

Enterprise Development Evaluation Synthesis



DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

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ENTERPRISE DEVELOPMENT
EVALUATION SYNTHESIS

by

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PREFACE

The Department for International Development (DFID) commissions a continuous programme of ex post evaluation studies of completed activities. This programme is administered by DFID's Evaluation Department (EvD). Its purpose is to examine rigorously the impact of selected past projects and draw out lessons for project choice, design and implementation which can be applied to DFID's current and planned programmes. Evaluation judgements take account of the fact that the policies and procedures followed at the time of the project may have since changed or evolved.

The studies are of two broad types: **project evaluations** which focus on individual projects or programmes; and **evaluation synthesis studies** which draw together, among other things, the findings and lessons from individual DFID evaluation studies with a common sectoral or thematic focus. This study is one of the latter type. It was carried out by Dr Patricia Richardson and Ms Karen Langdon, both of the Small Business Centre at the University of Durham, and is a synthesis which draws on the following:

- (i) Recent DFID evaluation studies (hereinafter "the case evaluations"), which are all available from Evaluation Department on request and are listed in a footnote¹.
- (ii) A range of monitoring reports and documentation from a sample of 28 Enterprise Development (ED) projects. Further details are at Annex B.
- (iii) A selection of research and evaluation reports about the work of other donors, Multilateral Organisations (MLOs) and researchers active in the Small and Micro Enterprise (SME) sector. A list of the key documents consulted is given at Annex E.
- (iv) Discussions with DFID members of staff, primarily the EDG², Evaluation Department (EvD) staff members, those operating the Joint Funding Scheme (JFS) and Social Development Advisers (SDAs).
- (v) Feedback from a group of ED consultants and researchers who participated in a one day 'Expert Panel' seminar at Durham University Business School to discuss the study's initial findings.

¹ The DFID Case Evaluations cover the following:

The BRAC Rural Development Programme, Bangladesh, Phase II and III (this focuses on ODA's contribution through the donor consortium to three aspects - enterprise development, grant provision and technical support for borrowers).

Two enterprise related projects funded through the Know How Fund (KHF): assistance to The Russian Small Business Support Agency (Business Planning Skills) in Moscow, Russia; and assistance to an Enterprise Education Programme (EEP) in Slovakia.

Two components of the British Aid to Small Enterprise Development (BASE) in Kenya: the Juhudi Credit Small Scale Enterprise Development Project (JCS) with K-Rep; and the Enterprise Initiatives Project (EIP).

² The Enterprise Development Group is a team of DFID advisers concerned with the department's enterprise focused projects. They are located within the Development Economics and Research Group of DFID.

Before the report was issued it was discussed in draft at a meeting between DFID's Projects and Evaluation Committee, the authors and representatives of Evaluation Department, to review the main conclusions and lessons to be learned from the study.

Evaluation Department

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ACRONYMS AND ABBREVIATIONS

BASE	British Aid to Small Enterprise Development (the local technical assistance team for ED based in Nairobi)
BRAC	Bangladesh Rural Advancement Committee
BDS	Business Development Services
CDS	Centre for Development Studies, University of Bath
CDESED	Committee of Donor Agencies for Small Enterprise Development
CEE	Central Eastern Europe
CGAP	Consultative Group to Assist the Poorest
DAC	Development Assistance Committee of the OECD
DAG	Development Administration Group - University of Birmingham
DFID	Department for International Development
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECIP	European Community Investment Partners Programme
ED	Enterprise Development
EDA	Enterprise Development Advisers
EDF	Enterprise Development Fund
EDG	Enterprise Development Group
EEP	Enterprise Education Programme
EIP	Enterprise Initiatives Project
EC	European Commission
EU	European Union
EvD	Evaluation Department within DFID
EVSUM	DFID Evaluation Summary Sheet
FSU	Former Soviet Union
GEMINI	Growth and Equity through Microenterprise Investments and Institutions (USAID funded ED project)
IDB	Inter-American Development Bank
IGVGDP	Income Generation for Vulnerable Group Development Programme
JCS	Juhudi Credit Small Scale Enterprise Development Project (under K-REP)
JFS	DFID's Joint Funding Scheme for NGOs

KHF	DFID's Know How Fund (formerly joint FCO/ODA's KHF)
K-MAP	Kenyan Management Assistance Programme
K-REP	Kenya - Rural Enterprise Programme
LF	Log Frame
MF	Micro Finance
MFI	Micro Finance Institutions
MLO	Multi Lateral Organisation
MSE	Micro and Small Enterprises
NGO	Non Government Organisation
NIS	Newly Independent States
OECD	Organisation for Economic Cooperation and Development
OPRs	Output to Purpose Reviews
PCM	Project Cycle Management
PCRs	Project Completion Reports
PEC	DFID's Projects and Evaluation Committee
PHARE	EUs Poland Hungary Assistance Programme in the Restructuring of the Economy
RA	The Russian Small Business Support Agency
RCP	Rural Credit Programme
RDP	Rural Development Programme
REME	(The BASE) Research, Monitoring and Evaluation Project
SED	Small Enterprise Development
SDA	Social Development Adviser
SEEP	Small Enterprise and Education Promotion Network
SME	Small and Medium Enterprises
SQW	Segal Quince Wicksteed Limited
TACIS	EU's Technical Assistance Programme for the Commonwealth of Independent States
USAID	USA's Government Aid Agency
VO	Voluntary Organisation

EVALUATION SUMMARY

BACKGROUND

1 This synthesis study examines the Evaluations of Assistance to the Enterprise Development Sector (ED) within The Department For International Development (DFID). It takes the key findings and the lessons learned from recent evaluation studies and experience in the Micro and Small Enterprise (MSE) development sector and other relevant documentation and presents them in a report for dissemination within DFID and elsewhere. The ultimate aim of the synthesis is to help enhance the impact, effectiveness, post-completion sustainability and other aspects of DFID's current and future support for the sector.

APPROACH

2 Synthesis studies are essentially desk based pieces of work, bringing together the findings and experience of a range of actors in the sector being evaluated. This study has included a greater degree of direct consultation with 'experts' in the sector to take into account the dynamic and evolving nature of the ED sector.

3 The findings in this report are based on five different sources of information: "the case evaluations" set out in the Preface to this Study; a range of monitoring reports and documentation from a further sample of 28 ODA and DFID ED projects (these 28 sample projects are listed in Annex B); a selection of Research and Evaluation reports from other Donors, Multilateral Organisations (MLOs) and researchers; discussions with DFID members of staff and feedback from a group of ED consultants and academics who came to a one day 'Expert Panel' seminar held at Durham University Business School.

FINDINGS

Enterprise as a tool for development

4 "Enterprise" means different things amongst those working in this sector (5.5). The same can be said for the different professional groups working within DFID. This confusion, or diversity, of opinion concerns not only **why** enterprise activities are important for development and **what** they are about but also **how** they can be used to achieve both economic and social gains (2.5-2.9 and 5.5).

5 At least in recent years, ED activities have proved to be beneficial development activities. This has not always been the case. In the 1970s and early 1980s the ODA involved itself in trying to promote small-scale enterprises through the public sector. On the whole this approach proved unsuccessful and, with the important exception of support for enterprise development in the agricultural sector, which continues, the ODA withdrew from it. In recent times, however, the majority of ODA/DFID ED activities covered in this review have largely achieved their objectives (80% of case evaluations and over 50% of sample projects) and would appear to have benefited those individuals, groups and organisations targeted for support (3.3, 3.4, 4.3, 4.4).

6 DFID's ED projects cover a broad range of different types and scale of activities. Particular attention has been given to micro finance (MF) related projects, many involving the capacity building of NGO intermediary organisations. This focus reflects the main thrust of ODA's 1995 Small Enterprise Development (SED) strategy document. DFID have developed some notable MF projects and are seen by others as having expertise in how best to deliver and support such projects (3.1, 3.25-28, 3.33, 4.2, 4.5-8).

7 Another priority area for attention in the 1995 strategy document was marketing support for MSEs (4.5 and 4.6). Whilst business development service activities do make up the greatest number of projects in DFID's ED portfolio, at the current time they do not include a large number of marketing projects.

8 The Enterprise Development Group (EDG) within DFID has supported the development and/or piloting of a range of innovative ED activities. This has not only occurred in the BASE (Eastern African) portfolio, but also through DFID's Enterprise Development Fund (EDF) and within other country programmes such as South Africa (3.5, 3.6, 4.5).

Modalities of Assistance

9 ED project experience to date has demonstrated the flexible and innovative use of DFID project identification, design, appraisal, delivery and management procedures, with beneficial outcomes both for those delivering and those benefiting from DFID assistance (3.5-7 and 3.10).

10. Non Government Organisations (NGOs) and Voluntary Organisations (VOs) have been the dominant delivery agents for ED activities and experience to date has shown that NGOs have proved to be effective and efficient in this respect. In a number of cases DFID assistance is helping to establish very competent new ED institutions such as K-REP, K-MAP, EMPRETEC and BRAC, which in turn are helping to build effective support

structures for MSEs and ED within their countries (4.8-11 and 3.25-29).

11 The transformation of NGOs from projects into competent independent organisations, provides a number of challenges for the practices and procedures of donors. The most notable concern the following: the need to allow sufficient time to effect the transformation; the use of Project Cycle Management (PCM) approaches with process activities; the funding of distinct projects versus core funding in larger multi-purpose projects; and the tension between organisational learning and delivery (3.28, 3.32-37, 4.11)

12 Most DFID ED projects have been funded as single donor projects. In those instances where funding is given alongside other donors DFID advisers appear to play a very proactive and effective role in consortium management (3.11 and 4.12). Where 'in country' ED advisers exist there is evidence of close and effective liaison with other donors.

13 Experience of DFID project delivery with the public sector has been mixed, and to date few ED projects have been with or through the public sector, the deregulation projects being one obvious exception. However, increasingly it is recognised that work with government institutions is critical for ED especially as they are important stakeholders in creating the enabling environments essential for effective ED (4.9).

14 Donors such as the European Union (EU) appear to have actively engaged the private sector, particularly in their ED programmes for the Former Soviet Union (FSU) (5.14). To date DFID have made some use of the private sector (both locally and in the UK) in their ED projects. DFID has plans to increase this involvement and to encourage more corporates to become directly involved in their projects (4.10).

Implementation and monitoring processes

15 NGOs (as with most new and small organisations) find it difficult to develop and deliver new services, and at the same time learn how to set up and manage new operational systems to staff and monitor their activities and assess impact (4.11).

16 ED project monitoring has been largely satisfactory, although it appeared to be a particular weakness of Know How Fund (KHF) projects (3.14 and 3.17). Microfinance projects appeared to experience common problems related to identifying and using appropriate and effective monitoring systems (3.45). Likewise specific DFID projects located within larger multi-donor programmes found it difficult to monitor discrete activities and their impact (3.12-13).

The Impact of ED activities

17 Whilst ED activities are seen as beneficial, it is not possible to give any realistic commentary on impact and sustainability when there has been such a short time lapse between project completion and this review (3.18, 3.32-37, 4.23-25 and 5.27-28).

18 Impact assessment was identified as a focus for attention by EDG in the 1995 SED strategy document as well as other donors (5.16). ED projects have recognised the importance of impact assessment and have made some progress as regards the nature of the indicators used for measuring impact assessment and the systems for carrying this out on a systematic basis. However, the lack of base line information against which to monitor continues to be a universal weakness for ED projects. DFID needs to further address this issue, whilst recognising that it is not a problem unique to DFID projects (3.21-24, 4.15).

Sustainability of ED activities

19 Development of sustainable ED delivery institutions was a priority for action in the SED1995 strategy document. The recent completion of most projects prevents an assessment of sustainability as such, but initial positive indicators are that most projects seem aware of their need to plan for survival (4.23). In the short term all the case evaluation projects and 80% of the sample projects appeared to have survived beyond their initial funding period (3.29-31).

20 DFID's ED projects and approach are recognised internationally as contributing to establishment of good practice in supporting sustainable ED support institutions (3.33 and 4.23).

Cross cutting issues - the Environment, Poverty and Gender

21 Little attention has been given to ***impact on the environment*** by any of the ED projects examined. The absence of explicit comment appears to stem largely from the small size and nature of the ED projects supported i.e. at an individual level the projects are deemed to have a negligible impact on the environment and no information is available with respect to the potential collective impact of several projects at either the national or international level. (3.29, 4.16).

22 ***Poverty*** reduction is a primary goal for DFID and hence for the work of EDG. Many DFID projects are directly targeted on poorer groups in society. There are notable differences between KHF and other bilateral funded projects as, until recently, the former

have had privatisation, the creation of a market economy and the creation of new enterprises as their primary objectives (3.40).

23 It has proved very difficult to measure the impact of ED projects on the position of poor people, whether as direct beneficiaries of assistance or as poor people employed or otherwise assisted by such direct beneficiaries (3.40-43 and 4.17-19). Nevertheless it is commonly recognised that ED activities tend not to benefit the poorest-of-the-poor.

24 **Gender** is also integral to much of DFID's work. It is relevant to DFID's ED work in that men and women can experience access to and the reality of enterprise ownership very differently. Very few ED project LFs make explicit reference to gender and when they do, the reference is usually to the number of women who are likely to be assisted (3.43-49, 4.20-22, 5.23-6).

25 ED activities, particularly MF related activities, have clearly given assistance to poorer women in terms of the numbers receiving assistance. However it is less clear in what way the women themselves have directly benefited from this assistance (3.47-48, 4.20-21).

Internal DFID Issues

26 DFID has been very active in commissioning ongoing external assessments of its ED work both at the project and the broader sector level (2.3). EDG are continuously lesson learning, but internal dissemination of such lessons appears to be lacking, as others within DFID do not seem aware of this (2.9).

27 Much of this review work concerned KHF and other bilateral funded projects. There appears to have been little substantive assessment of DFID's Joint Funding Scheme (JFS) funded ED projects and little comparison between such projects and others (4.7).

LESSONS LEARNED

Enterprise as a tool for development

28 ED is a valid and effective area of development activity for DFID to support, and it should continue to do so.

29 ED covers a very wide range of activities. Given this, DFID need to be explicit about what ED constitutes at the policy level and more practically in its scope for use as a tool

for both social and economic development. In this respect there is a need for EDG to update its 1995 strategy document (2.5-7 and 4.7).

30 It is important for DFID to maintain a balanced portfolio of ED projects. In doing so it needs to build upon what has been found to work, whilst at the same time retaining its ability and commitment to the support of innovation and the piloting of new initiatives, in what continues to be an evolving sector. The imperative remains for DFID to give greater attention to marketing for MSEs (4.5 - 4.7).

