EVALUATION OF LOCAL SOCIAL CAPITAL PILOT PROJECT
FINAL REPORT

EXECUTIVE SUMMARY

1. Introduction

The LSC Pilot was launched by the European Commission, DG EMPL in July 1998 as an action under Article 6 of the European Social Fund. The Pilot was managed by the Commission and comprised 30 projects in 12 Member States.

The overall objective of the LSC Pilot was *to promote employment and social cohesion through bottom-up initiatives*. Its specific objectives were to: a) test a method of decentralised delivery ("the LSC approach"); and b) explore the relevance of local social capital. The concept of *"social capital"* refers to features of social organisation such as networks, norms and social trust. The main dimensions of social capital that have been emphasised in the literature are: "bonding" or "social glue", which refers to the degree which people take part in group life, the level of trust they feel when participating in such groups, and "social bridges", which are the links or between groups and which give access to a wider range of players outside of their area or specific interest group.

Each LSC project was proposed and managed by an Intermediary Body (IB), which received Community support in the form of a global grant. The IB, working in partnership with other organisations, selected micro-projects and supported them with micro-grants and technical assistance (outreach, project development and accompaniment). Two broad types of micro-projects were supported: MP1/2 supporting social cohesion or reinforcing local networks and MP3 providing support for the start-up of micro-enterprises. Most LSC projects supported both types of micro-projects but some projects focused their support on one type only.

In December 1999 the Commission contracted independent consultants (LRDP) to carry out an external evaluation of the LSC Pilot, over a period of three years. The evaluation was based on an analysis of information from project reports and the Commission's MIS, responses to evaluation checklists from the LSC projects, a sample of 16 LSC projects including two rounds of assessment visits, and a number of other mini-surveys. This is the final report of the external evaluation.

2. Overview of Implementation

The LSC projects were fully implemented by the end of the Pilot with a total of 3,350 micro-projects supported by the 30 LSC projects. Out of a total of 3,350 MPs, 1,787 were MP1/2 type projects and 1,513 were MP3 type projects.

The ESF contribution constituted an average 82% of the total available for micro-projects. The average grant per micro-project was around €8,000 indicating an emphasis on smaller grants (with reference to the €10,000 micro-grant ceiling assumed at the beginning of the Pilot).

Micro-grants funded a variety of activities and achieved a variety of results that promoted both social cohesion and employment, with IBs and partners providing individualised, flexible and informal support to participants.

The key objectives of the Pilot were social inclusion and employment, with a tendency to distinguish between promotion of social inclusion and cohesion corresponding to MP1/2 type projects and employment development as the objective of MP3 type projects, with improved employability often included in the objectives of both MP1/2 and MP3.

3.   Effectiveness and Impact

The findings of the evaluation showed that ESF *priority groups* were reached by the LSC projects - women, young people, immigrants/refugees and people with disabilities/special needs. The findingsconcerning the main groups reached by LSC projects supporting MP1/2 (social cohesion) type micro-projects and by projects supporting MP3 (micro-enterprise) type micro-projects are summarised below:

- *women* (targeted by 18 MP1/2 and 25 MP3 projects, with an average of 22% and 40% of participants in these projects, respectively);
- *young people* (targeted by 21 MP1/2 and 22 MP3 projects, with an average of 30% and 23% of participants in these projects, respectively);
- *immigrants/refugees/ethnic minorities* (targeted by 17 MP1/2 and 15 MP3 projects, with an average of 26% and 32% of participants in these projects, respectively);
- *disabled/special needs* (targeted by 12 MP1/2 and 6 MP3 projects, with an average of 13% and 8% of participants in these projects, respectively).

These categories include highly marginalised sub-groups and people with multiple disadvantage, as well as some not typical ESF groups, support for whom was seen as a long term investment or as an opportunity for employment generation.

