



Thematic and Technical Resources

## Impact Assessment + Performance Measurement in Small Enterprise Development (SED)

### News Flash 2 - March 2005

#### EDITORIAL

Dear colleagues

Since the last News Flash was published the need for impact assessment has become even greater. In September 2005 the world's nations will meet again in New York in order to review the achievements of the past five years and to face the challenges ahead for reaching the eight *Millennium Development Goals* (MDGs) until 2015. Donors and executing agencies alike are preparing for this meeting.

Impact assessment approaches and methods are currently at a crossroads. Some donors are still trying to *proof the impact* of a single SED project, to the overall poverty reduction of a country, with scientific rigour. These econometric methods require either before and after assessments or the use of control groups (cf. contribution on Oldsman paper below). However, this is now rarely considered to be sufficient. This led to a strong advocacy for qualitative, particularly participatory methods, which seem to *capture the complexity of development* and the multi-dimensions of poverty while linking *impact assessment with improving practice* (cf. various contribution below e.g. MAPP, Journal of International Development). Another group is focussing on the establishment of *plausible links* between individual donor interventions and the changes that can be observed at a national level.

Please do not hesitate to comment!

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#### NEWS FROM THE DONOR COMMITTEE

In September, 2004 the last meeting of the Committee of Donor Agencies for SED took place in Cartagena, Colombia. At that time the **Working Group on Impact Assessment and Performance Measurement (WIMP)** came to an end. It was suggested to incorporate work on performance and impact measurements into existing mainstream topics covered by other working groups, i.e. on the *Business Enabling Environment (BEE)* and on *Linkages and Value Chains*, rather than continuing to cover this topic on a separate basis.

The subject of the next Donor Committee conference is the **Business Enabling Environment** with a particular concern for SED. It will be convened in Cairo, Egypt from 29, November through 1 December, 2005. Some agencies, such as DFID and GTZ, are preparing special material for assessing the impact of their enabling business environment interventions.

For more information cf. [www.sedonors.org](http://www.sedonors.org)

#### BACKGROUND INFORMATION

##### RIGOROUS MEASUREMENT OF POVERTY IMPACT

is discussed by Eric Oldsman in his paper **Assessing the Poverty Impact of Small Enterprise Initiatives**, Dec. 2003 ([www.bdsknowledge.org](http://www.bdsknowledge.org)) prepared for WIMP and co-financed by SDC. BDS-programmes are the centre of the paper. Accordingly, in BDS programmes, there are three different chains of impact for poverty reduction:

- (i) when the owners of participating small enterprises are poor,

- (ii) when participating small enterprises employ the poor,
- (iii) through economic growth generated by participating small enterprises.

The author strongly emphasizes the need for establishing a poverty line in order to be able to assess changes. Four poverty indicators and three methods are introduced that could be used to determine the extent to which a particular programme reduces poverty within a target population.

He basically discusses a quantitative or scientific approach to impact evaluation; suggesting the use of one of the two econometric standard methods: (i) the experimental or randomized evaluation design or (ii) the quasi-experimental evaluation design for impact assessment. However, there are a number of problems involved that question the usefulness of these methods, such as; whether the observed changes in the poverty level can be reliably and proportionately attributed to a specific development intervention.



Cartoon by Karl Herweg, in: Herweg/Steiner 2002 Vol. I p. 17

#### ASSESSING IMPACT IS NOT AN EASY TASK

concludes Brigitte Späth in her review: **Current State of the Art in Impact Assessment: With a special view on small enterprise development.** SDC, Berne, August 2004, download from SDC E+I website. The paper discusses the various attempts that have been made to measure impact of non-financial interventions for SED in general, and

the approach to develop markets for business development services (BDS) in particular. The question rises: Does each “compartment” of development co-operation need its own distinct approach to assess impact? Is it not possible to draw from the experiences of other “disciplines”?

Consequently, the paper looks not only into approaches developed by the BDS-donor community but also into the long standing experience of financial services. In an attempt to identify a concept, that combines feasibility with the provision of credible and valuable information two “alternative” ways to look at impact assessment are introduced such as, GTZ’ orientation towards results and a participatory method for impact assessment. The paper concludes with a check list for users in preparing for an impact assessment.