Modalities of Assistance

31 DFID needs to continue to allow ED advisers to act flexibly, using mechanisms and approaches well suited to exploring small scale innovative or fledgling activities and developing appropriate procedures for implementing and managing such activities. Such approaches are important for effective learning and implementation in the rapidly changing environment of ED. (9)

32 EDG need to continue their capacity building support of NGO as deliverers of ED activities, but need to be realistic about what can be achieved within a three year project time frame and encourage NGOs to network with other stakeholders including the public sector. (10)

33 Experience from a number of donors suggests that a 5 to 10 year project time frame with 'opt out' options is needed to help transform NGOs into competent independent delivery institutions. DFID should continue their flexible use of the three to five year project cycle time frame but also need to give more support to larger, more flexible staged ED projects when looking at process driven projects such as institutional capacity building. (11)

34 Whilst experience of government institutions as delivery partners for ED projects has been mixed, they should not be dismissed out of hand. DFID needs to recognise that the public sector are critical stakeholders for creating an enabling environment conducive to ED (13). Therefore DFID needs to continue to seek ways of working with the public sector as partners for ED.

35 Private sector organisations and businesses, both in the UK and locally in country, have the potential for a very active involvement in the support of ED and other donors have been successful in engaging this sector for ED work. DFID needs to actively pursue similar approaches following EDG; appointment of a new private sector adviser to their team and the creation of a Business Partnership Unit. (14)

Implementation and Impact of ED Activities

36 DFID needs to further address the main challenges faced in assessing the impact of ED activities. These include: the need to support baseline studies for monitoring purposes; the development of appropriate indicators to monitor and assess impact for Business Development Services (BDS) type projects ; the need to look beyond and behind 'numbers' to determine 'real' long-term impact; and connecting project outcomes with broader impact concerns such as poverty reduction and gender at the levels of the beneficiary, the project and the country. (17-18)

37 **Poverty.** DFID experience (and that of other donors) appears to indicate that enterprise projects are not always appropriate or are not easily accessed directly by the 'poorest of the poor'. DFID needs to have a better understanding of the relationship between the various forms of and approaches to ED and poverty reduction, to improve impact in this respect, wherever possible. (22-23)

38 **Gender.** Whilst EDG is conscious of gender as an important dimension for ED activities (4.20 and 22), there is a need for DFID to ensure that the concept of gender in ED is one that is fully understood and implemented at the project level. (24-25)

39 DFID needs to develop means by which **environmental impact issues** can be articulated and taken into serious consideration at the project level. EDG should use the REME project to explore the environmental implications of ED projects at the national or regional level. (21)

Internal DFID Issues

40 DFID needs to continue in the future to support a diversity of management channels and project types for implementing their ED work. (26)

1

BACKGROUND

Purpose of the Synthesis Study

1.1 The aims of this synthesis of evaluations of assistance to the Enterprise Development (ED) sector are twofold:

(a) To draw out from recent evaluation studies and other relevant documentation the key findings and lessons learned from experience in the Micro and Small Enterprise (MSE) sector and present them in a report for dissemination within DFID and elsewhere;

(b) and thereby to help enhance the impact, effectiveness, post-completion sustainability and other aspects of DFID's current and future support for the ED sector.

The detailed Terms of Reference for the study are given at Annex A.

Methodology / Approach adopted for the study

1.2 Synthesis studies are essentially desk based pieces of work. This study adopted such an approach, primarily, although it also included a greater degree of direct consultation with 'experts' in the sector, to take into account the dynamic and evolving nature of the ED sector.

1.3 The findings in this report are based on five main sources of information as listed in the preface.

1.4 On a practical note the synthesis study was commissioned in parallel to the five evaluation studies. As all five studies were delayed in their reporting this in turn affected the original work plan for this synthesis study. It would prove more time and cost effective

if the synthesis study was commissioned after first drafts of the evaluation studies were completed.

Report layout

1.5 The report first examines the nature of ED work and how the activities of this relatively new, and rapidly evolving sector, are interpreted and applied in the field. The report then examines lessons both from the case evaluations, using the EvD's evaluation framework as a means of reporting the key issues emerging and DFID's broader project experience in the ED sector from the 28 sample projects . The report then goes on to compare this with the experiences of other key donors, MLOs and field research highlighting recurring issues that have emerged.

1.6 The scope of ED and the documentation available on the topic area are both extensive. Given the time constraints and the nature of this synthesis study exercise, it is inevitable that this report is selective. Nevertheless we feel the findings presented are current, representative and reflective of DFID and other major donors' ED experience.

2

THE NATURE OF ENTERPRISE DEVELOPMENT IN DFID

2.1 Introduction . This is the first evaluation and synthesis exercise on ED undertaken by DFID's Evaluation Department (EvD). As such we felt it was important to reflect on the specific nature and role of 'enterprise' as one of many means of assistance open to DFID. This view was further endorsed by the synthesis study itself, as it became clear that the term enterprise meant different things to different people, both within DFID and outside. Below we discuss the nature of enterprise, the issues surrounding its adoption as a tool, mechanism or focus for work by the Department and the need for some collective understanding of 'enterprise' if it is to be utilised effectively.

2.2 It was also important to discuss the nature of enterprise because DFID, as an organisation, is going through a period of review and change. For example it has published a White Paper "Eliminating World Poverty" (DFID, 1997a) which highlights a much greater focus on the Department's primary aim of poverty elimination. DFID's systems of work and consultation are also under review. Whilst the synthesis study is primarily a reflective and summative exercise, it was important to note these changes, to help ensure that ED activities are appropriately considered and placed within DFID's work in the future.

2.3 A New Field within DFID. Whilst DFID have a long history of involvement with enterprise development through public sector initiatives and 'on farm' activities, enterprise as a discrete tool of development is a relative newcomer to the range of activities undertaken by DFID. It is also an area which is developing quickly. Prior to 1989, the then ODA had only two or three discrete off farm small businesses or projects as such. A Small Enterprise Development Adviser, initially engaged as a consultant, was only appointed as a member of DFID staff in 1990. He was joined by a second adviser in 1992 and now heads the EDG team of 8 advisers plus associate consultants. The role and importance of ED work to date for DFID has been put forward very succinctly in a number

of reports, notably an EDG review exercise in 1993 (see Grierson, 1994) and the strategy documents subsequently developed and widely circulated (ODA, 1995 and Scott, 1995). Following the lead of other professional groups within DFID, EDG members have recently had their first 'retreat' to review their work, this being perhaps an indication of the EDG's and enterprise's "maturity" within the DFID fold. The emerging position of enterprise work within DFID has a number of implications for this synthesis study.

2.4 A Current Portfolio. The first and foremost is that most DFID enterprise projects are either current or have only very recently been completed. At the time of the study, 189 ED projects were categorised as current, only 12 projects as completed (all of the latter within the previous three years). Such a small number of so recently completed projects provides a small 'population' from which to select a sample for evaluation and makes it difficult to undertake any realistic ex post impact and sustainability analysis.

2.5 Defining the term 'Enterprise'. One of the most striking findings perhaps, during the Synthesis study has been the range of definitions applied to and the understanding of what is meant by the term 'Enterprise Development'. 'Enterprise' is interpreted and applied in ways ranging from survivalist income generating projects through to small formal growth businesses and from cultural and attitudinal change activities, and new teaching practices in education through to privatisation of public industries and work on legislative frameworks. Whilst this diversity can reflect flexibility of application and bring with it a breadth of experience and learning, our discussions with DFID staff and others suggest that this is not always the case. The adoption of different interpretations of enterprise by different parts of DFID can result in conflicting expectations leading to a degree of misunderstanding and misrepresentation (e.g. 'Enterprise is just about 'credit delivery') and 're-invention of the wheel' in terms of how best to support enterprise. As education, social development, natural resources, health and population groups within DFID incorporate enterprise activities within their programmes and projects, so the opportunity for confusion and misinterpretation increases. The Expert Consultation meeting discussed this lack of a collective definition for or common use of the term enterprise within DFID. They agreed that it is not the lack of a single definition for enterprise as such, that causes concern, rather the absence of an underpinning conceptual framework to guide DFID's enterprise activities.

2.6 As a new distinct sector of work within DFID, the scope of enterprise has invariably changed and evolved as it "settles" within the framework of DFID itself. For example the initial enterprise adviser was labelled "Small Enterprise Development Adviser" and the Small Enterprise Group emerged. Very recently it has been renamed as the Enterprise Development Group (EDG). Similarly EDG has recognised that it works with a range of 'small' businesses under the umbrella of enterprise and has adopted a simple system of

categorising businesses, based upon those used by GEMINI in its various enterprise¹. Furthermore DFID can and does support activities which embrace a much broader definition of enterprise beyond those directly aimed at businesses including “culture related” projects such as the school enterprise education projects. Indeed the Expert panel felt that DFID’s recognition (although perhaps not consciously) of a broader definition of enterprise not solely ‘small business’, was seen as a particular strength, when compared to other major donors such as USAID and the EC which tend to view enterprise in the narrower, purely business related sense.

2.7 No doubt the term “enterprise” will continue to evolve within DFID which is why a narrow definition of the term would not be appropriate. However, as noted in para 2.5 above (and by Grierson in his 1994 Review), there is a need in DFID for some underpinning framework which examines why and how enterprise development is important, its role for different groups in differing contexts, and the scope for its application and use. As Grierson noted “It would probably be helpful to the principal users of SED services in ODA’s country and regional offices to have an SED strategic framework outlining the basic issues and options, and describing recommended approaches and mechanisms” (1994, 11). The case for such a framework is even more critical today, both for the induction of new staff within the EDG as it grows, as well as for wider dissemination throughout the Department. Without such a framework there is a danger that enterprise will be interpreted in the narrowest sense as “delivery of credit to the poor” or at the other extreme as a “universal solution for the indigenous generation of employment and income.”

2.8 **Heterogeneous Project** Symptomatic of the above point is the fact that DFID’s portfolio of enterprise projects is extremely varied, particularly if one includes the range of projects funded through the Joint Funding Scheme (JFS). Within the current portfolio of ED projects the scale of funding range from £50,000 to £8million; the objectives range from changing the attitudes of school children to the sustainable delivery of credit to small enterprises; the groups targeted for aid range from poor illiterate women in rural areas to academic professionals in Moscow; and the delivery mechanisms for such assistance include government departments and large private financial institutions through to small local NGOs and trade union associations.

2.9 **The Evolving Nature of Enterprise** Enterprise is also a relatively new and rapidly evolving area of knowledge and experience more generally. The current level and depth of knowledge and understanding of how best to stimulate, promote and support enterprise

¹These definitions (based on size turnover and degree of formality) range from extremely small survival and household enterprises through to micro, emergent, small, growth, and medium enterprises (see ODA, 1995, Scott 1995 for details). This crude categorisation is generally accepted in developing economies but needs adaptation for transitional economies.

and enterprising activity more broadly in different environments has emerged only within the past twenty years. As with the earliest stages in any new field of work the learning is fast and furious. DFID has benefited from entering the ED field later than some other donors and thus gaining from their successes and failures. The field as a whole is characterised by extensive and ongoing lesson learning especially by those operating at field level. The EDG themselves are continuously engaged in lesson learning. They bring together their ED partners to discuss and review their activities (see e.g. BASE, 1996) and have commissioned a number of research studies to help better understand their support of ED (e.g. Gibson 1995 & 1997 and Burns et al 1997). This continuous lesson learning is to be commended, further supported and made more widely known throughout the Department. It also raises a challenge for the Department's normal synthesis evaluation process which inevitably adopts a rather 'snap shot' approach, being desk based and undertaken on a five to seven year review cycle, to what is essentially a very dynamic rapidly evolving new sector of activity.

3

DFID EXPERIENCE IN ENTERPRISE DEVELOPMENT - THE CASE EVALUATIONS

Introduction

3.1 This chapter presents findings and lessons from the five case evaluations.² Table 3.1 illustrates the diversity of DFID ED projects which include an Enterprise Education Programme in Slovakia; institutional capacity building for a support agency in Moscow; a micro finance (MF) project as part of a larger and longer term multidonor input to one of the world's largest NGOs in Bangladesh; a 'venture capital fund' for pilot enterprise projects in Kenya and a MF project within an emerging micro finance institution (MFI) in Kenya.

Table 3.1 Characteristics of the Five Case Evaluations

Location/ coverage	Type of Project	Scale 5 Form of funding (£)	Timescale	Agent	Inputs
Russia Moscow	Business Planning Skills	£50,000	5 months Oct '94-Nov '95 Single Donor	Single NGO Newly established	SingleUK Consultant
Slovakia pilot schools:- Nitra Ruzomberok Kosice	Enterprise Education - Training in Schools	£318,124 (Phase I & II)	3 years: 1992-1994 1994-1995 Single Donor	Grouping of schools and teachers	Consortium of 5 UK Consultants
Bangladesh (National coverage)	- Micro Credit -Institutional capacity building -Enterprise training	Phase II £7.7m of (£35M) Phase III £8m of (£39M)	8 years 1989-1994 1993-1996 Part of Multi Donor Consortium	Single NGO established 16 years ago	Multiple advisers and consultants

² References to items and notes in the evaluation reports use the following acronyms to denote their authorship. DAG1 for the EIP report; DAG2 for the K-REP report; SQW1 for the Slovakian report; SQW2 for the Russian Agency report; and CDS for the BRAC report

Location/ coverage	Type of Project	Scale 5 Form of funding (£)	Timescale	Agent	Inputs
Kenya	Fund for Small Pilot enterprise projects	£260,000 EIP1 £ 40,000 EIP 2	1992 - 1995 1995 - 1998 Single Donor	'In house' fund using different Partner organisations	In house and local/UK consultants to evaluate
Kenya	- Expand Micro Credit development delivery. - Institutional sustainability	£1,576,882	Jan '93 - Dec '95 Other Donors support but no formal consortium	Single NGO established 13 years ago	Range of local and international consultants

3.2 Drawing common lessons from the experiences of such a broad, some might say eclectic grouping of projects presented a major challenge! To help simplify presentation, the format in this chapter follows that used in all DFID Evaluation Reports i.e. Overall Performance, Input Issues (identification design and appraisal), Implementation and Monitoring, Outcomes, Impact and Sustainability and Cross Cutting Issues.

Overall Performance

3.3 The overall experience of the case projects has been positive with four of the five projects awarded 'A' success ratings indicating that their 'objectives were largely achieved with significant overall benefits in relation to costs' (See Annex D for the full profiles). The Enterprise Education Programme (EEP) in Slovakia was seen as having been "very successful in achieving its objectives and in some cases exceeding them" (SQW1). "The ODA support to BRAC over the period 1989 to 1995 was effective" (CDS, pi), and the K-REP project was judged 'to have been successful in terms of largely achieving most of its objectives and there were significant benefits in relation to the project costs' (DAG2, p28). An extremely important aspect of BASE's Enterprise Initiatives Project (EIP) pilot fund was its "substantial contribution to building BASE's work though providing a low cost means of experimenting, exploring and learning regarding approaches organisations and individuals to work with" (DAG2, p7).

