of informal economic units, the number of informal workers employed and their sectors.</p> <p><b>T6:</b> Assess thoroughly the capacity of all stakeholders before starting the project and along the process of formalization vis-à-vis the changing environment in conflict and post-conflict situations and develop a tailored capacity development strategy within the sphere of control of the project.</p>	<p><b>Q3:</b> What/who are the stakeholders and conflicting groups, communities and individuals (women, youth, institutions, structures and organizations) likely to be affected (positively or negatively) by formalization? Who gains in income and power and who may lose?<sup>56</sup></p> <p><b>Q4:</b> What are the characteristics, motivations, expectations and constraints of those groups? How can stakeholders be expected to contribute to or block the foreseen transition to formality changes? What could be their potential involvement in a project? How can the project support agents for change, and work with or around agents that are against change?</p> <p><b>Q5:</b> What are the power relationships between men and women among the stakeholders?</p> <p><b>Q6:</b> Who should and could be involved in the project? What would it take to ensure that representatives of all relevant societal and/or political groups, informal economy and stakeholders are involved?<sup>57</sup></p>

## STEP 1.3: Target group analysis

Tips	Questions
<p><b>T1:</b> Target groups of ultimate beneficiaries are rarely homogeneous, and the situation analysis should differentiate between groups within the population (by sex, age, sector, status in employment, status in the formal vs. informal economy, host communities vs. refugees, etc.)</p> <p><b>T2:</b> Be aware that in conflict-affected settings, where intra-societal conflicts may run along ethnic, national or religious lines, projects need to include the members of all societal groups regardless of employment status in informal employment (see table 1 for categories of informal employment and table 2 for dimensions of formality).</p> <p><b>T3:</b> Specific population segments, such as migrants or refugees, may be over-represented in the informal economy. Make sure that the project targets host communities and (forced) migrants equally, to ensure that the project promotes and not undermines social cohesion.</p> <p><b>T4:</b> In some conflict-affected situations, parts of the population may not by default consider the state as a legitimate, accountable governance actor. As transition to formality aims to extend the reach of the state to the economy, be aware of reservations that people may have in registering with the state.</p> <p><b>T5:</b> In-depth analysis, including conflict analysis, of the main constraints to joining the formal economy will enable project designers to develop a tailored approach as not all informal actors enter the informal economy for the same reason in conflict-affected settings.</p>	<p><i>Ultimate beneficiaries:</i></p> <p><b>Q1:</b> How are specific societal “antagonistic” groups affected differently by informal employment? How are women affected? Why?</p> <p><b>Q2:</b> What is the relevance of age, gender, displacement, ethnicity, religion, geographical location, disabilities, etc., in mediating access to formal employment and decent work? How would these groups benefit from formalization, and what are the potential positive or negative effects of these gains on societal dynamics?</p> <p><b>Q3:</b> What are different and common implications of informality for the host community/refugees/internally displaced people and migrants, disaggregated by sex?</p> <p><b>Q4:</b> What are the specific implications of conflict and informality for women?</p> <p><b>Q5:</b> What is the role of workers’ and employers’ organizations, informal workers, and informal enterprises’ organizations/associations?</p> <p><b>Q6:</b> Can ultimate beneficiaries be targeted in a way that the project ensures equitable access to its services, maximizes inter-group contact and addresses grievances by the most vulnerable, e.g. through quotas for the inclusion of members of different societal “antagonistic” groups?</p> <p><i>Direct recipients (e.g. governments, social partners, informal workers’ associations, and enterprises’ organizations/associations, NGOs):</i></p> <p><b>Q1:</b> What are the responsibilities and existing capacities of relevant authorities and service providers with regards to the informal economy?</p> <p><b>Q2:</b> What are existing capacities of relevant institutions and actors at national and local level, including the social partners, in promoting formal employment and transition to formality in conflicted-affected settings?</p> <p><b>Q3:</b> What keeps members of the informal economy from using the services provided by local- and national-level institutions, and how can these services be improved and better tailored?</p>

56 Examples include host communities, refugees, internally displaced people, governments (national and local), business owners and political parties.