#### RECONCILING ECONOMIC WITH SOCIAL ASPECTS

in assessing poverty impact is a main subject of the paper prepared by Khalid Nadvi and Stephanie Barrientos on: **Industrial Clusters and Poverty Reduction. Towards a methodology for poverty and social impact assessment of cluster development initiatives.** UNIDO, Vienna 2004, ([www.unido.org](http://www.unido.org)). This document, funded by SDC, was introduced at last years meeting of the donor committee. The study addresses the relationship between industrial clusters and poverty. Industrial clusters are a geographical concentration of firms and ancillary units engaged in the same industrial sector. They can generate various advantages for small firms, from agglomeration economies to joint action benefits. The cluster model emphasizes internal linkages, whereby cluster gains are furthered by local firm cooperation, local institutions and local social capital. Industrial clusters lend themselves to poverty concerns both directly – through employment, incomes and well-being generated for the working poor, - and indirectly, through their wider impacts on the local economy.

In order to further the understanding of the effects of cluster development programmes on poverty, it is necessary to develop and apply a method for poverty and social impact assessment. The authors combine a value chain mapping and capabilities approach to do so, arguing that the impact assessment perspective adopted should be one

that is designed as a means for improving impacts.

A method is developed which is partly quantitative, qualitative and participatory. Moreover, the paper examines ways in which a baseline can be constructed, as well as issues involved in establishing a 'comparator group', through which the differential impact of cluster programmes on poverty can be assessed. Clusters are a specific variety of the much discussed and increasingly promoted linkage or value chain approach, which often constitute the centre of a local or regional economy development (LRED) concept. Therefore, the method suggested by Nadvi and Barrientos is also valid for programmes promoting linkages or value chains, as well as the LRED.

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## PUBLICATIONS

The *Journal of International Development* (*J. Int. Dev.* 17 (2005), pp.187 -298) has just published a selection of papers that were presented to the EDIAIS international conference on "New Directions in Impact Assessment for Development: Methods and Practice" held in Manchester (UK) in November 2003. There is a clear focus on the use of participatory methods for impact assessment and on poverty reduction. Cf. list of contents below:

- § Mayoux L./Mosedale S.: Impact assessment for pro-poor accountability: innovations and challenges.
- § Noponen, H.: Internal learning system – assessing impact while addressing participant learning needs.
- § Mosedale, S.: Assessing women's empowerment: Towards a conceptual framework.
- § Barrientos, S.: Impact assessment and labour: Developing a learning approach.
- § Mayoux L./Chambers, R.: Reversing the paradigm: Quantification, participatory methods and pro-poor impact assessment.

### **Impact Analysis of Development Cooperation is Feasible**

states Susanne Neubert in the Briefing Paper No. 4/2004, of the German Development Institute in Bonn ([www.die-gdi.de](http://www.die-gdi.de)). In the wake of the programme and budget orientation of development cooperation, development policy is tending to be implemented at an ever more highly aggregated level. With development cooperation geared to the

MDGs. However, the anticipated impacts are also being increasingly sought at the level of the people, i.e. at micro level. Because the interventions occur at macro or meso level and the impacts at micro level, the attribution gap between certain interventions and impacts are becoming even wider. In spite of this, impact analysis of development cooperation is feasible. The author puts forth four challenging propositions to take the conceptual debate a step further. In addition, an approach to coping with the methodological difficulties is presented: The Method for Impact Assessment of Programmes and Projects (MAPP) is an actor-centred method. In a more conventional approach the development intervention and usually some sort of input-output analysis is in the centre of impact assessment. In contrast to that, MAPP considers the context of a programme as the point of departure. The method can be applied for various sectors (e.g. economic promotion, rural development and decentralisation).