3.4 The Russian Small Business Support Agency Project (RA) was given a lower rating 'B'. Whilst it was seen as a very efficient and effective project in many respects the focus of its activities changed during implementation, it failed to deliver certain planned outputs and the evaluation team found little evidence of the RA applying in its practice the business planning skills the staff had been taught.

Input Issues

3.5 None of the case evaluations revealed any significant problems with the identification design or appraisal of projects. The cases present a range of different identification design and appraisal situations and demonstrate the measures adopted by staff which reflect this diversity. This is partly a reflection of the procedures employed at the same time for KHF and bilateral funded projects. It also shows that EDG advisers have managed to be responsive to need and to adapt, the somewhat prescriptive PCM process to work effectively with diverse projects within rapidly changing environments.

3.6 In many respects the RA project can be regarded as an appraisal exercise, by which the KHF adviser used the project to assess the RA's capacity, capability and commitment for delivering a larger project. "The financial investment enabled the KHF to take stock of a potentially significant body, assess the scope of possible functions and its relative focus before a decision was taken about further technical support" (SQW2, p4). This was the explicit objective of EIP in Kenya which constituted an exploratory fund to investigate and test out new project ideas. The Slovakian EEP adopted what was an "unconventional approach to commissioning and designing...The project approach was evolutionary and milestones were agreed in terms of activities which needed to be delivered by a particular date" (SQW1, p37). Such flexibility engendered great commitment to and ownership of the project, by all the partners concerned. This in turn appears to have motivated the Slovak team to maintain the project's activities during a gap in funding and the UK consultants to help them successfully obtain funding for further activities.

3.7 The process of identification design and appraisal for the Rural Development Programme (RDP) project at BRAC followed more conventional ODA and now DFID procedures. In doing so it illustrates the problems faced when using the three (in this case four years) PCM/LF approach to discrete projects which are only one part of a much larger long term capacity building programme³. Of particular concern, to the evaluators, was the amount of time BRAC staff spent on managing and monitoring the 'cycle stages' in relation to that spent on delivering their 'core' work. As the CDS report states "between February and April 1992, BRAC had approximately 13 expatriate (not all ODA) consultants working with them on review and appraisal missions. The amount of time which senior BRAC staff had to devote to looking after the expatriate teams represented a major distraction for the organisation" (CDS pii and p13).

³It should be noted that DFID does recognise and give guidance on the design and implementation of 'process projects' in its Technical Note 4

3.8 Several other “input” issues were highlighted by the case evaluations: the need for appropriate quantitative and qualitative targets and procedures for the ongoing collection and monitoring of related data - the need for ‘up front’ consideration of and preparation for clear exit strategies by projects; and the limited, if any, attention given to the cross cutting issues of poverty, gender, by all but the BRAC project.

Implementation and Monitoring

Implementation

3.9 The overall impression given by the case evaluations is that of ‘well managed projects achieving the majority of their outputs’. A number of identified outputs had not been achieved by each of the projects. For the establishment of a separate Bank as a distinct entity within the BRAC project; achievement of the projected volume of business support services by RA; and the establishment of local management groups by the EEP. However the evaluation teams do not appear to have felt that these “failures to deliver” fundamentally undermined the essential success of the projects although the basis for these conclusions was not always clear.

3.10 Both KHF projects were praised for their effective implementation, especially the ability of the local team and ODA advisers to be flexible and adjust to the ever changing environments in which they operated. Very positive reports were also given to the Kenyan projects. The managers (BASE staff) of EIP were seen to have “avoided the worst risks that a small projects fund faces ... and have maintained a responsive flexible and highly interactive project” (DAG1, p8). Likewise K-REP was complimented for efficient and effective implementation having achieved its project targets in three years instead of five. The only point of weakness at K-REP related to its inadequate management information systems, which delayed quarterly report production and made data gathering for the evaluation study itself time consuming.

3.11 Another very positive point made as regards implementation more generally was the value of inputs by ODA ED advisers to the projects. This was particularly noted in the BRAC report where the advisers were seen to have been very active and effective players in the donor consortium. Examples quoted were their prompt actions to raise awareness about the potential crisis in BRAC’s loan fund operation in 1993 and being instrumental in the leveraging of specialist financial assistance for BRAC to help stabilise its situation and set up new practices.

3.12 The only notable concerns as regards implementation also came out of the BRAC study. This was to be expected, perhaps given the scale of funding, the exploratory nature

of the activities supported, and complex set of multi-donor relations, which surrounded ODA's assistance to this organisation. The main concern raised by the evaluation team related to the lack of clarity between the two major project areas of the RDP and the Rural Credit Programme (RCP). These were funded as two distinct areas of work and yet it was difficult to distinguish between their activities on the ground and hence to monitor and measure their respective progress and performance. From DFID's point of view it is difficult to be clear whether the RCP activities, which are said to have effectively replaced the intended BRAC Bank, have actually produced the same (or equivalent) outputs that had been envisaged for the Bank, the establishment of which constituted a major objective of ODA funding.

3.13. This difficulty is not unique to BRAC nor to ED projects. Tracking and monitoring discrete projects, when they are part of a much larger and complex range of activities within a large organisation which is itself, evolving and developing, is extremely difficult.

Monitoring

3.14 In general the case evaluations reported that project monitoring performance was satisfactory. The main areas of weakness highlighted were as follows: the absence of specific output indicators and data collection procedures in the two KHF Projects; the absence of any gender monitoring and reporting in all but the BRAC project; and weak management information systems, particularly in the K-REP project.

3.15 The first two issues are symptomatic of weaknesses at the project design and appraisal stage, perhaps a reflection of the different systems operating for the KHF at that time. The latter appears to be more a feature of poor data collection and management systems. The evaluation team note "that a great deal of individual pieces of information are produced, but it is not used to generate timely information in a form suitable for management reports" (DAG2, p18). This problem was seen to arise for two reasons. First the absence of an integrated data management software system and second delays in the time flow and quality of information coming from the lending groups through the area offices to the headquarters of K-REP. Such problems are common in organisations which are developing rapidly and very much symptomatic of newly emerging MFIs (see Ferrand and Havers, 1997).

3.16 It is interesting to note that similar concerns were expressed about BRAC's operations in the early 1990s and specific ODA assistance was given to a BRAC 'Research Impact Project' and 'Impact Assessment Study'. Both have assisted BRAC to improve its monitoring systems, which in turn has enabled it to improve its monitoring of their

impact. In addition this assistance appears to have helped BRAC better utilise the information generated in day to day management operations, its strategic planning and what and how it reports to its donor consortium. Whilst BRAC is a significantly larger and more complex organisation than K-REP, there is an opportunity for lessons to be transferred, particularly given that both organisations are having to service the differing needs of several donors.

3.17 The only other issue raised, related to ongoing monitoring systems by the two KHF projects. For example the EEP consultants noted that “since the end of the project no system of monitoring and evaluation has been in place, ... although the core trainers can provide lists of teachers trained, this information is fragmented and is not used for evaluation purposes” (SQW1, p37).

Outcomes and Impact

3.18 Before discussing some of the common impact issues identified, it is important to note two points of caution. The first is to re-emphasise the short time lapse between project completion and the evaluation exercises of all the case evaluations. In all five cases the project or that particular phase of project being evaluated had only been completed in 1996. There had been 18 months at most between the ending of the projects and these ex post evaluation studies. Given this short time lapse, the degree to which any realistic comment can be made about impact and more importantly the sustainability of the evaluated activities is questionable. At best, we are looking at project outputs and initial impressions of immediate and direct impact. The second is that some of the projects, (notably those with BRAC and K-REP), constitute relatively small elements of much larger longer term multi donor programmes. It is often extremely difficult to identify and attribute the influences of these discrete DFID projects within the broader longer term activities of these organisations.

3.19 In simple project input/output terms the case evaluations report that the majority of identified project outcomes were achieved very efficiently and effectively with positive benefits for those assisted. The BRAC report notes “Over the period of RDP II and III BRAC has had a significant impact in poverty alleviation work” (CDS, p18); the Kenyan team note that “K-REP lending has led to an increase in SME business profits and or household incomes” (DAG2, p vii); and for EEP “There is no doubt that the project made a major contribution to the development of an enterprise culture in the education system in Slovakia, and it is doubtful whether any of the results would have been achieved without the benefit of the project” (SQW1, p2).

Impact for Target Beneficiaries

3.20 Given the issues noted in 3.14 it was not surprising to find that the main issues raised concern the project partners ability to actually measure impact and in particular who had benefited and in what ways had they benefited from the ED support activities.

3.21 The EEP in Slovakia was criticised for the absence of any quantifiable information relating to the impact of its training - i.e. number of students and teachers trained; quality of training; qualifications achieved etc. The same was said for the RA project. It was noted earlier that RA shifted its focus from directly supporting businesses to helping other support agencies. No information was given however (in the evaluation report, because none had been collected) to show what this shift has involved in terms of the scale and nature of support given, and to whom or how this related to any original targets set for the project. The EEP report also highlighted the absence of appropriate qualitative indicators to measure the impact of factors such as “attitudinal change” and becoming “more enterprising”. This was not seen so much as a failure of the project, rather it reflected a much broader challenge for any donor supporting such activities and trying to measure their short to medium term impact.

3.22 For BRAC there has clearly been a significant increase in the number of individuals receiving credit, from 550,000 members in 1989 to 1.2 million in 1995, but it is difficult to comment beyond this. Whilst the CDS report on BRAC refers to some documentation on ED including a detailed impact Assessment Study and a ‘Micro-enterprise Review’ by Ritchie in 1993, little quantitative or qualitative data is given beyond the number of members and amount of credit dispersed. The evaluation team was set the task of commenting on the impact of BRAC in terms of enterprise development, but found it difficult to comment given the lack of evidence available as regards the enterprises supported by the RDP II and III activities. The report notes that BRAC has adopted a non minimalist approach to ED has focused on a small number of sectors notably poultry, livestock, irrigation fisheries and agriculture, and established a separate sub unit Rural Enterprise Programme to experiment “with innovative ideas, new technologies and business opportunities with a view to these being incorporated into the RDP portfolio of creditworthy income and employment generating activities” (CDS p.22). Reviews of this programme appear to have been mixed and the CDS report confirmed that problems still persisted at the time of their visit but did not detail what problems and why. In summary it is clear that BRAC has had some success in establishing micro enterprises i.e. income and employment generating opportunities, with its client groups. However it is not possible from the information given to say what impact this has had for which target groups and whether they have been particularly effective in how they have supported such activities.

3.23 The issue of “qualitative” indicators and the precise nature of impact beyond ‘counting’ recipients has presented the greatest challenge for the case evaluations. The K-REP evaluation team raise this in relation to the types of businesses assisted and also the target group in receipt of assistance. It noted that “In order to improve its financial and institutional sustainability K-REP was forced to slow the pace of growth of its client base ...There has been a bias towards urban dwellers with existing enterprises” (DAG2, vii). Clearly there is no detractor from the significant achievements of K-REP in extending credit to a larger target group both in terms of volume and coverage. However in terms of ED impact there are questions of who receives the loans and what type and form of activities they are used for. Furthermore do answers to these questions meet with the overall objectives for the project and more broadly DFID’s ED objectives through its BASE programme?

3.24 Another question raised is whether the volume and scope of loans issued have been achieved at the expense of working with a smaller “less poor” target group? Again this is not an issue unique to K-REP. Instead it is a universal challenge facing donors who support micro finance projects. For example it is raised by the donor consortium supporting BRAC, and as noted earlier ODA gave technical assistance to help BRAC examine the impact of its work - and in particular the social qualitative dimensions of its enterprise and economic focused work. Whilst there have been criticisms of the impact assessment study that was undertaken, it does represent “one of the most thorough and thoughtful attempts to assess NGO impact in the current literature”. (CDS, p19) and as such there would be value in circulating the lessons from such work to a much wider DFID project audience.

Impact on Institutional Capacity

3.25 All the case projects have been involved, to a greater or lesser extent in helping to build the institutional capacity of the assisted organisations. Indeed in the case of K-REP one of the key project objectives was to “establish a financially viable small and micro-enterprise credit mechanism” (DAG 2, V). The overall impression is that the projects have had a positive impact in this respect.

3.26 For RA in Moscow the evaluation found that staff felt the business planning skills transferred during the project were of value ‘in their personal and professional development’. (SQW2, p2). Although the evaluation found the “project was less successful in persuading the RA to adopt the disciplines of business planning,” the evaluation acknowledges that the organisation has developed professionally “its role status and reputation has increased” and the “charismatic style (of management) and the

opportunism which it displays is probably appropriate and necessary in the environment within which the Agency operates” (SQW2, p1& 3).

3.27 ODA assistance to K-REP appears to have helped the organisation to develop and consolidate. As the evaluation report notes “K-REP argue that managerial sustainability is as important as financial sustainability and it is clear that they have made considerable progress in moving from an NGO dependent on the personalities and drive of its inventors to an institution based on systematic management structures” (DAG 2, p 18).

3.28 BRAC is a well established organisation, amongst the best known development NGOs in the world today. Nevertheless, in 1990 there were notable organisational weaknesses, particularly with its policy formulation processes and its analytical and presentational capabilities. ODA assistance helped to strengthen these areas as well as staff financial management skills. The evaluation team felt that assistance through RDP II & III could “be identified as having played an important role in making BRAC the currently effective organisation that it is” (CDS, p1).

Sustainability

3.29 In terms of sustainability the ED projects are shown to have played a significant role, either in helping to establish a well motivated efficient organisation, with a good foundation for survival and growth (the case for the RA and EEP), or to have assisted in the further evolution of an organisation into a more mature, well managed and strategically oriented institution (the case for BRAC and K-REP). All five project activities continue to function to some extent, (with evidence of demand for and satisfaction with their activities) and all five project partners have secured DFID and/or other donor funding for their ongoing activities.

3.30 A critical factor that has been identified for the long term sustainability of any development projects is the sense of ownership felt by the local partners⁴. In the EEP case this sense ownership by the teachers was developed from the project design stage. Subsequently, the local team’s commitment and drive have enabled the teachers to maximise the dissemination and impact of their experience, to sustain delivery during a period without external funding and to maintain enthusiasm in what has become a rather cynical and critical climate for ED in Slovakia.⁵

3.31 For RA, KHF assistance was seen as critical to its future. “It was a factor in defining the status of the Agency and in attracting additional donor support. The Agency has

⁴ This is recognised by DFID in its technical guidance on institutional development (DFID, 1995).