57 Example: according to national practice, the most representative employers’ and workers’ organizations that should include in their rank representatives of membership-based representative organizations of workers and economic units in the informal economy (R204 guidance).



## STEP 1.4: Problem analysis

Tips	Questions
<p><b>T1:</b> Map the “Conflict-Informality-employment Nexus” from both sides:</p> <ul style="list-style-type: none"><li>• conflict as a cause of informality</li><li>• conflict as a consequence of informality.</li></ul> <p><b>T2:</b> Carry out a cost-benefit analysis if it does not exist and map barriers to formalization for ultimate beneficiaries to remain informal in conflict and post-conflict settings.</p> <p><b>T3:</b> Analyse the evolution of informality across geographical sub-units in the country, and identify any change of informality across time and regions caused by the drivers of conflict and informality in particular. Consult various stakeholders on the main problems they see and the causes they identify.</p> <p><b>T4:</b> Keep in mind the political and contested nature of informality-related problems in conflict and post-conflict situations, and include them in the problem analysis.</p> <p><b>T5:</b> Collect local views on problem priorities in their community. Ask participants how relevant they consider specific consequences of informality and conflict, compared to other areas of concern.</p>	<p><b>Conflict as a cause of informality:</b></p> <p><b>Q1:</b> Which drivers of conflict are relevant in the country? How do they affect effective access to formal employment, labour market governance, enterprise formalization and the situation of workers and employers in the informal economy?</p> <p><b>Q2:</b> Have you identified interactions between conflict drivers and drivers of informality? How has a conflict affected the magnitude and nature of informal employment?</p> <p><b>Conflict as a consequence of informality:</b></p> <p><b>Q1:</b> How does informality exacerbate conflict, e.g. by undermining economic opportunities, creating grievances and preventing constructive state-society relations?</p> <ul style="list-style-type: none"><li>• <b>Lack of opportunities:</b> What role does a lack of formal employment opportunities and poverty play as a motivating factor for crime, violence and mobilization into armed groups? How and where do illicit and violent activities provide vulnerable members of society with economic opportunities?</li><li>• <b>Lack of contact:</b> To what extent does the lack of formal employment and widespread informality cause a lack of inter-group contact and social cohesion?</li><li>• <b>Existence of grievances:</b> How does unequal access to (formal) employment and public services of one group compare to another’s sense of social injustice and perceived rights violations contribute to conflict? Who is particularly excluded and marginalized in the economic and regulatory sphere (with special analysis on gender inequality)? What is the perception of the role of government in promoting formal employment and access to public services, and by whom?</li></ul> <p><b>Focus of the project:</b></p> <p><b>Q1:</b> Will peace- and resilience-related dynamics be the primary problem you aim to tackle, or are you focusing on informality dynamics as the priority problem?</p>

## STEP 1.5: Institutional analysis

Tips	Questions
<p><b>T1:</b> Relevant institutions for the transition to formality include the most relevant actors identified during the stakeholder analysis, i.e. governing and oversight agencies, service providers and the social partners, and their connections to ultimate beneficiaries, but also informal institutions that may provide services and utilities within the informal economy.</p> <p><b>T2:</b> Use formal methods such as social network analysis to map the most important institutions and the connections between them, or lack thereof.</p>	<p><b>Q1:</b> Have you identified the connections between delivery agencies, e.g. public and private employment services, oversight and governance agencies, e.g. ministries, local governments, international organizations, and social partners, e.g. associations of informal workers, associations of micro- small- and medium-sized enterprises (MSMEs), regarding the governance of the informal and formal economy? Where are “missing links”, why are they missing, and what can be done to enhance them?</p> <p><b>Q2:</b> How are each of these institutional actors viewed in the eyes of the population?</p> <p><b>Q3:</b> Are they viewed as legitimate and, if not, what explains this perceived lack of legitimacy and trust by end users and citizens? How could such legitimacy and trust be enhanced?</p> <p><b>Q4:</b> In which technical areas of formal employment promotion and in which geographical location is ILO’s involvement in highest demand? What is ILO’s potential value added, e.g. tripartism, knowledge on informality in conflict-affected settings, physical presence, etc.?</p> <p><b>Q5:</b> Through what channels could the ILO mobilize resources for a project?</p>