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## LINKS

The interagency **BDS-knowledge website** is currently being restructured, so that the "Impact Assessment: Syntheses and Guides" button searches the main database entries for such documents ([www.bdsknowledge.org](http://www.bdsknowledge.org)). In addition the website contains a site about *case studies*. The providers state: "Impact assessment is a very challenging field. While many people would like simple statistics on achievements, there are many practical problems to overcome. Attribution, displacement, 'deadweight' and several other issues all have to be addressed; the only answer is often for those involved to think through carefully what causal chain is implicit in their initiative. What do they expect to happen, and how can they show that each effect is causally linked back to the original inputs? At the time of writing, this field is still in its infancy."

The current funding arrangement by DFID for the **Enterprise Development Impact Assessment Information Service (EDIAIS)** ended in December, 2004 ([www.enterprise-impact.org.uk](http://www.enterprise-impact.org.uk)). In order to keep the interest and commitment to best practice in impact assessment as well as to pre-

vent the site from disintegrating or imploding by viruses, WISE will continue to maintain the site and service on a voluntary basis until further funding can be obtained.

A guide for designing a **Social Performance Management (SPM)** system is made available based on the work of *Imp-Act* and its partners ([www.ids.ac.uk/impact/](http://www.ids.ac.uk/impact/)). Social performance is a measure of the extent to which an organisation can identify and achieve its social mission. Social performance management is the use of social performance information to make informed decisions aimed at improving its practice. Microfinance can improve people's lives if social performance is effectively managed. *Imp-Act's* experience is that MFIs can easily and cost-effectively manage their own social performance.

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## APPROACHES / INSTRUMENTS / TOOLS

### BUILDING LEARNING AND REFLECTION

into development programmes is the goal of **Outcome Mapping**, a method elaborated by Sarah Earl, Fred Carden and Terry Smutylo for the Canadian International Development Research Centre (IDCR) ([www.idrc.ca](http://www.idrc.ca)). *Outcome Mapping* focuses on one particular category of results; changes in the behaviour of people, groups, and organisations with whom a programme works directly.

Instead of attempting to measure the impact of the programme's partners on development, *Outcome Mapping* concentrates on monitoring and evaluating its results in terms of the influence of the programme on the roles these partners play. In the IDRC context, defining outcomes as "changes in behaviour" emphasizes that, to be effective, development research programmes must go further than information creation and dissemination. They must actively engage development actors in the adaptation and application of these programmes. Such engagement means that partners will derive benefit and credit for fulfilling their development roles whereas development programmes will be credited with their contributions to this process. *Outcome Mapping* can be adapted for use at the project, programme, or organisa-

tional levels as a monitoring system, it can also be used to evaluate on-going or completed activities.

### AN EXCHANGE OF EXPERIENCE

in Impact Monitoring and Assessment (IMA) took place at Berne University in November 2004. Karl Herweg and Kurt Steiner produced the two volumes on **Impact Monitoring & Assessment** as a joint undertaking of the Centre for Development and Environment (CDE) for SDC and GTZ in 2002 ([www.cde.unibe.ch](http://www.cde.unibe.ch)). The IMA procedures (Vol. I) and tools (Vol. II) are currently being applied by programmes and projects of Helvetas, Intercooperation and CDE. The main outcomes of this exchange are:

- § The present status of impact monitoring exhibits a general tendency to move towards outcome monitoring, to use participatory planning and monitoring methods (e.g. impact chains and hypotheses), and to search for relevant impact indicators, particularly in view of the MDGs.
- § The IMA guidelines are not magic but they are a useful toolkit, applied by a number of groups. Certainly all organisations, feel the need to adapt the proposed procedures and also to develop their own methods. A number of interesting adaptations were noted.
- § Despite the observed methodological progress, outcome/impact monitoring is not yet an integral part of a standard package in project cycle management and thus remains a critical challenge.
- § It showed the great interest of donors in determining impacts, which lacks, however, still the allocation of adequate time and the budget for doing so.

Originally developed for assessing rural development projects with a focus on sustainable land management, the IMA provides interesting insights on impact assessment with a set of tools that could be - after being adapted to the context of a project - of use to other types of development interventions, such as local economic development, SED, etc.

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