⁵ This point was emphasised by one of the UK consultants to the EEP in his own review of the project, see Peffers, 1997.

continued to grow and expand and in 1997 is a prominent strategic player in SME development” (SQW2, p3). Even though it is “meeting a different set of needs (from those originally planned for the project) its skills and expertise are far from redundant” (SQW2, p20). Both EEP and RA have managed to secure additional term funding from the EC through the TACIS and PHARE programmes which guarantee their short to medium term survival.

3.32 Some questions were raised by the evaluations, as to whether short to medium term successes will translate into long term survival. For example it was noted that RA have not adopted the disciplines of business planning needed for long term growth. For EEP the challenge was seen as whether the transfer of enterprise ‘know how’ within the school system has equipped the teachers with sufficient networking ‘know how’ to engage with and involve the local business community and other key stakeholders critical for the continuation of their work. Clearly at this stage no useful forecast of such prospects can be made.

3.33 For K-REP and BRAC the issue of sustainability is much more about consolidation rather than with birth and survival. This stage of organisational development raises a number of different issues and concerns. There is no question that K-REP is performing well. The project completion report for JCS in 1995 stated that the project had largely realised its main objectives and in organisational terms K-REP had undergone a period of institutional strengthening and deepening and was managing the process of change from a project to a sustainable institution very well. Indeed a recent ACCION publication (Rhyne & Rotblatt, 1994) listed K-REP as a “noteworthy microfinance organisation and in particular the only institution reviewed that has completed a cycle of succession fully and successfully.” The evaluation report however, raised two issues concerning K-REP’s longer term sustainability.

3.34 The first concerns the dilemma and tension between the demands of financial sustainability versus the achievement of broader social goals and reaching priority target groups. As the evaluation team note - K-REP assistance inevitably becomes less accessible to the non urban, poorest groups as cutting transaction costs and generating credit volume becomes the priority and yet the latter actions are a necessary priority for both financial and institutional sustainability or the organisation. The same dilemma was also reported in the BRAC evaluation. This tension becomes critical when organisations are expected to perform and be assessed within a typical 3 to 5 year project time frame. Expectations that organisations can develop and deliver services, learn to learn themselves and so develop as institutions and demonstrate their ability to sustain themselves within a 3 to 5

year time period is highly questionable. BRAC was first established in 1972. By 1989 when ODA first gave assistance, it needed significant help to move forward institutionally. Ten years later it is well on the way to becoming a well established effective and efficient organisation. It has however taken 25 years to come this far, BRAC is still learning and continues to receive substantial donor assistance in doing so. K-REP was first created in 1984, it has developed rapidly but is still learning and developing in 1998. Such time scales provide important lessons for sustainability and institutional capacity building that need to be considered when using short project time frames.

3.35 The second dilemma concerns the tension between the need to sustain a volume of service delivery and at the same time maintain the quality of support to borrowers both in terms of the level and nature of technical assistance given. K-REP has achieved considerable success in extending its services over the past five years. It now has five area offices, has increased its credit staff from four to 44 credit officers and increased its loan disbursement from 1,507 loans in 1991 to 9,521 in 1996. Similarly, BRAC has increased its membership and services significantly. In 1989 it had 550,000 members receiving loans; these had increased to 1.2 million by 1995. Clearly these are impressive results achieving key project objectives. However, qualitatively there are indications that both the nature and level of support given has been reduced - particularly as regards the social development aspects for BRAC and the non financial general business advice available to K-REP borrowers.

3.36 A 'lean and mean' or 'minimalist' approach to credit delivery may well perform successfully in the short to medium term and indeed organisations are encouraged to adopt this approach. However, if it means that borrowers are not sufficiently supported to run effective enterprises or manage their groups well, then there is a danger that loan repayment and growth rates may be affected. The continued coherence and effective operation of K-REP's and BRAC's credit and member groups are what underpins the long term survival of these organisations. The evaluation reports for both K-REP and BRAC say there is evidence to show that group 'fallout', loss of membership and loan delinquency is occurring and this could undermine the long term survival of organisations such as K-REP and BRAC.

3.37 ED institutions need to promote a careful balance between the need for MFIs to be efficient in their delivery mechanisms and yet be effective in supporting the development of their client groups whose demand for loans and ability to repay ultimately determines their survival. This remains for them an important unresolved challenge. This is clearly a dimension of ED intervention which requires further monitoring and investigation.

Cross Cutting Issues

3.38 In all evaluations DFID requires an assessment of projects to reflect on their impact with respect to poverty, gender, the environment and institutional development. In general, the last mentioned issue has been well addressed as it has been an integral objective for four of the case projects. Environmental impact was not addressed (see para 3.39). It is only in the BRAC report that the issues of poverty and gender have been discussed in any detail.

Environmental Impact.

3.39 It has not been possible for this synthesis to comment on environmental impact issues and ED as none of the five case evaluations made any substantive reference to this issue. It would appear that environmental impact was deemed as negligible, because of the nature and small scale of the projects themselves.

Poverty

3.40 The reduction of poverty has long been a primary goal for DFID and its predecessor as an organisation. The Department's recent White Paper reinforces this, clearly stating "we shall re-focus our international development efforts to eliminate poverty".(DFID 1997, p2). With respect to the KHF, the paper states "the KHF has achieved much but programmes now need to be reshaped to give greater emphasis to protecting the poorest and to enabling the widest number of people to share in the fruits of change" (DFID 1997a.2.27). The critical challenge for DFID supported projects is to understand how they relate to poverty. Do their activities help address the problem of poverty? If so, how? How does one measure and assess the impact of their activities in terms of poverty reduction? These are not simple or straight forward questions for ED projects as is amply demonstrated by the case evaluations.

3.41 There is no reference to impact on poverty in either the EEP or RA reports. Neither of the Kenyan reports gave ratings for poverty impact in the Project Success Rating framework because as the reports note, although projects "of this nature clearly have scope to have a positive impact on women and poverty reduction the projects did not have these goals explicitly built in the project design" (DAG1&2, see also note 1 of the Table at Annex D).

3.42 It is only in the BRAC evaluation report that there is any notable discussion about impact as regards poverty. Poverty alleviation is clearly of major concern for BRAC, as it

underpins the rationale for the organisation's existence. Consequently there is commentary on poverty issues throughout the evaluation report. It recognises that many of BRAC's members are not the poorest of the poor. Nevertheless, they are poor by any international standards and the overall view is that BRAC activities (to which one has to assume ODAs projects contributed) have benefited poor people both materially and socially. In particular its Income Generation for Vulnerable Group Development Programme (IGVGDP) project represents "an important effort to support destitute women" (CDS,ii). There is recognition that the push to increase membership and extend the volume and scale of credit issued may compromise BRAC's social development role and in doing so shift their impact from the poorest groups. It is something which BRAC is actively monitoring as it gives cause for concern both to themselves and their more socially focused donors.

Gender

3.43 Gender receives minimal attention in this evaluation exercise, which is surprising given the very different experiences that many men and women have of enterprise development. In all of the reports the term 'gender' is interpreted as referring to the issues and experiences of women and indeed at the time of this study in DFID's 'Project Success Rating Framework' the criteria of assessment used is "Impact on Women".

3.44 The two KHF projects make no reference to gender or impact on women. Clearly the absence of any data on the number of teachers and students receiving enterprise training/education, prevented any comment on the relative involvement of men and women in the Slovakian project. The same can be said for RA.

3.45 Neither the Kenyan report gives a rating to impact upon women, for the reasons already given (para 3.41). Indeed K-REP "felt it was unfair for the Evaluation Team to judge the project by these criteria" (DAG2, p xiii). Similarly in the EIP the evaluation notes that "neither BASE generally nor EIP within it, has explicit poverty or gender objectives" (DAG1, p26). Having said this, it is acknowledged that many ED projects do help poor women and the report goes on to state that "BASE has a 'mainstreaming' approach to gender attempting to direct assistance within projects towards gender needs rather than setting up separate projects" (DAG1, p26).

3.46 It does seem contradictory that a leading MFI such as K-REP, implementing a project providing credit to small scale enterprises on a sustainable basis, would not have experienced some gender issues, particularly given that 50% of its clients are women. Indeed the EIP report contains an interesting point where the BASE team itself raises

some gender issues about its ED activities. “BASE management observes a need to develop new products to address the needs of poor men, for whom group based micro finance is often less suitable” (DAG1, 26) and yet there was no requirement for gender monitoring by K-REP, one of BASE’s most successful organisations. Such monitoring could help to inform BASE how best it might develop such products.

3.47 The BRAC report is the only one which makes any notable reference to gender although once again it focuses specifically to women. Impact upon women is seen as of “Principal” importance in terms of project performance and it is rated as ‘B’ in this respect i.e. some objectives have been achieved. This rating is given because the RDPII and III projects have benefited more women numerically but not necessarily in qualitative terms. BRAC has increased its membership nationally “of poor men and especially women” and by 1995 women constituted 92% of BRAC’s membership (CDS, p28). However, whilst this increased access to credit is regarded as having been of benefit there is little evidence to show whether women benefit directly and in what way. The report states “the impact on women members is less impressive than the project rhetoric might suggest” (CDS pii).

3.48 Whilst little substantive evidence or practical examples are given in the BRAC report itself, the main issues expressed by the evaluation team were:

- that having women members was more to do with organisational convenience (i.e. easier to quickly extend membership nationally through women) than any positive ideologically driven development objective;
- whilst the poorest women were targeted through the IGVGDP project, there appeared to be no working progression strategy to help these women mainstream into the more extensive RDPs; and
- whilst more women have received credit from BRAC, the degree to which they have control over how this money is spent and who benefits from its expenditure is by no means clear.

The BRAC report concludes that internal monitoring studies by BRAC are “unable to confirm that BRAC membership has much impact in terms of women’s empowerment. Indeed, this lack of impact is regarded by key advisers as one of the major disappointments of RDPs” (CDS, p30).

3.49 Many of the comments made in the case evaluation reports also highlight, what appear to be problems concerning the articulation of the relationship between ED activities and the issues of poverty and gender. The recent revision of the PIM scheme (DFID, 1998a) has assisted with the measurement of relevance as regards poverty. However these are matters that require further attention if there is to be any meaning or

value attached to assessment of ED on these and other cross cutting issues.

SUMMARY

3.50 This chapter has brought together and discussed a number of points and issues emerging from the five case evaluations of ED projects. These can be summarised as follows and are explored further in chapter 4.

- I. The five case study projects demonstrate the broad range of activities under the ED umbrella ranging from school education through to finance for micro enterprises.
- II. They have been successful in terms of their efficient and effective implementation of activities and have largely achieved their intended outputs and benefits to their target beneficiaries.
- III. NGOs have proved to be effective vehicles for delivering these ED activities and the case projects have contributed greatly to the establishment and further capacity building of these institutions.
- IV. ED advisers have been flexible in how they have implemented and managed relatively small scale innovative activities with positive results.
- V. There is clearly a need to further develop the monitoring capability of ED delivery organisations. This relates both to the identification of appropriate indicators of impact and the development of efficient data collection systems.
- VI. There is a clear tension for delivery institutions between their need to achieve financial sustainability and their need to access and support their target beneficiary groups. This is particularly the case for those trying to reach very poor groups living outside of urban areas.
- VII. It is evident that the relationship between ED activities and the cross cutting issues of poverty and gender is complex. The role of ED activities, gender and poverty reduction is not well articulated and requires further exploration and clarification.

4

THE BROADER DFID EXPERIENCE IN ENTERPRISE DEVELOPMENT

4.1 This chapter builds on the case evaluations and reviews the broader experience of ED, by examining the monitoring and evaluation documentation for a further 28 enterprise projects, together with a number of ED sector review and evaluation studies commissioned by EDG.

4.2 The 28 sample projects were chosen to reflect the wide range of 'core'⁶ ED activities and yet to be representative of DFID's portfolio of enterprise activities. Table 4.1 below shows the type of projects supported by DFID. It shows the overall dominance, in cost terms, of finance related activities in terms of funding, but the greater number of smaller BDS type projects.

Table 4.1 : Comparison of Project Type in the Current & Completed ED Project Portfolio and the Sample 28 Projects

	Total of Current & Completed ED Projects				28 ED Projects			
	No	%	£m	%	No	%	£m	%
Micro finance	29	20	33.2	35	6	21	23.8	58
Other finance	12	8	18.5	19	2	7	1.1	3
Business Development	83	56	39.5	41	18	65	15.2	37
Enabling Environment	24	16	5.1	5	2	7	0.9	2
Total	148	100	96.3	100	28	100	41	100

⁶The term 'core' is used to emphasise that we are looking at projects which have been categorised as enterprise projects and managed through EDG. They do not include others such as health, population, natural resources or social development projects etc. which may include enterprise components. They also exclude JFS enterprise projects. JFS projects, whilst assessed and monitored by appointed enterprise advisers are not subject to the same monitoring and evaluation procedures as bilateral funded programmes. As such there were no evaluation reports available for review.

Overall Performance

4.3 The majority of the 28 sample projects appeared to constitute a value for money means of stimulating and supporting income and employment generation through enterprise. Most projects have or are being implemented efficiently and through their activities appeared to be delivering effective outputs/services to their target beneficiaries. In DFID evaluation terms they appear to be 'largely achieving their objectives, mirroring the positive experiences of the case evaluations.

4.4 The qualification "appear" is made because most projects were still very much 'live'. Even when discrete phases of projects had finished, it was too early to make any valid comment on their impact. Nevertheless some attempt was made to give an interim judgement on project performance and their likelihood to succeed, using a range of internal and external monitoring and evaluation reports. Based on this approach, 14 or 50% of the 28 projects were given a '2' rating i.e. 'largely achieving their objectives'; five or 18% were given a '3' rating i.e. partially achieving their objectives and the remaining nine (32%) were rated borderline '2/3' (See Annex B2 for individual project details). Whilst this is a rather rough assessment it does give some indication of performance and in doing so offers a positive view of DFID's current ED portfolio

Type of ED Projects Supported

4.5 In general, the projects shown in Table 4.1 present a balanced portfolio of activities, and reflect a choice influenced by: the UK's comparative advantage in ED expertise (policy, deregulation, extension support networks and business development training); ED sector and country specific needs identified from ED reviews (e.g. Grierson, 1994) and highlighted in subsequent DFID/EDG and country strategy documents (ODA, 1995 and Scott, 1995); the desire to support business development at all stages from formation, survival through growth; the adoption of both economic led and socially oriented approaches to ED; the relative ease of setting up, managing and dispersing project funds through DFID procedures; and the ability to monitor and measure project outcomes and increasingly the potential for the sustainability of activities beyond DFID funding⁷. In addition to maintaining a balanced portfolio, DFID has continued to support innovative activities and approaches to ED, through the use of funds such as the Enterprise Development Fund (EDF)⁸ and EIP.