## STEP 1.6 : “Do No Harm” approach

Tips	Questions
<p><b>T1:</b> Political interests shape economic informality, and political actors with a vested interest in maintaining the informal economy may be an important reason for the state’s inability to extend its regulatory coverage to the informal economy.<sup>58</sup></p> <p><b>T2:</b> Applying labels of ‘legal’ and ‘illegal’ can be problematic – in conflict-affected states, the social legitimacy that is attributed to economic activities, and the relative power of particular groups, defines what is legal and illegal.<sup>59</sup></p>	<p><b>Q1:</b> What is the risk that transition to formality may bar men and women from economic activities, instead of improving their economic and social situation in conflict and post-conflict settings?</p> <p><b>Q2:</b> What are the potential risks involved in selecting certain areas (rural vs. urban) and participants (ethnic background, gender, age, etc.)?</p> <p><b>Q3:</b> What are the dividers and sources of tensions between groups, gender and social partners? Formal and informal actors?</p> <p><b>Q4:</b> How could a project impact on the dividers and tensions, particularly among social partners?</p> <p><b>Q5:</b> How would these groups benefit from transition to formality, and what are potential positive or negative effects of these gains on societal dynamics?</p> <p><b>Q6:</b> How will gender relations be negatively impacted by the project?</p> <p><b>Q7:</b> What are the options for project adjustment so that it will do no harm, particularly for excluded groups?</p> <p><b>Q8:</b> What is the relative importance of the formal and informal rules that govern how the state and society work? How does it impact gender relations?</p> <p><b>Q9:</b> What is the legitimacy of the state among elites? Among diverse social groups in the informal economy? Among social partners?</p> <p><b>Q10:</b> Are we sure we are not creating parallel structures outside the state?</p>

### 4.2 Stage 2: Formulating a project strategy and defining outcomes, outputs and indicators

This stage involves devising a strategy to address the problem. The problem analysis, which should include a sound conflict analysis, will usually suggest different, sometimes conflicting, project strategies, all of which need to be considered (table 3, step 1.4 “problem analysis” on specificities for transition to formality in conflict and post-conflict settings). Once the project strategy, including the ToC, has been formulated, the project objectives can be developed.

Project objectives (or project outcomes) are the specific changes that the project will bring about. In defining outcomes and outputs, a project specifies what it will do and what it aims to achieve in the medium-term (box 10). This phase of project design is, therefore, crucial, as it defines benchmarks against which the project will be accountable and success can be measured. If transition to informality, or promoting peace and resilience is to be a specific aim of a project, such considerations need to be included in its stated aims and activities.

58 S. Schoofs. 2015. op. cit.

59 Ibid.



## BOX 10

### Key terms for project design

**Theory of change** can be defined as a results-based management approach to determine why and how a desired change takes place, under specific conditions, providing a clear description of how a change initiative is expected to work and a plausible explanation of its impact.

**The logical framework** is a way of presenting the substance of the project in a comprehensive and understandable form. The logical framework includes:

- A hierarchy of outcomes, outputs and activities
- Progress indicators and the means of verification
- Assumptions about the project context.

**Impact** is the final desired outcome of the intervention. It normally refers to societal and developmental changes with significant lasting positive effects on the population at large, to which the intervention outcomes contribute significantly.

**Outcomes** are changes in institutional performance and/or behaviour among individuals or groups, as well as changes in systems and at the level of the enabling environment (i.e., policy, regulatory or institutional environment). This includes a range of possible changes such as modifications of attitudes and behaviour, improvements in the performance of institutions, the implementation of policies and the compliance with standards, among others. Achievement of outcomes depends critically on the commitment and actions of constituents and other stakeholders.

**Outputs** are changes in skills or capacities of individuals or institutions, or the products or services that result from the completion of activities delivered by the change initiative. Outputs are the immediate results of an intervention, necessary and sufficient to generate other, beneficial, longer-term changes.