The evaluation also examined the *positive outcomes* achieved by participants in LSC projects supporting, respectively, MP1/2 and MP3 type micro-projects. These are summarised below:

- 74% and 84% of participants in MP1/2 and MP3 type micro-projects, respectively, have achieved *personal development* outcomes, such as improved motivation and self-confidence;
- 66% and 69% of participants in MP1/2 and MP3 type micro-projects, respectively, have achieved *social development*, eg community involvement, volunteering;
- 46% and 68% of participants in MP1/2 and MP3 type micro-projects, respectively, have achieved *"soft" labour market* outcomes such as interview skills, CV/application writing, job seeking;
- 43% and 64% of participants in MP1/2 and MP3 type micro-projects, respectively, have achieved *"hard" labour market* outcomes such as training and qualifications
- 84% of participants in MP3 type micro-projects, have achieved *"hard" labour market* outcomes starting in business/ self-employment or getting a job;
- 63% of MP1/2 projects will continue with funding from other sources, while 75% of MP3 projects are *sustainable* and 41% managed to *create additional jobs*.

These findings provide conclusive evidence that, overall, the LSC projects were effective in generating positive outcomes that were related both to social inclusion (personal and social development, soft employability) and to employment (hard labour market outcomes, sustainability of jobs/businesses and additional job creation).

There are clear but largely qualitative indications that the Pilot had a *local impact* in the areas covered by its projects, notably in terms of enhancing the capacity of intermediary organisations and partnership structures, particularly with respect to knowledge, skills and systems. Individual participants improved their employability and personal/social skills, while the impact on job creation, especially from MP3 type projects, was considerable for the groups it assisted.

There is strong qualitative evidence of an increase in *social capital* in most areas covered by the project, especially with respect to networking and cooperation between sectors and

groups/communities with the effect of "building bridges" towards social inclusion and the labour market. Various LSC projects also offered evidence of wider spin-off effects for their area

4.   Method of Operation and Implementation

A comprehensive analysis of the outreach and accompaniment, partnership and management/monitoring/evaluation systems that LSC projects put in place was carried out. The evaluation work analysed findings, mainly from the proceedings of the LSC Summer School in June 2001, a number of interim and final reports from IBs, from the responses to the evaluation checklists and from the assessment visits. These findings are summarised below.

The evaluation identified five *models of partnership structures*, namely:
- Model 1: Concentrated structures with directive strategy and small capacity (2 projects);
- Model 2: More or less concentrated structure with a more or less directive strategy and medium to large capacity (2 projects);
- Model 3: Relatively dispersed structure with a more or less directive strategy and different capacities (5 projects);
- Model 4: Relatively dispersed structure with quite participative approach and different capacities (9 projects);
- Model 5: Relatively dispersed structure with very participative approach and medium to large capacities (8 projects).

The evidence showed that NGO-led partnerships mobilised under the LSC Pilot offered good examples in terms of inclusiveness, functionality in mobilising resources and supporting implementation and synergies and complementarity with existing programmes and initiatives e.g. in accompaniment and follow-up). It seems important not to be too prescriptive about the structures of partnership (e.g. Strategic, Management, Functional, Network) but rather to emphasise these characteristics.

Outreach, pre-development and accompaniment support to potential and actual micro-project promoters were an integral part of the LSC Pilot. These forms of support and opportunities for contact which build trust were as important as the small grants in achieving participation of priority target groups and successful implementation of micro-projects. Therefore, the type of support offered by LSC had the merit of combining financial and non financial support, when other traditional programmes offered usually only the one or the other.

One of the elements that contributed to the success of the Pilot was that support did not end when the grant is awarded. The outreach, development and accompaniment processes were linked with the financial process, in a way that excluded groups achieved a "comprehensive" set of results (from personal/social development to employment and sustainability).

The evidence showed that while IBs had adequate *monitoring systems* in place, *evaluation procedures* (self- and external evaluation) were less developed. For those that have progressed evaluation, the approaches were not particularly sophisticated – notably, they lacked baseline information, attempted little quantification and had limited information on outcomes. It must be acknowledged, however, that the resources at LSC Project level for evaluation were limited (required to be included within the 20% administration budget).