⁷ It is noted (from both reports and the Expert Group) that having EDAs placed within DFID regional offices helps with better management of projects, and better liaison with local governments and other donors.

⁸ Formally known as the Small Enterprise Development Fund.

4.6 The only apparent 'gap' or weakness in the DFID's portfolio of ED activities is the relatively small number of marketing related projects supported. This form of intervention had been identified for 'greater attention' in the 1995 SED strategy document. Whilst some support has been given for example to the 'Traidcraft partner projects' KICK (Kenya), Market Society (South Africa) and others, marketing services continues to remain a relatively underdeveloped dimension of ED activity. In August 1997, EDG commissioned work to review DFID's support to SME exports from developing countries with the explicit purpose of exploring ways in which trade could be promoted, but the findings were not available at the time of writing.

4.7 Substantial changes since 1995 in the internal environment of EDG - for example growth of the EDG team itself; closer connections between KHF and other bilateral funded projects; growth of enterprise projects delivered through JFS funding⁹ and a greater focus on poverty reduction and the external environments in which they operate, suggest a need for DFID to update its 1995 ED strategic plan.

ED Implementation

4.8 ***Delivery Agents/Partners.*** There has been a strong emphasis on working with NGOs and VOs and they have proved to be very effective partners in developing and delivering ED projects. DFID projects have shown demonstrable good practice in supporting the establishment of new organisations such as Just Exchange (South Africa), KICK, SAMED (Kenya), SELFINA (Tanzania), RA (Russia) and CIMP (Romania). They have also been instrumental in the growth and transformation of existing organisations such as WED and K-MAP (Kenya), EMPRETEC (Ghana), PROSHIKA (Bangladesh) and Triple Trust (South Africa) into effective and increasingly independent organisations.

4.9 Public sector organisations by comparison, have been used far less as ED partners especially for the delivery of BDS-type activities. Experience of working with government departments would appear to have been very mixed to date - for example from some success in Malawi (Zeitlyn et al, 1997) to problematic relationships in Zimbabwe and South Africa. The commonly held view still appears to be that the public sector is too inflexible and bureaucratic to effectively deliver or even facilitate ED services. However, this view is tempered by an increasing recognition that governments are important influential stakeholders in creating a positive enabling environment for ED particularly,

⁹There are 110 enterprise projects currently being supported by JFS, but no detailed evaluations of these projects from a sector perspective had been undertaken at the time of the synthesis review.

in their role as legislators (see Bannock 1994, Bannock and Hermann, 1997 and Burns et al, 1997). As the EDG move to look at more strategic enabling environment issues for MSEs, finding appropriate and effective models for working with government organisations will become critical.

4.10 More recent ED projects such as BISAP in South Africa (see Greater London Enterprise, 1997) also give cognisance to the important role which the private sector and businesses in particular can play in ED activities. DFID has already engaged the private financial sector as partners through a number of projects such as SBLF (Kenya) and CRISP (Zimbabwe) aimed at increasing the delivery of financial services to MSEs which have had contrasting levels of success to date (see Doran & Ongaya, 1997). DFID has supported a review of credit guarantee schemes for small business lending (see Doran & Levitsky, 1997) in order to help promote lesson learning in this respect. Recent consultation meetings, review papers (see for example DFID 1997d and Gimlet International, 1997) and the publication of supplements to the Department's existing guidance on private sector development (see DFID, 1997E and 1998B) demonstrate the increasing importance given to the involvement of the private sector as partners for ED activities. This involvement takes a number of forms from the direct provision of assistance, to small businesses helping business support organisations, through to direct business to business trade. At this time, corporate involvement in ED remains at an early stage, but is an option which is being actively pursued. EDG is increasing its skills and knowledge in this area with the recent recruitment of a private sector adviser to the team and is seen as a Departmental resource in this respect (DFID, 1997E and 1998B). They also work closely alongside the Department's recently established Business Partnership Unit.

4.11 **Implementation Procedures.** The broader sample of projects revealed the same problems and concerns surrounding implementation, as the case evaluations. These include the difficulty of designing and testing out relatively new forms or approaches to enterprise support, whilst at the same time trying to achieve output delivery targets (see McKenzie & Maalu, 1997). In organisational terms the tension between learning how to set up and manage new operational systems and teams of staff, whilst at the same time delivering a growing level of services both effectively and efficiently (see Havers, 1997); and lastly as an NGO trying to demonstrate that you are achieving all of this within a 3 to 5 year project cycle and to a range of different donors. This latter point once again raises the questions about the difficulties faced in using a short LF or PCM framework, with process driven projects. Clearly this is an issue where guidance has been given in the past (DFID, undated) and which continues to be discussed internally within DFID (see Coles et al, 1997). Evidence from this synthesis study and that of the Poverty Review

Study (DAG et al, 1997) would further support the need to continuously monitor the use of PCM and LF approaches to aim for more effective project implementation.

4.12 *Single or Multi Donor Funding.* The majority of projects still appear to be supported on a single donor basis, with the exception of the large Asian MF projects. Having said this, there does appear to be an increasing level of interaction and liaison with other donors. For example a recent joint project appraisal mission was undertaken with German funding partners in Malawi. Effective liaison with donors is especially evident in BASE, which has provided a long term TCO supporting ED in Eastern Africa. Also where ED projects have been delivered as part of a multi donor project such as PROSHIKA and AKRSP, the EDG advisers appear to have been both very active and influential in these donor consortiums and bringing added value to these groupings. None of the projects revealed any more significant problems with multi donor modalities than those of single donors. The only negative point noted was delayed payments by the EC for two Asian projects, which impacted on the overall activities of the programme and hence the projects of other donors. This appears to be a common problem for EC funded projects (see Chapter 5).

Outputs and Impact

4.13 As noted earlier, most ED projects appear to have largely achieved or are well on target to achieving their output objectives, with positive benefits for their target client groups. Whilst the relatively recent time period in which ED projects have been implemented, prevents us from commenting on any long term, secondary or more qualitative impact issues. Initial measurements of impact are also mostly positive. Some of the practical concerns as regards outputs and impact arising from the broader sample of project tend to reflect those raised here by the case evaluations.

Donor Expectations

4.14 The issue of expectations concerns a common recurrent tension that exists in MFI projects between the achievement of quantitative impact (which relate to extending outreach of services of - be it credit, training, advice etc to as many people as possible) the need to move towards financial sustainability and achieving the more qualitative objectives of the project which relate to helping certain priority target groups (usually the poorest, with less experience, located in less accessible communities). This was noted by reports on PROSHIKA in Bangladesh and AKRSP in Pakistan and appears to be a problem which concerns many ED projects irrespective of type, scope, scale, mode of

delivery etc. (see also paras 3.34 and 3.50).

Measuring and Monitoring Impact

4.15 Improving knowledge about and methods for impact assessment was identified as a priority for ED activities in the 1995 strategy (ODA, 1995). Evidence from the broader sample would suggest that DFID projects are actively contributing to the development community's knowledge of how to measure, monitor and evaluate the outputs and impact of ED activities. Major steps have been taken in the establishment of data collection and monitoring systems for MFIs which, whilst they still face problems, (see Ferrand and Havers, 1997) have enabled useful quantitative impact assessment to be undertaken. It is also interesting to note from several OPRs and evaluation reports, that external consultants employed to assess projects often assist project staff with their monitoring and evaluation methodologies during the assessment visits - experiential learning in practice! (see Havers & Huda, 1996 for example). Again, experience from the broader sample of ED projects confirmed the challenges revealed by the case evaluations . They include the need to:

- raise awareness about and introduce mechanisms for monitoring and impact assessment at the beginning of projects (see Doran & Ongaya 1997, and Havers & Huda, 1996 on this point)
- identify appropriate indicators for measuring the performance and impact of BDS ED activities especially non financial services (see, Gibson, 1997 and Boulter and Meadley, 1995).
- look beyond and behind the number of people assisted to explore qualitative aspects of impact for beneficiaries - both direct and indirect as well as positive and negative
- develop a framework or approach by which specific ED project achievements can be related to DFID's cross-cutting issues of poverty, gender and environment.

Cross Cutting Issues

Environment

4.16 None of the projects reviewed within the broader sample, made any substantive comments as regards their impact in environmental terms. The project logframes raised no particular concern in this respect nor did any of the monitoring documentation

reviewed. It is clear that the majority of ED projects are small scale initiatives and hence seen to have negligible impact on an individual basis, however little thought appears to have been given to the issues that could arise, from supporting a large number of ED projects in a given location. Clearly the whole area of ED and environmental impact requires further attention and investigation by DFID.

Poverty

4.17 The broader sample of projects show that many ED projects are dealing directly with poorer groups in society, although so far this has been less so for projects in CEE/FSU States as noted in para 3.40. ED activities appear to bring a range of benefits to the poor, but do not appear to be either appropriate or accessible, for directly helping the poorest groups in society. For example many ED projects like AKRSP in Pakistan, PROSHIKA in Bangladesh, KWFT and WED in Kenya help MSE owners who are poor, but most tend to be from “above the poorest groups”. The poorest of the poor may benefit in that the success of these MSEs may in turn generate benefits in terms of employment better services etc.

4.18 Understanding the dynamics of this impact on employment or related changes in income for the poorest and measuring the relative impact and success of ED projects that work directly with ‘the poorest’ and those that work with ‘the poor’ has proven to be difficult. This point was discussed by the Expert Panel and raised in a number of the ED evaluation and review reports consulted (see for example Gibson, 1997 and Moseley, 1997). Questions were also raised as to whether in fact it is possible to measure the poverty impact of ED activities at the project level or whether this can only be realistically assessed at the country level. BASE has already taken steps to explore this in that it has recently supported the establishment of a research project ‘REME’ - (Research, Monitoring and Evaluation Project), which aims to look at the experiences and impact of BASE-supported ED activities at the project, country and regional levels.

4.19 Strategically, it is important that the relationship between enterprise and poverty is further explored by EDG, particularly in the context of transitional economies where the number of poor and levels of poverty are increasing and the case for ‘prevention of poverty’ needs to be made (see DFID 1998b). As Gibson notes in his report to BASE “The connection between enterprise development and poverty reduction needs to be asserted with greater clarity by BASE in its relationship with its stakeholders” (1997a, p14). This connection has been made easier by the recent introduction of revised Poverty Aim Markers (see DFID, 1998a) by the Department, which ensure that all projects can be related to the goal of poverty elimination. Also within the Department currently there is

much discussion as to the relationship between poverty, economic growth, sustainable livelihoods and income generation through ED (see Goudie, 1997a&b, Goudie & Ladd, 1998). The head of EDG is also an active member of the Sustainable Livelihood Advisory Committee (see Carney, 1998). Nevertheless EDG also needs to be actively involved in DFID's current review of its 'Support to Poverty Reduction' to further develop this connection between ED and poverty. Initial comments in the Poverty Review note that the ED's Poverty Orientation Advisory Group is "not perceived by others as working directly in poverty reduction and as having little evidence of an analytical framework relating to poverty" (see DAG et al, 1997 Annex 1 for preliminary reporting).

Gender and Women

4.20 Many of the comments about ED and poverty can be said to apply to the relationship between ED gender and women. Evidence shows from the projects shows that the issue of gender is generally interpreted as relevance to and for women.¹⁰ The relevance of ED projects to and for women is considered and acknowledged in ED activities in a rather general way, if it is noted at all. For example women are seen as important potential beneficiaries of support as they constitute the majority of micro enterprise owners in many developing countries, and tend to be dominant amongst the poorest groups in society. Also, as Scott (1995) notes "SED provides considerable scope for the advancement of the economic position of women".

4.21 Such points are rarely translated however into project implementation, monitoring and evaluation practice in the field. Relatively few project LFs make explicit reference to gender issues or women. If they do, it is usually to refer to the number of women likely to benefit, with little discussion about which women will benefit and how they will benefit. Very few monitoring or evaluation documents explore the issue of gender - i.e. the respective experiences of men and women, instead they refer to the numbers of women assisted, if any comment is made at all. Even when "gender" is made an explicit reporting requirement in projects i.e. a 'Means of Verification' in the LF, it is no guarantee that subsequent monitoring will mention this dimension (see for example Doran and Ongaya, 1997 who note this for a Loan Guarantee Scheme Project in Kenya).

4.22 In terms of project planning the new Poverty Aim markets noted in para 4.1.9 have revised the 'women in development' marker to one that looks at gender equality. More

¹⁰ This is not unique to ED activity but tends to be the approach which remains through much of DFID. Indeed until this year evaluation documentation refers to impact on women as opposed to consideration of gender equality issues.

detailed guidance is also given as to how this may be interpreted by project designers

(DFID, 1998a). This should make it easier for EDG advisers and others to incorporate and monitor gender issues in future projects. On a positive note, EDG has in the past commissioned work which looks at the social and gender impact of its SED portfolio in South Africa (see Dixon and Richardson, 1994) and gender issues for MF activities (see Mayoux, 1997). The lessons learnt from these studies need to be shared with others and the relationship between gender issues and ED further explored.

Sustainability

4.23 The issue of sustainability has been a major priority for DFID's ED projects, especially in relation to institutional capacity building and service delivery. The development of sustainable enterprises, sustainable service delivery through sustainable ED support organisations is a theme which runs through most ED projects. Recognising that it is still "early days", experience to date appears to have been positive. This is especially the case in developing countries where DFID can offer notable examples of project institutions where substantial progress has been made in this respect, for example K-REP, EMPRETEC in Ghana, TTO in South Africa, BRAC etc. However, as noted in para 3.37 the challenge of balancing the need to be commercially efficient and effective whilst at the same time ensuring the development of those groups whose demand for loans and ability to pay is critical is a point reinforced by a recent mid term review of PROSHIKA in Bangladesh (see Hulme et al 1997).

4.24 In transitional economies the experience has been different with many of the delivery organisations finding it very difficult to survive. This is largely due to the reluctance or inability of MSE owners to pay for support services. Furthermore, broader legislative and political constraints create a climate which is not conducive to the survival of either enterprises or their support agencies. Indeed, a recent review of DFID's ED projects in Russia recommended that the KHF move away from direct delivery of BDS - type projects and concentrate instead on these broader enabling environment issues (see Burns et al, 1997).

4.25 Thus the major issues concerning sustainability arising from this broader review of DFID's ED activities, would appear to be those of :

- quality of service delivery versus volume and outreach;
- achieving a critical scale of service delivery; and
- ability to serve poorer, more needy clients on a sustainable basis.