**Activities** are the necessary and sufficient actions to producing the outputs.

**Assumptions** are essential contextual conditions, external to the intervention, that are needed for expected results to be achieved according to the theory of change. Such conditions can be identified at the level of the outputs, but are most commonly defined at the level of the different outcomes.

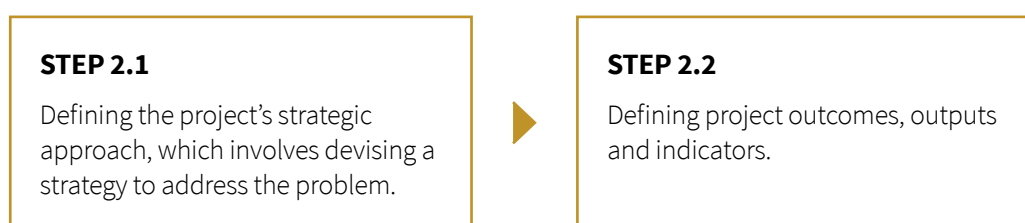
**Indicators** are quantitative or qualitative variables used to measure if outputs are delivered as planned, if outcomes and impact are achieved and if assumptions are happening as foreseen in the theory of change.

Source: Adapted from ILO. 2015. *Development cooperation Internal governance manual*. [www.ilo.org/pardev/development-cooperation/WCMS\\_452076/lang--en/index.htm](http://www.ilo.org/pardev/development-cooperation/WCMS_452076/lang--en/index.htm) [accessed 15 Nov. 2019] and ILO. 2019. Course material "Creating Results-Based, Theories of Change".

Figure 8 and table 4 follow the project design process to provide tips and questions for reflection and is complementary to the detailed guidance in the ILO Handbook. In Annex I, a list of outcomes, outputs and indicators examples per transition to formality policy area is provided to address the three conflict drivers and promote peace and

resilience, and should be read in conjunction with figure 6 on the ToC and integrated strategy. It is important to note that indicators only measuring transition to formality outputs and outcomes are not enough for achieving peace and resilience and need to combine with the specific indicators related to peacebuilding.

**FIGURE 8.** Two steps for project design process



**TABLE 4. Project design for transition to formality in conflict and post-conflict settings**

**STEP 2.1: Defining project’s strategic approach**

Tips	Questions
<p><b>T1:</b> Consult R204, in particular Section III “Legal and policy frameworks” paragraph 11 and R205 Section III “Strategic approaches” to get an overview of essential elements for a comprehensive strategy of policy interventions responding to the problems and challenges identified.</p>	<p><b>Q1:</b> Is peace- and resilience-building the primary or secondary objective of your project?</p>
<p><b>T2:</b> Focus on strategies through which transition to formality interventions can contribute to building peace by promoting economic opportunities, inter-group contact and by addressing grievances (see section 3 and figure 6).</p>	<p><b>Q2:</b> Are your goals best achieved by complementing existing employment programmes (see section 3.2), or will you devise a stand-alone project on the transition to formality for peace and resilience?</p>
<p><b>T3:</b> Focus on only a few identified problems and related objectives.</p>	<p><b>Q3:</b> Have you considered how conflict impacts on the strategic approaches that may be feasible and how the project may best contribute to peace and resilience through transition to formality (see section 3)?</p>
	<p><b>Q4:</b> Which gender-sensitive strategy will impact most positively when addressing the need of the poor and other identified vulnerable groups in conflict-affected settings?</p>