The heterogeneity of LSC Projects makes it difficult to develop a single comprehensive evaluation framework. This is more likely to be achieved in the application of the LSC approach at Member State level, if such a framework is developed from the beginning, concurrently with the development of the implementation guidelines, including the definition of appropriate delivery strategies and models.

Traditional forms of **promotion and publicity** were not enough to mobilise priority sub-groups. Direct contact with such groups through meetings, word of mouth, demonstration effects etc, were needed. As such, it was crucial to mobilise a wide functional network of local organisations at highly decentralised level, including small grass-roots NGOs, in order to undertake successful outreach, pre-development and accompaniment support

Whilst IBs have sought to develop relatively simple, fast and flexible systems of participation in the LSC Pilot in many cases these were characterised by the "heaviness" of procedures. Much of this seemed to arise from ensuring accountability for expenditures (i.e. the normal requirements of public programmes).

5. Key Influences on Effectiveness and Impact

Key implementation outcomes included identifying and addressing local social inclusion and employment needs, improvement in the capacity and structure of small NGOs and recognition of the third sector as a key development partner capable of supporting/promoting entrepreneurship, benefits for excluded groups, especially women and young people, increased awareness regarding sensitive inclusion issues and improved local image, as well as multiplier and demonstration effects.

Successful implementation outcomes are related to the **value added of the LSC approach** derived from its capacity to reach, mobilise and be open, support creativity and liberty, develop responsibility, partnership and trust, empower and provide access to opportunities for people/groups/communities who were deprived of both access and opportunities before. The LSC had the benefit of alleviating the difficulties of bureaucracy, complexity and inflexibility of administrative procedures of traditional delivery methods.

There was strong evidence of **efficiency in the LSC approach**, with the vast majority of projects:
- adopting a participative approach by engaging stakeholders and local actors, from the private, public and NGO sectors;
- mobilising additional financial (eg access to investment funds), human (eg accountants, evaluators) and material (eg use of buildings/equipment) resources, that were used in all phases of the Pilot implementation;
- co-operating extensively and closely with other programmes and services, together with extensive links that the projects established with the private, public and NGO sectors through partnership working.

In addition, the LSC Pilot demonstrated adequate **capacity for financing projects**, especially through:
- the capacity to finance innovative actions;
- budgetary procedures which were efficient in assuring a smooth flow of funding to micro-projects;
- the capacity to address fiscal/legal problems efficiently.

6. Innovative Aspects of the LSC Projects

Many elements of the LSC projects were found to be innovative, particularly in terms of organisation and management, contractual and financial management, participation of excluded groups and links with other programmes and services.

Overall, there is a lot of evidence on some projects involving local communities more than others (in selection for example). Cooperation between public and private sector (including third sector) was an

innovative aspect as they were not used to this type of cooperation before (mainly Southern European areas).

No specific barriers to innovation were identified, while there was a lot of evidence that there is a new way to intervene, which involves a progression from the logic of assistance and dependency to that of autonomy. Most of the evidence on innovative aspects, coupled with the high value added of LSC, suggests that the LSC project provided a better way of promoting employment and social integration than standard/traditional mechanisms.

Overall, the decentralised delivery method with an IB responsible for overall management and a participative partnership structure was a key innovation of the LSC pilot across the board (with some exceptions in the UK/Ireland where decentralised delivery via IBs was not new in their context).

7.   Transferability and Potential for Mainstreaming

To assess the potential for mainstreaming, the evaluation was centred on a number of key criteria:

- Effectiveness of national conditions and legislative structures;
- Barriers to transferability stemming from the structure and operations of the IB;
- Effectiveness of sector specific IBs;
- Typology of MPs and potential for mainstreaming these approaches;
- Value added of the IB being part of a network (instead of operating in isolation);
- Potential for trans-nationalisation of projects.