Summary

4.26 Below is a summary of the main findings drawn from DFID's broader ED experience to date.

- I. ED activities have proven that they can be an efficient and effective means of generating income and employment for their target beneficiaries and in doing so help to achieve EDG's strategy purpose to "enable individuals to gain access to more productive income earning opportunities" ODA, 1995, p1.
- II. EDG's current strategic goal is to enable the poorer members of society, especially women, to improve their incomes, increase their assets and reduce their vulnerability (ODA, 95, p1). ED projects do appear to have assisted poor people to improve their incomes but, it is too early to assess whether ED activities have other longer term benefits for the poor and specific target groups within this wider group.
- III. ED projects, whilst helping the poor appear to be neither easily accessible to, nor necessarily an appropriate means for, helping the very poorest in societies
- IV. ED activities have helped in the establishment and growth of independent enterprise development organisations which in turn are helping to build an effective enterprise support environment in their respective countries. In this way they have met EDG's output objectives of "assisting in developing sustainable institutions and effective instruments for small and micro enterprise development within a dynamic private sector".
- V. ED projects are also beginning to engage the private sector and to recognise the importance of working with government as important stakeholders in the broader MSE enabling environment.
- VI. Whilst there clearly have been improvements in project monitoring and impact assessment, this continues to present an area of weakness for many of EDG's project partners.
- VII. Several ED projects demonstrate good practice in the field. EDG is active in developing good practice, continually learning lessons and consciously seeking to support innovative activities and approaches in the sector.
- VIII. There needs to be greater understanding about the way in which ED relates to poverty reduction and most importantly when and how ED mechanisms can and cannot be used with the most marginalised and poorest groups. This is of specific relevance to ED activities in transitional economies, which to date have had no 'explicit concern' for poverty alleviation.

IX. Whilst ED activities have clearly given assistance to poorer women in terms of the numbers of women receiving assistance, it is less clear whether women themselves have in fact benefited from this assistance and if so how they have benefited.

5

THE EXPERIENCES OF OTHERS IN ENTERPRISE DEVELOPMENT

Introduction

5.1 Having examined DFID experience in ED, this chapter presents the experiences and “know how of other donors, MLOs, practitioners and researchers working in the field of ED. This constitutes an extremely large group of individuals and organisations alongside an ever growing volume of documentation, including a wide range of information on the internet. Requests for ED strategy and evaluation documentation from individual donors proved not particularly productive. Consequently much of their experience has been reviewed through such secondary documents and reports from Donors (see for example Webster, 1997 and EC, 1998a) and Committees of Donors on ED (see for example CDSED, 1995 & 1997), the outputs of influential donor networks (such as “The Consultative Group to Assist the Poorest” (CGAP)), NGO networks (such as The Micro Finance Network and Small Enterprise Education and Promotion Network); and recent academic publications including journals such as ‘Small Enterprise Development and ‘Development in Practice’ and ‘World Development’.

5.2 Inevitably coverage of these multiple sources has been far from comprehensive, given the quantity and scope of material available, accessing it and the usual time/resource constraints of any short-term study. Nevertheless, we consider it represents a good reflection of the views and experiences of most of the key players active in the ED sector at this time.

5.3 It is a gross understatement to say that development aid to the ED sector supports a wide range of intervention and types of activities to promote MSEs in developing and transitional economies. All the major bilateral, multi-lateral, larger international non government and several private sector organisations support ED activities, to a greater or lesser extent. Whilst the overall aid budgets of many donors including DFID have declined in recent years, the general trend for expenditure on MSEs is on the rise (see CDSED, 1997) . The World Bank, IDB, EBRD, EU, UNDP, appear to be the main MLO players, USAID, DFID, The Germans, Danish, Dutch, Canadians, and Swedes the most

active bilateral donors and CARE, Oxfam, Save The Children, Action Aid, Appropriate Technology International, and Opportunity International, some of the more visible international NGOs in the ED field.

5.4 In comparing and contrasting the experiences of DFID and others active in the field, we have selected a number of key issues and challenges facing ED policy and practice currently. They are issues concerning: which type and form of intervention to prioritise ; effective partners for ED ; appropriate monitoring and measurement practices; effective and relevant assessment of impact; relating ED to the goals of poverty reduction and gender sensitivity and ensuring the sustainability of delivery and impact.

Type and Form of ED Intervention

5.5 A number of reports consulted commented upon the broad and varied interpretation of the term “enterprise” in a development activity context (see Ouroumoff, 1995 for example). The type and form of intervention adopted by donors and supporters of ED clearly depend upon their objectives, the environment in which the project takes place and the groups on which it is targeted. Looking at the whole range of measures, supported by the ED community to date, it is clear that priority has been given to projects concerned with direct delivery of support aimed at the creation, sustainability and growth of MSEs. Micro rather than small enterprises have been the norm and the development and delivery of MF services have predominated over the delivery of associated BDS.¹¹

Micro Finance¹²

5.6 Micro finance (MF) has been the most popular and widespread form of intervention for ED in the recent years. This has arisen both because there is a need for and a gap in the supply of such services. Also MF is seen as a major constraint on ED (see Levy, 1993 and Riley 1993) and donors have found MFIs able to efficiently and effectively deliver MF services (Webster, 1997). This dominance of MF is reflected in and reinforced by the establishment of associated networks and the holding of events such as the ‘Micro Credit Summit’. This Summit held in February 1997 in Washington DC, launched a Campaign to ‘reach 100 million of the world’s poorest families, especially women of those families,

¹¹ Webster’s 1997 paper provides an excellent summary of the World Bank’s SME activities since the late 1970’s

¹² A good brief introduction to this sector of work is given in the MicroFinance Network’s Occasional Paper - see Berenbach and Churchill, 1997

with credit for self employment and financial services by the year 2005” (Kidder, 1997, p432) and was attended by 2,500 delegates including governments, donors, MLOs,

corporations, NGOs, researchers and practitioners alike.

5.7 All the major donors are active in MF, led by the World Bank and USAID (Webster, 1997). DFID is perceived as an active and leading player in this field, although its budget for this work is relatively small compared to the likes of The World Bank and USAID¹³ (CGAP, 1997b). Much research has been supported on and by those involved in MF activities, and effective dissemination of good practice has meant that lesson learning is widespread and continuous. Members of EDG are very active in MF networks, appear well briefed about current issues for MF intervention and themselves commission research (see Hulme, 1997; Ferrand and Havers, 1997 and Doran and Levitsky, 1997) and support the dissemination of good practice to the MF community (see for example Berenbach and Churchill 1997 and Rhyne and Rotblatt 1994).

5.8 The tenets of good practice for delivering MF and helping to develop effective MFIs are well known and command widespread support among those active in ED. Nevertheless there is still room for improvement and 'best practice' continues to evolve. The critical issues and debates surrounding the future development of MF activities appear to centre around the achievement of long term sustainability (financially and otherwise) of both the services and delivery organisations; the development of financial products that are both appropriate and accessible to the most disadvantaged groups; the facilitation of savings to complement lending services, the development of appropriate measures and procedures to improve impact assessment and the best means of creating effective financial policy and regulatory environments for MSEs (Webster, 1997).

Business Development Services (BDS)¹⁴

5.9 Whilst BDS activities have long been supported by donors, MLOs and NGOs alike as a means of intervention for ED (see, IDB,1996 and Webster, 1997), it is a relatively neglected area compared to MF activities. However, as Gibson notes in his team's review undertaken in 1996/97, on behalf of the CDSED " partly because of an awareness of the limitations of micro finance and also because of a sense that the achievements of BDS had been understated, some efforts have been made recently to assess the state of the art of BDS" (Gibson, 1997, p6).

¹³For example between 1990 and 1996 DFID spent US\$100 million on MF support, IDB spent US\$452 million over the same period, the EBRD spent US\$108 million in Russia alone between 1993 - 1997 and USAID spend around US\$100 million per year on MF (see CGAP, 1997b).

¹⁴The term Business Development Services is seen to include training, counselling advice, information provision, technology development and transfer and business linkages services.

5.10 The study report (see CDSED, 1997) presents an excellent position statement of Donor BDS experience to date and identifies eleven principles of good practice for donor

funded BDS interventions:

- Business-like and demand-led - The best BDS organisations at supporting MSEs are like those MSEs in terms of their people, systems and values.
- Sustainability - the needs to look for innovative ways to encourage long term delivery of BDS.
- Tailoring is essential through focus on clients' needs.
- Participatory approaches to the design and implementation of BDS.
- Maximising outreach is essential and providers need to develop imaginative ways of achieving this.
- Building on demonstrated initiative - where possible build on what is already there rather than impose from outside.
- Split and focus delivery - i.e. 'stick to the knitting' and avoid trying to deliver a range of different services and products.
- Systematic approaches and programme integration. Focus in a project does deny the need for strategic awareness and effective networking between providers.
- Renewed focus on cost analysis.
- Continued importance of impact assessment and evaluation;
- Subsidiarity - complement the role and activities of others such as the state.

5.11 The study also highlighted two general issues that donors and BDS organisations need to take into account for advancing collective learning and good practice: the need for more benchmarking based on rigorous assessment of current practices and encouragement for more innovation. In a similar way to MF, evidence from EDG evaluation documentation and practice suggests that it is well briefed about good practice in BDS and appraised of the key issues faced in supporting these forms of activity. For example, EDG has undertaken its own review of BDS in the BASE portfolio (see Gibson, 1997).

5.12 Looking at discussions and debates about ED project type and form more generally, a number of issues were raised on a regular basis by those active in the sector. They

include:

- the need to look beyond specific service delivery (the immediate practical needs of assisting the start up and growth of new enterprises) to the broader more strategic issues concerning the legislative, fiscal and physical environment in which businesses operate (see Burns et al, 1997, ADE et al, 1997 and Webster, 1997);
- the question of whether there has been an over-emphasis on helping MEs at the expense of small enterprises which are seen as being important for the generation of employment and economic growth (see Levitsky,1998 and ILO, 1997).
- whilst it is recognised that credit is critical for MSE development many are now looking 'beyond credit' to the need to develop effective ways in which to help MSEs with marketing (eg see Dawson, 1997, OECD,1998 Finnegan, 1997 and Webster 1997). One dimension of this aspect of ED is the interest shown in promoting networks of MSEs and clustering models to encourage and support more effective marketing and general business development (Tanburn et al,1997).
- in small as opposed to micro enterprise lending The World Bank has shifted from direct loan delivery to more infrastructure and public works projects that help SMEs by creating demand for their services (Webster, 1997).

Effective partners for ED

5.13 To date there has been widespread support by donors for NGOs, as their key partners in the delivery of support services for MSEs. This is not a factor unique to ED activities, but very much a characteristic of development policy and aid transfers under the 'New Policy Agenda' since the end of the Cold War. For example the proportion of total aid from OECD countries channelled through NGOs increased from 0.7% in 1975 to 5%+ in 1994 amounting to some US\$2.3 billion¹⁵. NGOs have proved to be very effective vehicles for assisting MSEs (see IDB, 1996 and CDSSED, 1997). NGOs do however, have their limitations and increasingly there are amongst researchers practitioners and donors alike acknowledging that NGOs cannot be the 'Magic Bullet' (Edwards and Hulme, 1995) to solve all development problems, including those

¹⁵These facts come from Edwards & Hulme's 1995 book which provides an excellent collection of papers exploring the past, present and future roles of NGOs

concerning MSEs. At best they are only one of the stakeholders in the MSE support environment so what should the nature of their role be in the future.¹⁶

5.14 Other debates regarding effective partnerships with donors in support of ED activities seem to centre on the following findings:

- NGOs can be excellent providers of services to MSEs, but their ability to deliver services on a long term basis without continuous financial subsidy is questioned (see ADE et al 1997). Some have demonstrated that they can become financially sustainable (Rhyne and Rotblatt, 1994) but many are not able to do so (Ouroumoff, 1995). This has been the experience for many organisations in CEE and FSU where insufficient numbers of MSEs are able and willing to pay towards the cost of services and where the absence of local public funding has severely constrained the financial viability of NGO business support organisations (see Burns et al, 1997).
- Donors who do support NGOs need to liaise with each other to ensure that they are not generating unnecessary competition and duplication of services in any one area. This finding was a common feature in several EC reviews of aid for ED. (ADE et al ,1997, Ouroumoff, 1995) and in a number of DFID ED reports, especially those in Bangladesh.
- MSEs, or donors on their behalf need to engage with the public sector, where there are legislative and fiscal constraints on MSE development. The key challenge in this respect appears to be how best to articulate and manage working with governments on ED, a matter where there is no agreed good practice (Burns et al, 1997).
- MSE service providers need to be encouraged to network with others providing complementary services. This point was strongly emphasised in the BDS review noted above in para 5.10 (CDSED, 1997) work by the ILO (1997) and research by Dawson (1997).
- The drive to engage the private sector (particularly businesses and business associations) in the support of MSEs development, appears to stem partly from a desire to bring additional funding into the MSE arena but also from the belief that the best supporters for business are other businesses (see Tanburn et al, 1997). The EC seems to have been very active and apparently successful in supporting such measures for small businesses, by getting businesses to mentor others and through direct trade to trade and joint venture links through its ECIP scheme (see Gimlet International,1997, OECD, 1996, EC 1997a). Many donors are looking at this area (eg see UNDP 1998).

¹⁶ It is interesting to note that the role of NGOs debate is very topical at the moment reflected in both journal articles research reports and conference themes. In January 1998 - (insert example)

5.15 NGOs are not likely to become less favoured as key partners in the delivery of

support services, but it is clear that donors are seeking to encourage other partners into the ED field.

Measuring and Monitoring ED activities

5.16 Poor monitoring of delivery and the collection of baseline data for impact analysis appears to be a generic problem for ED projects. Whilst it is a known weakness of NGOs as partners (Edwards and Hulme, 1995 and Goyder et al, 1998) the weakness is by no means exclusive to this group. Most of the EC evaluation reports consulted as part of the synthesis highlighted the absence of the inadequacy monitoring systems (see Ouroumoff, 1995; ADE et al, 1997; COWI et al. 1997 Sim et al,1997, EC 1997 a&b and DAC, 1996). In several instances these reports noted that the lack of basic monitoring information had made the assessment of project efficiency or effectiveness almost impossible. The main problems faced by the EC projects appear to be the absence of LF and PCM planning tools and also the 'scaled up nature' of their framework programmes. The very large ED projects which are becoming increasingly characteristic of the EC have a tendency to encourage what the 'Expert Panel' described as 'Roladex support contracts', whereby management agents put together disparate groupings of consultants to deliver projects. Inputs are often fragmented with no central monitoring systems in place. As local in-country partners feel no sense of ownership they also tend to focus on the delivery of inputs at the expense of any measuring of outputs (see ADE et al, 1997).