**STEP 2.2: Defining project outcomes, outputs and indicators**

Tips	Questions
<p><b>T1:</b> Ensure transition to formality measures of project-level outcomes and outputs link to peace and resilience by addressing the three conflict drivers and ToC (see section 3 and figure 6).</p>	<p><b>Q1:</b> For promoting transition to formality for peace and resilience, the definition of project outcomes, outputs and indicators should be guided by two questions:</p>
<p><b>T2:</b> Ensure the project focuses on the informal economy and, if possible, include specific peacebuilding and/or conflict mitigation outputs and activities.</p>	<ul style="list-style-type: none"> <li>• How can we ensure that programmes focusing on promoting employment or social protection or FPRW or skills development, or enterprise creation in conflict and post-conflict settings contribute to transition to formality?</li> <li>• How can we ensure that initiatives and projects focusing on promoting transition to formality are conflict-sensitive and maximize their positive impacts on peace and resilience?</li> <li>• Have you consulted the ILO Handbook and Annex I on how to develop project outputs, outcomes and indicators sensitive to the dual focus of transition to formality for peace and resilience?</li> </ul>
<p><b>T3:</b> Peacebuilding activities may fall into two broad categories: (1) activities aimed at raising individuals’ awareness, understanding and skills on peace and conflict resolution; and (2) activities aimed at bringing people together and improving intra- and inter-group trust and cooperation. Furthermore, the project’s aim to build peace or social cohesion can be included in at least one of the outcome statements of a project (see Annex I).</p>	
<p><b>T4:</b> Develop indicators per transition to formality outcome and output for monitoring progress and evaluating the results of the project contributing to peacebuilding.</p>	
<p><b>T4:</b> Refer to the ILO Handbook on specific tools for monitoring and evaluating peace-related outcome.</p>	



# ANNEX I.

## EXAMPLES OF OUTCOMES, OUTPUTS AND INDICATORS PER TRANSITION TO FORMALITY AREA

Growth strategies and quality employment generation			
Output examples	Output indicator examples	Outcome examples	Outcome indicator examples
Formal economic opportunities are promoted through the adoption of inclusive structural transformation policies for population at risk in conflict affected settings.	<ul style="list-style-type: none"> <li>• Sectoral strategy on formal employment promotion in conflict-affected areas developed/ adopted.</li> </ul>	More formal and decent jobs created for men and women in conflict affected settings.	<ul style="list-style-type: none"> <li>• Number of new formal businesses/cooperatives created.</li> <li>• Number of formal businesses maintained.</li> <li>• Number of informal businesses/cooperatives formalized.</li> <li>• Number of new formal jobs created (disaggregated by sex, age, location, previous (in) formal employment status, sector, social group).</li> <li>• Increased percentage of formal employment in a specific sector.</li> <li>• Percentage of men and women previously involved or at risk of getting involved in illicit activities employed in formal employment (disaggregated by sex, age and ethnic group).</li> </ul>
Entrepreneurship, skills, finance, management, access to markets			
Access to formal economic opportunities is increased through formalizing and upgrading informal enterprises, creating cooperatives and other social and solidarity economy organizations, and increased access to relevant and quality skills development for self-/wage employment.	<ul style="list-style-type: none"> <li>• Number of persons graduating from formal training programme (disaggregated by sex, age, location, previous (in)formal employment status).</li> <li>• Number of persons engaged in upgraded apprenticeships or other work-based learning schemes (disaggregated by sex, age, location, previous (in)formal employment status).</li> <li>• Number of vulnerable workers (former armed groups, disabled, HIV/AIDS, informal workers) out of total who are provided training meeting their particular needs for integration into formal economy.</li> <li>• Number of training providers offering market demand-led training programmes.</li> <li>• Number of enterprises offering upgraded apprenticeship or other work-based learning schemes for informal economy workers.</li> <li>• Number of informal economy workers and entrepreneurs benefiting from entrepreneurship trainings (disaggregated by sex, age, location).</li> </ul>	More skilled population in conflict affected settings available for formal and decent jobs in formal enterprises.	<ul style="list-style-type: none"> <li>• Average duration of transition into formal employment (days) (disaggregated by sex, nationality, age, location).</li> <li>• Percentage of participants employed formally three months after graduating from demand-led skills training programme (disaggregated by sex, nationality, age, location).</li> <li>• Percentage of vulnerable participants (former armed groups, people with disabilities, people living with HIV/AIDS) employed formally three months after graduating from training meeting their particular integration into formal economy needs.</li> <li>• Percentage of participants employed formally three months after the recognition of prior learning programme (disaggregated by sex, nationality, age, location).</li> <li>• Number of new formal businesses/cooperatives created.</li> <li>• Number of jobs created in new formal businesses/cooperatives (disaggregated by sex, age, location).</li> <li>• Number of informal businesses/cooperatives formalized.</li> <li>• Percentage of men and women previously involved in or at risk of getting involved in illicit activities trained/starting new formal business or cooperative (disaggregated by age, sex and ethnic group).</li> </ul>

- Number of informal workers obtaining a formal certificate through recognition of prior learning programme.
- Number of informal enterprises using microfinance
- Number of one-stop-shop for business registration created.
- Percentage change in perception of relationship between members of “opposing” groups having participated in joint training/working together (in formal joint ventures, cooperative, etc.).
- Percentage change in life and conflict management skills.