All LSC projects offer some potential for mainstreaming, mostly in terms of overall method of delivery and management structure, support for all three types of sectors (social cohesion, creation of networks, micro-enterprise creation) and typology of MPs. The value added of the IB being part of a network suggests mainstreaming should emphasise the partnership approach piloted by LSC and the multi-sectoral project types.

Generally the LSC approach and methodology is transferable and could be mainstreamed. Such types of innovative actions are best developed by local level actors/partnerships and, provided national level structures are supportive and the few existing barriers are overcome, LSC could be mainstreamed on the basis of its merits, namely:
- effectiveness of local level NGOs working with a variety of multi-sector partners in reaching target groups and having an impact on social inclusion and employment;
- flexibility of IB and continuous adaptation to local conditions;
- significant value added of IB operating as part of a network;
- effectiveness of IBs in supporting a variety of innovative actions in different sectors.

Successful steps towards mainstreaming were already taken by eight IBs, especially in the UK, Germany, France, Finland and Spain, while various steps towards dissemination to regional/national authorities were evident in most other countries, except Austria and Denmark.

8.   Overall Lessons

The main lessons from the evaluation of the LSC Pilot were brought together, to inform Member States of specific characteristics of the LSC approach that should be taken into account with a view to mainstreaming.

The key characteristic of the LSC Pilot was the decentralised method of delivery, based on non-state intermediaries and global grants. This approach allowed a large degree of discretion to intermediary bodies and NGO-led partnerships to decide the extent and nature of support they offer to the final

"beneficiaries". Moreover, it required considerable flexibility and adaptability at all stages, reflecting the interaction with those supported and with a wide network of local partners and stakeholders, and the "systemic" nature of the LSC approach.

Scope of Action

Although both notions of "social inclusion" and "employability" can vary according to the characteristics of the target groups, and social and employment conditions in different Member States and regions, the two objectives should be strongly linked. The objectives of the action should therefore encompass and bridge both "social inclusion" and "labour market inclusion".

Explicit targeting on well defined disadvantaged groups was essential for the success of the action. Targeting well defined disadvantaged groups enabled projects to help excluded people that could not have received help from elsewhere.

The concept of Local Social Capital corresponds to "local communities" and the interventions should normally cover small geographical areas and should involve small/locally based NGOs in the delivery of the action.

Method of Operation

A key success factor for effective implementation of the whole LSC Pilot was the high degree of discretion of the IB, which allowed adaptability of its method of operation to local conditions, needs and characteristics of target groups and problems it aimed to address.

Although a diversity and richness of actions were intrinsic features of the LSC approach, two common factors stand out as of crucial importance for the success of the LSC approach. The first concerns the cohesion and capacity of the partnership (internal characteristics of the partnership) and the other the external characteristics of the partnership and especially its delivery strategy, more specifically:
- cross sector partnerships composed of a strong lead partner working with systems of NGOs;
- participative approach;
- common objectives;
- ability to learn from the experience;
- project management capacity;
- capacity to mobilise resources for effective outreach and promotion;
- capacity building for partners and micro-project promoters.

Successful models combined a substantial capacity (possibly through a strong lead-partner) with a highly participative approach ("interaction with the territory" and active local partners if the lead-partner was based outside the project area).

Traditional forms of publicity were not enough to reach disadvantaged people. Direct contact with target groups was a key factor for effective publicity and promotion.

The degree of simplification that could be achieved under ESF rules is limited, and therefore the IBs would need to operate a "firewall" approach, shielding micro-projects and individual participants from the full requirements that the Commission or national authorities impose on it.

Although IBs were able to set up adequate monitoring systems, evaluation procedures (both self and external evaluation) were less developed. The key factors that determined the success of monitoring and evaluation procedures were the experience of the IB in setting up such systems and the resources

provided within the LSC budget for these functions. The resources per LSC project for evaluation were limited (required to be included within the 20% administration budget).