5.17 On a more positive note, USAID's Office of Micro Enterprise Development has recently supported a project entitled 'Assessing the Impact of Micro Enterprise Services' which aims to identify and disseminate good practice in this area. This work is ongoing but some of the key lessons so far, emphasise the importance: of sufficient and appropriate baseline data; the use of a combination of internal and external staff for data collection so as to maximise local knowledge whilst helping to reduce data bias; involving staff in the design of information systems to increase the likelihood that findings will be seen as important and hence be used; and, wherever, possible involving clients in the feedback process to validate data (Hyman and Dearden, 1998). Another useful reflection on monitoring and evaluation issues for BDS type activities is given in the CDSED Review (1997). This endorses the points made by Hyman and Dearden and also stresses the need to use methodologies which balance rigour with practicality, and to work with people rather than on them!

Impact Issues

5.18 Much of the broader debates by donors MLOs and NGOs concerning impact reflect many of the issues raised by the experiences of DFID projects. Aside from those concerns relating to poor data collection and lack of baseline studies, the main issues of current debate concern the following:

- The need to identify or develop a range of appropriate but simple indicators which can be used cost-effectively by ED projects themselves. Again the message is that local understanding and ownership of the impact assessment process, tends to make the whole issue of impact seem more relevant to the project's own needs and not some externally imposed 'headache' attached to funding (CDSSED, 1997, ADE,1997).
- The tensions between commercial and social goals which for MFIs and those involved in assisting them are the ever-recurring and key questions. MFIs can be shown to be delivering credit to a large number of clients but what impact is this having on the individual recipients, their enterprises, their livelihoods and their households. As Hulme notes "serious attempts to assess impact must pursue the impact chain down to 'who' an MFI provides services to and 'what' the effects are on individual and /or household livelihoods" 1997, p26).

5.19 It is this issue of qualitative impact measurement, (the need to look at secondary as well as primary impact issues, the need to identify negative as well as positive impact and the unplanned as well as planned), which sits at the heart of serious attempts at impact assessment. It is an issue which is explored in a more general sense by a DFID sponsored poverty impact study by Action Aid. The key findings of the research emphasise the need to find different methods and identify locally relevant indicators in such assessment work (Goyder et al, 1998). Answers to these questions are needed to guide the debate on the relevance which ED activities and interventions have to poverty and gender issues.

Poverty

5.20 The World Bank is clearly a dominant player amongst the donor community in the whole arena of poverty related issues and activities. DFID, together with the EU Germany Sweden, Denmark and the Netherlands are also seen as key players (see DAG et al, 1997 and DAC, 1996). The main interface between poverty and ED, for donor dialogue and action has for many concerned the increase of resources to the poor through micro enterprise and in particular through MF interventions.

5.21 The actions, research and publications by and through the network CGAP provide one of the most accessible and up to date source of information concerning the

relationship between micro finance enterprise activities and poverty reduction. CGAP ‘was established to address the provision of assistance to the poorest, initially through a micro-finance program” but also to improve donor co-ordination of MF programmes and provides “governments, donors and practitioners with a vehicle for structured learning and dissemination of best practices (CGAP, 1996A p1)

5.22 EDAs at DFID are active members of CGAP and hence it is not surprising to find that many of the issues raised by its ED projects and reports, are cognisant of and reflect current thinking of the other key donors, practitioners and researchers in the ED field. In particular the question whether ED activities can assist the “poorest of the poor” is widely debated (see Moseley and Mullen, 1997, CGAP, 1997 a and b, Johnson and Rogaly, 1997, Kidder, 1997 and Hulme & Moseley, 1995).

Gender

5.23 Much of what is said above about poverty also relates to the issue of gender as these two dimensions of aid are inextricably linked, especially when one is considering the impact of ED activities on women. Gender issues and the importance of using ED activities to improve the position of women is widely held as an important goal for ED (see DAC, 1996. CGAP, 1996a and EC, 1998a).

5.24 The main gender issues for ED again concern qualitative issues of access and impact and the broader strategic needs of women. To summarise many views. It is widely acknowledged that the delivery of MF and BDS have helped women, and poor women especially, to access credit, start their own enterprises and generate income for themselves and their families. However it is not so clear whether this assistance has enabled women to improve the quality of their lives or provided sustainable sources of income. Many women remain as owners of very small informal enterprises in marginal sectors and have increased their daily burdens of work by adding the tasks of business ownership to their existing domestic responsibilities as mothers and wives.

5.25 The call for ED activities and projects to monitor and examine the needs of women is almost universally applied by donors. There has been a range of work looking at ways of how to involve and assess the impact of aid on women. (For example see Dawson, 1996, Elson et al, 1997 and EC,1998a.) Yet this area appears so often to remain unheeded in practice (see for example ADE, 1997, COWI,1997). As the DAC report notes “ there seems to be a significant gap between the general rhetoric of the importance of women in the development process and practical applications No systematic evaluation on the gender relevance of projects appears to have been undertaken so far (DAC, 1996 p44) as

a recent EC report notes (EC, 1998b).

5.26 Within DFID a key challenge for the issues of poverty and gender is to bring together this learning - of individuals and different professional groups within the Department in order to develop a more coherent Departmental view on this whole area. The undertaking of this synthesis study at the same time as the Poverty Review and the planned synthesis study on Gender could provide an excellent opportunity for DFID to build on current international know-how and good practice in this respect.

Sustainability

5.27 Ongoing debates about sustainability appear to be very much centred around the financial sustainability of support organisations especially MFIs. Many of the issues relating to this topic have been discussed earlier - the tension between commercial and social objectives and are also highlighted in a broader review of the literature (eg Hulme & Moseley, 1995) etc. One additional dimension of sustainability however emerged from the broader documentation namely the issue of researchers, practitioners and donors and that of local ownership.

5.28 Financial viability of delivery organisations has tended to dominate donor debate in discussions around sustainability. Yet as Eade (1997) notes, financial sustainability is not just about numbers, increasing volume and coverage and keeping down transaction costs. It concerns organisational sustainability and that in turn depends on people, their knowledge, motivation and their ability to learn and apply their learning. It is critically important to recognise the need for organisations to learn to learn, if they are to 'take over' 'become independent' and more importantly to 'think strategically' and become sustainable (Eade, 1997). This sentiment is nicely encapsulated in a speech by a Hungarian official at a recent seminar on ED in CEE. "foreign assistance is most successful in those cases where it is really based on a partnership concept...A local partner should be a real partner in defining the needs and ways of meeting them and not just the recipient of wisdom" (Levitsky, 1996, pxx).

5.29 Of course such considerations promote the need for more of a process rather than a traditional PCM and LF approach to projects as discussed earlier. Inevitably this tends to require more resources management, which in turn increases overheads and impacts negatively on unit costs and financial sustainability.

Summary

5.30 This broader review of ED experiences and know-how outside DFID has largely confirmed many of the report's earlier findings and points raised. We feel this is very much a reflection of the degree to which the EDG team engage in continuous lesson learning themselves and the degree to which they network with other players in the ED sector. Both practices 'keep their fingers on the pulse' and this is to be commended.

6

KEY FINDINGS FROM THE SYNTHESIS

The section below brings together the main findings from the synthesis study as a whole.

Enterprise as a tool for development

6.1 ED activities have proven that they can be an efficient and effective means of generating income and employment for their target beneficiaries and in doing so help to achieve EDG's strategy purpose to "enable individuals to gain access to more productive income earning opportunities" (ODA,1995,p1.).

6.2 There is a need to define more clearly what is meant by ED and, perhaps of greater importance as a policy issue, to outline its scope for use as a tool in both a social and economic sense. In this respect there is a need for EDG to update its 1995 strategy document.

6.3 Several DFID ED projects demonstrate good practice in the field. EDG are active in developing good practice, continually lesson learning and consciously seek to support innovative activities, and approaches in the sector.

6.4 It is important for EDG to maintain a balanced portfolio of ED projects. In doing so it is building on what it has found to work, whilst at the same time retaining its ability and commitment to the support of innovation and the piloting of new initiatives, in what continues to be an evolving sector. The need to give greater attention to marketing services remains.

Modalities of Assistance

6.5 Many ED projects have benefited from advisers acting flexibly, using mechanisms and approaches were suited to exploring small scale innovative or fledgling activities and developing appropriate procedures for implementing and managing such activities.

Such approaches are important for effective learning and implementation in rapidly changing environments.

6.6 The typical three to five year project framework has proven to be too short a time scale within which capacity building can take place. Experience from the case evaluations and a number of other donors would appear to suggest that a 5 to 10 year project time frame with 'opt out' options is needed to help projects transform into competent independent delivery institutions.

6.7 Government institutions have tended not to be effective delivery partners for ED projects and yet they are important stakeholders in creating an enabling environment conducive to ED and maintaining long term delivery of ED services outside of major centres of population.

6.8 Private sector organisations and business have the potential for a very active involvement in the support of ED. Other donors have been successful in engaging this sector for ED work. More recently DFID is now actively pursuing similar approaches.

6.9 In the main, ED projects have been well implemented and many of the problems identified are typical for new institutions trying, simultaneously, to learn and develop, deliver, manage and monitor new services. These experiences are, by no means, unique to DFID ED projects.

6.10 ED projects do appear to have assisted poor people to improve their incomes but, it is too early to assess whether ED activities have other longer term benefits for the poor.

6.11 ED activities have helped in the establishment and growth of independent enterprise development organisations which in turn are helping to build an effective enterprise support environment in their respective countries. In this way they have met EDG's output objectives of "assisting in developing sustainable institutions and effective instruments for small and micro enterprise development within a dynamic private sector" (ODA, 1995).

Impact of ED Activities

6.12 Whilst there clearly have been improvements in project monitoring and impact assessment, this continues to present an area of weakness for many of EDG's project partners.

The main challenges faced in assessing the impact of ED activities include: the lack of baseline studies for monitoring purposes; the development of appropriate indicators to

monitor and assess impact for BDS type projects ; the need to look beyond and behind 'numbers' to determine 'real' long-term impact; and connecting project outcomes with broader impact concerns such as poverty reduction and gender at the levels of the beneficiary, the project and the country.

6.13 **Poverty.** DFID experience and that of other donors appears to indicate that enterprise projects tend not to be appropriate for nor easily accessed directly by the 'poorest of the poor'.

There needs to be greater understanding about the way in which ED relates to poverty reduction and most importantly when and how ED mechanisms can and cannot be used with the most marginalised/poorest groups. This is of specific relevance to ED activities in transitional countries, which to date have had "no explicit concern for poverty alleviation".

6.14 **Gender.** Although EDG is conscious of gender as an issue in ED, there is little evidence to demonstrate that this was seen as an important issue nor one that was fully understood by the projects reviewed.

Internal DFID Issues

6.15 Having a TCO field manager, the BASE operation in Nairobi and the ongoing trend to place EDAs within DFID regional or aid management offices, has proved to be a very useful means of developing and managing effective ED projects which are well embedded within the country and regional context. Likewise short focused ED projects under KHF , EDF and EIP have proved successful in exploring new types of activities and in "getting to know" new potential partner organisations.

SYNTHESIS OF EVALUATIONS OF ASSISTANCE TO THE ENTERPRISE DEVELOPMENT SECTOR**BACKGROUND**

The Department for International Development (DFID) constantly strives to improve the impact, effectiveness, efficiency, value-for-money and sustainability of its various programmes by drawing out lessons from its past experience and bringing them to bear on its current and future activities. To this end the DFID's Evaluation Department undertakes ex post evaluation studies which are mostly clustered by sector or theme, each cluster culminating in the production of a synthesis study which draws out, both from DFID evaluation studies and from other relevant documentation, the key lessons for subsequent dissemination, both within DFID and outside. The policy of releasing DFID's evaluation and synthesis studies into the public domain helps contribute to the Department's accountability to Parliament and the public as well as to the lesson-learning process.

MAIN OBJECTIVE OF THE STUDY

- a) to draw out from recent evaluation studies and other relevant documentation the key findings and lessons learned from experience in the Micro, Small and Medium Enterprise Development sector and present them in a report for dissemination within DFID and elsewhere;
- b) thereby to help enhance the impact, effectiveness, post-completion sustainability and other aspects of DFID's current and future support for the Enterprise Development sector.

SCOPE OF WORK

Donor experience with assistance to the SME sector as set out mainly in evaluation and OPR reports will be reviewed and a synthesis report prepared summarising the main findings and drawing out the main lessons. To this end the following specific tasks will be undertaken:

- a) a review of all DFID's previous SME evaluations, especially those undertaken recently of components of the Kenya BASE programme, the Enterprise Development component of the Bangladeshi NGO BRAC, and the Enterprise

Education programmes in Slovakia and Russia;

- b) a review of recent key DFID project documents, especially mid-term Output-to-Purpose Reviews (OPRs), whether held on or off file;
- c) a review of key evaluation material prepared by other major bilateral and multilateral donor agencies;
- d) a review of the findings of the main academic literature on development assistance to the Enterprise Development sector and other relevant aspects:

The synthesis of the above materials should include inter alia the following aspects wherever feasible:

- i. **the sustainable benefits accruing to the recipient countries, and to the target beneficiaries (particularly poor households) within them**, from external support for the Enterprise Development sector, and its overall immediate and longer-term **impact**, both within the sector and in relation to the wider economy;
- ii. the comparative merits of different modalities for assisting the Enterprise Development sector;
- iii. the extent to which donor project assistance can contribute to improvements in efficiency and effectiveness in the sector;
- iv. the optimum duration of project inputs and other aspects bearing on value-for-money considerations;
- v. the role and optimal degree and nature of **donor** co-ordination in the provision of assistance to the sector;
- vi. performance in relation to project monitoring and review, including the effective use made of project management techniques such as logical frameworks and monitored **performance indicators**;
- vii. specific focus on key cross-cutting issues including **poverty, gender, environmental impact, institutional development** and any others identified from the documentation review;
- viii. any significant unplanned or unwanted impacts attributable to development assistance to the sector;
- ix. the key **lessons** emerging from the analysis, including inter alia the policy implications for the role of donor assistance to the sector, with special focus on any

lessons which might be counter-intuitive or at least not immediately obvious.

The work should be informed by current policy operated by DFID and other donors prominent in the sector (e.g. USAID). It should not attempt to summarise all possible issues but focus predominantly on the results of key evaluation, review and (to a lesser extent) monitoring material.

REPORTING

The work will entail the production of two reports:

- i. a **draft main report** of around 40 pages length, drawing together the main findings and lessons and including an executive summary of length 4-6 pages (annexes may be included where they will add value to the main text); the draft report will subsequently be revised as necessary in the light of comments received, and a final document produced for submission to the DFID's top management Projects and Evaluation Committee (PEC) prior to final approval, release and dissemination;
- ii. a separate, **subsidiary report on the quality of EU evaluation reports** and their implications for EU aid effectiveness in this sector.