## Local (rural and urban) development strategies

- Formal economic opportunities are created through local immediate formal employment in infrastructure and environmental works for the poorest and most vulnerable segment of the population.
- Number of workdays (formal jobs) created (disaggregated by sex, nationality, age and location).
  - Cost per workday (formal job) created.
  - Labour intensity of different types of works (specify labour intensity and activity).
  - Percentage of workers benefiting from decent work conditions (disaggregated by sex, nationality age and location).
  - Average income generated per worker.
  - Total amount of money injected into the local economy.
- More formal and decent jobs created at local level through local resource-based public investments in conflict-affected settings.
- Total local employment impact of public investment programmes, in number of formal jobs (disaggregated by sex, age and location).
  - Percentage of workers benefiting from decent work conditions (disaggregated by sex, age, nationality and location).
  - Number of projects restoring local natural resources.
  - Number of projects improving infrastructure.
  - Percentage of men and women previously involved or at risk of getting involved in illicit activities employed in formal employment (disaggregated by sex and ethnic group).

## Organization, representation and social dialogue

- Social cohesion is strengthened through organizing and mobilizing informal economy actors and engaging them in social dialogue.
- Number of advocacy campaigns held focusing on the nexus between conflict, informality, employment and gender.
  - Number of training and capacity-building workshops held for government officials, social partners, informal economy representatives and conflicting communities on transition to formality for peacebuilding and on how to engage in peacebuilding processes in their country/region/ community.
  - Number of participatory tripartite dialogue platforms created for decent and formal employment and peacebuilding.
  - Percentage change in perception of relationship between government officials, social partners, informal economy representatives and conflicting communities having participated in the above joint activities together.
- Improved organization and representation of informal economy actors in conflict-affected settings.
- Number of employers’ or workers’ organizations/ cooperatives expanding their membership to workers’ and economic units in the informal economy.
  - Number of employers’ or workers’ organizations/ cooperatives providing new or revised services to economic units and workers in the informal economy.
  - Number of employers’ organizations/cooperatives developing policy advocacy agendas to foster transition to formality for peace and resilience.
  - Number of workers’ organizations/cooperatives developing strategies to include informal economy workers in social dialogue.
  - Annual number of social dialogue events held addressing peace.
  - Number of social dialogue institutional mechanisms including peace as a discussion point.
  - Percentage change of employers’ or workers’ organizations trusting informal economy representatives.
  - Percentage change of employers’ or workers’ organizations willing to interact with informal economy representatives at social dialogue events and in institutional mechanisms.

## Equality: Gender, ethnicity, race, caste, disability, age

Inclusive approaches are promoted based on equal opportunities for marginalized and vulnerable groups.

- Number of empowerment workshops held for members of marginalized and vulnerable groups.
- Ratio of members of informal economy and/or different social groups (age, gender, race, ethnicity, caste, religion, etc.) included as beneficiaries of all transition to formality components mentioned above.

Greater access to formal and decent employment for marginalized and vulnerable groups in conflict-affected settings.

- Number of specific vulnerable groups included/represented in all indicators above and below.
- Percentage change of marginalized and vulnerable groups perceiving equal opportunities.
- Percentage change of marginalized and vulnerable groups viewing government treatment of their social group as fair.

## Extension of social protection: Building social protection systems, including floors

Social protection is extended to informal workers through building social protection systems, including floors.

- Number of workdays and formal jobs created through public employment programmes.
- National strategy or policy document committing to the extension of social protection to workers in the informal economy based on R202 or R204 developed/adopted.
- Percentage change of informal economy actors and conflicting groups viewing government treatment of their group as fair.
- Percentage change of informal economy actors and conflicting groups that have trust in the government.