Type of Support

The non-monetary aspect of support (support at the various stages) was crucial – and generally as important as the monetary aspect itself. Just providing small grants would not have worked. The provision of small amounts of funding and quick dispersal (and monthly payments) was a very good approach for starting initiatives with most disadvantaged groups.

The small grants approach of the LSC Pilot supported a variety of activities, some of which were very successful in developing community based and NGO projects that contributed to social cohesion and employment creation in the areas concerned. This success was possible because of the direct, flexible and informal support to participants and the small grant size which minimised risks and made the monitoring process easier.

In summary, the main *aspects of the LSC approach which proved successful* were the following:

Scope of action:
- *Combining "social inclusion" and "labour market" objectives*
- *Targeting well-defined disadvantaged groups*
- *Targeting small geographical areas*
- *Helping participants make progress on a pathway to inclusion and employment*

Method of operation:
- *NGO intermediary body, working through NGO-led cross-sector partnership*
- *Partnership with capacity (resources, knowledge, skills, systems)*
- *Capacity-building for smaller NGOs (both partners and micro-project promoters)*
- *Participative approach with target group involvement in all stages*
- *Strong links with other programmes and services*
- *Ability to learn (from interaction with target groups and monitoring/evaluation) and to change*
- *IB or Member State authorities taking ultimate financial responsibility (do not pass it on to micro-projects)*
- *Separate budget for non-financial support to MPs with a substantial proportion of total resources (separate from its micro-grants and administrative budgets)*
- *Light procedures and requirements made on MP promoters/managers (and support provided to meet these requirements)*

Support offered to micro-projects:
- *Using direct contact with potential participants in publicity/promotion*
- *Providing hands-on support to micro-projects in a pro-active way (eg through mentors, tutors) for pre-development and accompaniment of implementation*
- *Keeping small the amounts of financial support (micro-grants) to micro-projects*
- *Allowing micro-grants to fund a variety of the activities providing individualised, flexible and informal support to participants*

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9. Recommendations

Recommendations are based on the evaluators´ assessment of the evidence gathered and analysed and concern policy making and design of future programmes.

1. Incorporate a dimension that reflects the *LSC approach in social cohesion and employment creation* programmes for disadvantaged groups.

2. Promote a ***management framework that combines top-down and bottom-up approaches***, including active and accountable public sector partners, while maintaining the local nature of the management and support structures.

3. Promote ***decision making through diversity of stakeholders.***

4. Make ***capacity building an inherent element of LSC actions*** for IBs and partners as well as for micro-project promoters.

5. Encourage ***participation of third sector organisations*** that have direct contact with, and detailed knowledge of target groups.

6. ***Support "pre-labour market" activities***, since they were shown to have very positive effects on personal and social development, skills development and employability.

7. ***Stimulate and support local networks*** and make provision of support to such networks. The role of a strong lead (NGO) organisation can be instrumental in bringing in more local organisations.

8. ***Increase provision for non-financial support*** through a ***separate budget*** allocated to LSC projects, covering outreach and promotion, support to micro-projects and monitoring and evaluation.

9. ***Develop evaluation frameworks at Member State level***, as the heterogeneity of LSC projects makes it difficult to develop a single comprehensive evaluation framework at EU level.

10. Ensure that ***LSC type activities should aim at specific outcomes***, for example, MP1/2 could contribute to the development of core skills and attributes, while micro-grants for MP3 could finance self-employment or business start-ups (or could be used as a preparatory stage for beneficiaries who are not yet ready to access more traditional funding programmes).

11. ***Different approaches may be appropriate for different geographic areas***, for example more social capital "bonding" or social capital "bridging" or institutional building in the field of social inclusion may be required in different Members States.

12. ***Get the balance right between "bonding" and "bridging" social capital***, as increasing any or all forms of social capital would not necessarily lead to a positive outcome.

13. ***Link LSC actions to existing, relevant initiatives***, for example local strategies for disadvantaged groups.

14. Take on board the LSC Pilot lessons when ***reviewing EES and ESF guidelines.***

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