The above work shall be carried out in consultation with DFID's Evaluation Department and specifically in accordance with the booklet prepared by that department: "Evaluation Studies: Guidelines for Evaluators".

INPUTS

The time allowed for study including documentation review and preparation of a first draft of the report shall be **eight weeks**, with an additional ten working days allowed for subsequent discussion of and amendment to the draft, presentation of the final report to the PEC etc. The work will be almost entirely desk-based although, if found to be necessary, a 2-3 day visit to the offices of the European Commission in Brussels may be included.

Evaluation Department

July 1997

B.1: Current Portfolio of Projects¹ providing assistance

At the time of the study the Enterprise Development Group (EDG) had a total of 148 current projects, valued £94,000,000 and distributed geographically as below:

	CURRENT PROJECTS	VALUE (£m)
AFRICA	88	40
ASIA	19	22.1
EASTERN EUROPE/ FORMER SOVIET UNION	41	34.2
TOTAL	148	96.3

Projects within the EDG portfolio are categorised into one of four main divisions: Micro finance; Finance; Business Development Services and Enabling Environment. The balance and distribution of the current projects are as follows:

	MICRO FINANCE		OTHER FINANCE		BUSINESS DEVELOPMENT		ENABLING ENVIRONMENT	
	Number	£m	Number	£m	Number	£m	Number	£m
AFRICA	14	12	10	4.5	62	22.5	2	1
ASIA	13	21	0	0	5	1	1	0.1
CEE/FSU	2	0.2	2	14	16	16	21	4
TOTAL	29	33.2	12	18.5	83	39.5	24	5.1

Note:

Most projects listed are funded through bilateral programmes. They include some but not all those enterprise projects funded through the Joint Funding Scheme (JFS) and the Enterprise Development Fund (EDF)

¹ Tables and figures taken from DFID 1997c

A further 57 projects valued at £27,375,300 were reported to be in the pipeline and 12 projects as completed having received £24,232,000 of assistance. This total of 258 projects represent the majority, but not all of DFID's ED activities. For example they include some but not all of the enterprise projects funded under the Joint Funding Scheme (JFS). They do not include those DFID projects which do not have ED as their primary objectives, such as mainstream health, education or natural resource projects but which include an enterprise or income generation element. It was from this 'core' population of ED projects that the research team, in consultation with the EDG advisers selected a

sample of 40 projects to examine alongside the five specific commissioned studies.		
In the time scale available it was possible to obtain project monitoring and evaluation documentation for only 30 of the projects selected and even then this information was not always complete. Overleaf is a list of the projects selected and a note of where and what relevant documentation was accessed and used.		

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B.2: Sample of EDG Enterprise Development Projects selected by Type, Country, Funding levels and Timescale

Country	Project Title	Type of Project	Funds £k	Project Memorandum (1)	OPR/ Mid Term Review	PCR/ Evaluation Report (2)	Synthesis Rating (3)
Kenya	CARE-WED	Micro finance	2,740	Dec 1995	Feb & May 97	1997	2
Bangladesh	Proshika (IV)	Micro finance	6,504 (60%)	1995 (V)	Nov 1997	-	3
Bangladesh	CARE - INCOME	Micro finance	1,020	1994	Dec 1996	-	2/3
India	BYST	Micro finance	534	1993/94	Nov 1996	-	2/3
Pakistan	AKRSP	Micro finance	2,450 (50%)	1990	1995 & 1996	1997	2
Kenya	Barclay's SBLF	Finance	770	1994	March 1997	-	2/3
Tanzania	SELFINA	Finance	244	1996 & 97	1997	1997	2/3
Kenya	K-MAP	BDS: Training	460,200	1993 (I) 97(II)	Feb 1996	Oct 1997	2
Ghana	GEDPRO	BDS: Training	1.3	1993(I) 97 (II)	1995	1997	2
Ghana	TED	BDS: Training	220	1993		1997	3
Zimbabwe	TFE	BDS: Training	1,000 (33%)	1994		1998	3
Malawi	TWEA	BDS: Training	536	1991 (I) 1994 (II)	1992	1996&1997	2
South Africa	IBTT (AMEBA II)	BDS: Training	410	1995 (II)	Feb 1995	1996	3
South Africa	COD	BDS: Training	447 + 448	1994 & 95	1995 & 96		2/3
South Africa	TTO	BDS: Training	666	1994	Dec 1995		2/3
South Africa	Just Exchange	BDS: Support Structure	540 + 860	1993 (I) 1995 (II)	1995	1997	2
Kenya	KICK	BDS: Support Structure	132	1994(I) 96(II)	Dec 1996		2/3
Tanzania	AMIKA	BDS: Support Structure	332	1994/95	1995		2
India	Export Development	BDS: Support Structure	4,300	1993	-	1997	3
South Africa	BISAPS	BDS: Support Structure	2,000	1994		June 1997	2/3
Zimbabwe	Deregulation Unit	Enabling Environment	549	1993	1994		2
Kenya	Deregulation Section	Enabling Environment	330 (I)	1996 (I) 1997 (II)	1996	1997	2

- (1) Date of PM given and figure in brackets denotes a phase of the project.
- (2) For many projects we could find no project completion report on record. In many cases the project has been extended or is still current. In some cases an external evaluation study has been undertaken. In these latter cases the external report has been used when available.
- (3) The rating scale is that used for internal DFID evaluation reports. It is based on the consultants interpretation of the monitoring and evaluation documents accessed. In almost all the cases the projects are 'ongoing' so this does not constitute a formal evaluation rating on outcomes and impact.

INDIVIDUALS CONSULTED DURING THE SYNTHESIS STUDY: ANNEX C

C.1

C.2

B.3: Know How Fund Projects

Country	Project Title	Type of Project	Funds (£)	Project Memorandum	OPR/ Mid Term Review	PCR/ Evaluation Report	Synthesis Rating (3)
Russia	Small Business Programme Phase III	BDS: Training	260	1994	1995	1997	2
Russia	St Petersburg (STEEP) II	BDS: Training	679	1995	1997		2
Russia	Enterprise Initiative Phase II	BDS: Training	1,850 (50%)	1996			2
Romania	CIMP Phase I/II	BDS: Support Structure	153 (50%)	1991 (I) 1995	1995 (II)	1997 (I)	2
Poland	Polish British Enterprise Project	BDS: Support Structure	15,000	1995	1997		2
Poland	Polish Advisory Network	BDS: Training	250	1996	1997		2

(1) Date of PM given and figure in brackets denotes a phase of the project.

(2) For many projects we could find no project completion report on record. In many cases the project has been extended or is still current. In some cases an external evaluation study has been undertaken. In these latter cases the external reports has been used where available.

(3) The rating scale is that used for internal DFID evaluation reports. It is based on the consultants' interpretation of the monitoring and evaluation documents accessed. In almost all the cases the projects are 'ongoing' so this does not constitute a formal evaluation rating of outcomes and impact.

B.4: Framework for Analysis of the 5 key evaluation reports and sampled DFID monitoring documentation

DESCRIPTORS	FACTS	COMMENTARY
<p>PROJECT TITLE/DATES Description Contractor Phase</p> <p>INPUT ISSUES Form: Bi- or multi-lateral Duration Modalities: Delivery agency Type of assistance: - Micro finance - Finance - Training - Other support services - Institution capacity building - Enabling environment - Multiple goal/integrated Scale of funding: Amount & % consumed</p> <p>PROCESS ISSUES Selection of contractor Conception, inception, Relationships: - Steering Groups - Reports Monitoring Mechanisms Use of LF indicators Donor co-ordination Planned/informal Level - project - sector - country</p>		

DESCRIPTORS	FACTS	COMMENTARY
<p>PROCESS ISSUES (Continued) Form: Committee Individual Joint reporting</p>		
<p>OUTCOME ISSUES Log frame indicators Level: Project Organisation Sector Country objectives Unplanned/unwanted Duplication Displacement Multiplier Indirect</p>		
<p>IMPACT ISSUES Target beneficiaries ED sector Support environment Wider economy Effectiveness and value for money Negative impact Sustainability</p>		
<p>ADDITIONAL COMMENTARY eg: - Departures from plans - Informal links created - Types of SMEs - Organisations and networks</p>		

- Phil Evans Evaluation Department/Social Development Adviser
- Phil Harding Social Development Adviser (Nairobi)
- Sheila Round Procedures Unit
- Alan Gibson JFS Enterprise Adviser
- Jim McAlpine JFS Team (East Kilbride)

C.3 Others

- Sean Doyle DG VIII EU
- Tina Wallace Poverty Assessment Study Team
- Kate Bird Poverty Assessment Study Team
- Andrew Sheppard Poverty Assessment Study Team
- Dr David Hulme IDPM University of Manchester, Manchester
- Professor Kenneth King Centre for African Studies, University of Edinburgh

C.4 Expert Consultation Meeting

The following were invited to the Consultation Meeting.

Those who attended:-

- Mark Havers, The Springfield Centre for Business Development, Durham.
- Matt Gamser, Graham Bannock & Partners Ltd., 53 Clarewood Court, Crawford Street, London W1H 5DF
- Malcolm Harper and Uschi Kraus Harper, Old Farm House, Filgrove, Bucks MK16 9E.
- Murdoch Gatwood, Traidcraft, Kingsway, Team Valley, Gateshead, NE11 0NE.
- Andy Carlton, 37 Berkely Street, Hull HU3 1PR
- Rhona Howarth, Westfield Management Consultants, 15 Pearsons Terrace, Hexham NE46 3DZ

- Dan Brophy, Dan Brophy Associates, Newcastle.
- Jane Rindl, Segal Quince Wicksteed Limited, Market Street, Swavesey, Cambridge CB4 5QG
- David Smallbone, Centre for Enterprise & Economic Research, University of Middlesex, Hendon, London NW4 4BT
- Paul Chaplin, 4 & 5 Manor Cottages, Old Wolverton Road, Old Wolverton, Milton Keynes MK12 5NN
- Simon Robbins, Evaluation Department, DFID, 94 Victoria Street, London.
- David Ferrand, Consultant to DFID BASE, Nairobi, Kenya.
- DUBS - Small Business Centre Team:- Prof. Allan Gibb, Edwin Nelson, Dr. Ian Pearce.
- Christina Hartshorn, Dr. Pat Richardson, and Karen Langdon.

Unable to attend:-

- John Hailey, Cranfield School of Management, Cranfield, Bedfordshire MK43 0AL.
- John Meadley and Claude Lamshead, Rurall Investment Overseas, Westbourne House, Station Road, Stroud, Glos. GL5 3AS
- Tina Wallace and Richard Slater, University of Birmingham, School of Public Policy, Edgbaston, Birmingham B15 2TT
- Winkie Williamson, Centre for Development Studies, University College of Swansea, Swansea SA2 8PP
- Dr Neil Thin, Department of Anthropology, University of Edinburgh, Adam Ferguson Building, 40 George Square, Edinburgh EH8 9LL
- Dr James Copstake & Ms Susan Johnson, Department of Economics & International Development, University of Bath, Bath BA2 7AY
- Dr David Hulme, IDPM University of Manchester, Precinct Centre, Oxford Road, Manchester M13 9QS
- Bill Cooke, IDPM University of Manchester, Crawford House, Oxford Road, Manchester M13 9GH

- Prof. Paul Mosley, Department of Economics, University of Reading, Whiteknights, Reading RG6 2AA
- Brian Pratt, INTRAC, PO Box 563, Oxford O2 6RZ
- Dr Ben Rogaly, School of Development Studies, University of East Anglia, Norwich NR4
- Prof. Kenneth King, Centre for African Studies, University of Edinburgh, Adam Ferguson Building, 40 George Square, Edinburgh EH8 9LL
- Dr Milford Bateman, Russian & East European Research Centre, University of Wolverhampton, Stafford Street, Wolverhampton WV1 15B

THE FIVE CASE EVALUATION PROFILES:

ANNEX D

Project Performance Criteria	BRAC			KENYA				RUSSIA		SLOVAKIA	
	Relative Importance	Success Rating	Relative Importance	K REP		EIP		Relative Importance	Success Rating	Relative Importance	Success Rating
				Success Rating	Relative Importance	Success Rating	Relative Importance				
Economic Liberalisation	-	-	-	-	-	-	-	Significant	B	(Significant)	B
Enhancing Productive Capacity	Significant	A	Principal	B	-	-	-	-	-	-	-
Good Governance	(Significant)	A	-	-	-	-	-	-	-	-	-
Poverty Impact	Principal	A	(see note 1)	-	(see note 1)	-	-	-	-	-	-
Human Resources: Education	Significant	A	-	-	Significant	B	-	-	-	Principal	A
Human Resources: Health	-	-	-	-	-	-	-	-	-	-	-
Human Resources: Children by choice	Significant	A	-	-	-	-	-	-	-	-	-
Environmental Impact	-	-	-	-	-	-	-	-	-	-	-
Impact Upon Women	Principal	B	(see note 1)	-	(see note 1)	-	-	-	-	-	-
Social Impact	Principal	B	(see note 1)	-	-	-	-	-	-	(Significant)	A
Institutional Impact	Significant	A+	Principal	A	Principal	A	Principal	Principal	B	Principal	A
Technical Success	-	-	-	-	-	-	-	Significant	B	Principal	A
Time Management Within Schedule	-	B	Significant	A+	Significant	A+	Significant	Principal	A	Significant	B
Cost Management Within Budget	-	A	-	A+	Significant	A+	Principal	Principal	A	Principal	B
Adherence to Project Conditions	-	B	Significant	B	-	-	-	Significant	A	Significant	A
Cost-Effectiveness	-	-	-	-	-	-	-	Significant	A	Significant	A
Financial Rate of Return	-	-	-	-	-	-	-	-	-	-	-
Economic Rate of Return	-	-	-	-	-	-	-	-	-	-	-
Financial Sustainability	Principal	B	Principal	A	-	-	-	Principal	B*	Principal	B
Institutional Sustainability	Significant	A	Principal	B	Principal	B	Principal	Principal	B*	Principal	A
Overall Sustainability	Significant	A	Principal	B	Principal	B	Principal	Principal	B*	Principal	A
OVERALL SUCCESS RATING		A		A		A			B		A

* These ratings only because the project contributed indirectly

1. Although a project of this nature clearly has scope to have a positive social impact and to impact positively both on women and on poverty reduction the project did not have these goals explicitly built into the project design. The project objectives detailed in the Logical Framework did not specify any impacts measurable by specific indicators of achievement for poverty and gender. K-REP therefore felt it was unfair for the Evaluation Team to judge the project by these criteria. The Evaluators have not included these areas in the Project Performance Criteria matrix above, but refer to the benefits achieved in these areas in the text of the main report, where appropriate

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