Improved resilience and inclusiveness in conflict-affected settings through greater access to social protection for informal workers

- Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims and the poor and the vulnerable (SDG, Indicator 1.3.1).
- Number of previously informal workers newly join social security programmes.
- Number of measures taken to adapt existing social security regime/mechanisms to the needs and situation of previously uncovered workers.
- Number of measures taken to establish or strengthen nationally-defined social protection floors.
- Percentage change of informal workers perceiving inclusion through social protection mechanisms and systems.
- Percentage change of informal workers perceiving the necessity to engage in illicit economy, if current employment may end.

## Regulatory environment, including enforcement of ILS & core rights

An appropriate legislative and regulatory framework promoting FPRW is adopted and a conducive and fair business environment for informal economy actors is established in conflict affected settings.

- Number of awareness-raising campaigns held promoting peace/FPRW/conducive business environment for informal economy actors.
- Number of policies promoting peace/FPRW/conducive business environment based on R204 and R205 developed/adopted.

Sound legislative and regulatory environment promoting FPRW and a conducive and fair business environment for informal economy actors in conflict affected settings.

- Percentage change of economic units where improvements were made to working conditions following an intervention by the labour inspectorate.
- Percentage change of workers who perceived an improvement in their working conditions following an intervention by the labour inspectorate.
- Number of informal workers registered in economic units after the visit of labour inspectorate.
- Number of informal economic units formalized after the visit of labour inspectorate.
- Number of new formal businesses/cooperatives created.
- Percentage change of informal actors viewing government treatment of them as fair.
- Percentage change of informal actors that have trust in the government.

# ANNEX II.

## CORE RESOURCES

### The informal economy and the transition to formality

ILO. 2013. *The informal economy and decent work: A policy resource guide supporting transitions to formality*. Available at: [www.ilo.org/emppolicy/pubs/WCMS\\_212688/lang--en/index.htm](http://www.ilo.org/emppolicy/pubs/WCMS_212688/lang--en/index.htm) [19 Nov. 2019].

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OECD and ILO. 2019. *Tackling vulnerabilities in the informal economy*. Available at: [read.oecd-ilibrary.org/development/tackling-vulnerability-in-the-informal-economy\\_939b7bcd-en#page146](http://read.oecd-ilibrary.org/development/tackling-vulnerability-in-the-informal-economy_939b7bcd-en#page146) [19 Nov. 2019].

### Employment situations in conflict, disaster and other humanitarian emergencies

T. Brück et al. 2016. *Jobs aid peace: A review of the theory and practice of the impact of employment programmes on peace in fragile and conflict-affected countries*. Available at: [www.ilo.org/wcmsp5/groups/public/---ed\\_emp/--emp\\_ent/---ifp\\_crisis/documents/publication/wcms\\_633429.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/--emp_ent/---ifp_crisis/documents/publication/wcms_633429.pdf) [19 Nov. 2019].

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UNFPA and PBSO. 2018. *The missing peace: Independent progress study on youth and peace and security*. Available at: [www.youth4peace.info/system/files/2018-10/youth-web-english.pdf](http://www.youth4peace.info/system/files/2018-10/youth-web-english.pdf) [19 Nov. 2019].

World Bank and UN. 2018. *Pathways for peace: Inclusive approaches to preventing violent conflict*. Available at: [www.worldbank.org/en/topic/fragilityconflictviolence/publication/pathways-for-peace-inclusive-approaches-to-preventing-violent-conflict](http://www.worldbank.org/en/topic/fragilityconflictviolence/publication/pathways-for-peace-inclusive-approaches-to-preventing-violent-conflict) [19 Nov. 2019].

## Project management cycle

ILO. 2017. *ILO policy guidelines for evaluation: Principles, rationale, planning and managing for evaluations, 3rd edition*. Available at: [www.ilo.org/eval/Evaluationpolicy/WCMS\\_571339/lang--en/index.htm](http://www.ilo.org/eval/Evaluationpolicy/WCMS_571339/lang--en/index.htm) [26 Nov. 2019].

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