

AN EVALUATION PLAN  
FOR THE  
SMALL AND MEDIUM ENTERPRISE  
DEVELOPMENT PROJECT  
(Project No. 492-0359)

by

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## SMED EVALUATION PLAN

### I. Overview of SMED Evaluation System

#### A. Objectives of Evaluation System

##### 1. Evaluation Needs of a Process Project

The SMED project has been designed to provide project managers with a great deal of flexibility to respond to a changing environment. A comprehensive monitoring and evaluation system is particularly critical to help plan, assess and redesign project activities throughout the project. Managers must regard this system as an important management tool that is an integral part of project activities rather than a donor requirement if it is to be useful. This means that the evaluation system itself must adapt to the managers' changing needs.

The activities described in this report are special planning and evaluation efforts that involve outside consultants. Although a rough framework has been proposed within this report, specific components may undergo significant revisions as the project evolves. These activities are based upon information provided in the project planning documents which may not accurately reflect project activities as they evolve by 1986 and beyond. The rule governing these special activities should be that they respond to project donor and manager needs and complement the project's internal monitoring and evaluation system. In addition, mid-term and final project evaluations should document lessons learned to help design or improve enterprise development efforts in the Philippines and abroad.

##### 2. Description of Three Project Components and Objectives

The objectives for the three project components as stated in the Project Paper are:

#### Institutional Development:

"...to develop and improve the capacity of private sector institutions to directly provide and act as conduits for the provision of extension services to SMEs thus ameliorating the financial burden on the Government to provide such services.... To help associations to better represent SMEs in policy dialogue with the public sector."

By the end of the project it is expected that:

"selected associations in conjunction with necessary contractors will have the capacity to directly provide and act as conduits for the provision of more and improved extension services and demonstration activities to SMEs;

PCCI will have the capacity to help organize and strengthen national and regional associations;

MTI will have improved its capacity to assist private sector SMEs at the industry level;

PCCI and industry and service associations will be able to represent SMEs in national and industry level policy dialogues with the public sector."

Employment and Enterprise Research Component:

"...to develop capacity to obtain better information on SMEs and to facilitate effective policy dialogue between the public and private sector about issues which affect SME growth and productivity."

By the end of the project it is expected that:

"The GCP and private sector will have more effective systems to gather accurate and relevant information on SMEs; and also the capacity to do better policy analysis on the SME sector;

There will be an ongoing effective policy dialogue between the private and public sectors regarding government policies and programs affecting SMEs; and

The public and private sectors will have a better understanding of the factors that affect growth and productivity of SMEs."

Microenterprise Development Component

"...to develop, primarily in Filipino private voluntary organizations, increased capacity to assist microenterprises located outside Metro Manila through credit programs, marketing assistance and management training."

By the end of the project it is expected that:

"PVOs capable of assisting microenterprises with credit, marketing and management training programs will be active outside Metro Manila;

Training programs will be developed to upgrade basic management skills for microenterprises;

Sustainable credit programs will be established for microenterprises;

Means of providing relevant marketing assistance for microenterprises will be developed."

These original project objectives should be a framework to guide the design of monitoring reports, internal and external evaluations. Any changes in these objectives should be explicitly stated in planning documents.

## b. Relationship of Evaluation to SMED Information System

### 1. Basic Components of Information System

The three principal components of the SMED information system should be administrative, monitoring and evaluation reports. Administrative information should provide management with an internal accounting of the use of financial and human resources. This would be comprised of raw data on who did which activities when and with what resources. Monitoring reports should aggregate this data on a regular basis so that project decision-makers can track progress against predetermined targets. Project evaluations - internal and external - should provide project donors, managers and implementing agencies with information to assess the impact of project activities compared to project objectives and long-term goals.

The project's internal monitoring and evaluation system will be designed after project activities begin. Information contained within this report, however, may serve as a framework for the project's internal monitoring and evaluation system. If certain information required for the mid-term evaluation, for example, loan repayment rates, is not collected as part of the project's internal system, then it will not be available for outside evaluators. The

cost, quality and usefulness of future mid-term and final evaluations, therefore, is highly dependent upon the quality of the project's internal monitoring and evaluation activities. The project information system should be the primary source of evaluation data on project activities. Outside contractors should be involved in collecting information to assess the income, employment and qualitative impact of project activities upon enterprises. Collecting such impact data would overly burden implementing agencies.

## 2. Operational Guidelines to Establish a Monitoring and Evaluation System

The design and implementation of the outside evaluations described in this report should be part of a larger process that establishes the project's entire monitoring and evaluation system. The basic steps involved in designing and implementing the SM&D project's entire monitoring and evaluation system are:

- o pre-design planning: to determine the M & E system's role, timing and funding requirements;
- o needs assessment: to review overall project design, development hypotheses and assumptions; to identify information needs by decision makers' level and function; and to minimize redundancy in data generation and analysis;
- o resource allocation: to determine specific financial and human resource needs for each implementing agency (PVCs, associations, etc.);
- o preliminary design and testing: to train all involved in monitoring and evaluating the project at various levels, pre-test and modify the system;
- o continual assessment, modification and training: to maintain the dynamism of the monitoring and evaluation system, ensure that it responds to changes in project design and is appropriate for decision-making needs.

The evaluation activities suggested in this report should be part of this process to ensure that they will complement and build upon the project's ongoing monitoring and evaluation system.

## Description of Suggested Components of Monitoring and Evaluation System

The basic components of the SMED project's overall monitoring and evaluation system involve ongoing activities conducted exclusively by project participants and special evaluation activities involving outside consultants.

The project's internal monitoring and evaluation system is suggested to comprise:

- o Quarterly reports;
- o Semi-annual Reports; and,
- o Annual Reports and Review Sessions.

Special one-time activities that should involve the participation of outside experts include:

- o Operational Planning Studies;
- o Baseline Impact Evaluation Studies;
- o Mid-Term Evaluation and Impact Assessment;
- o Final Evaluation and Impact Assessment.

### 2. Internal Monitoring and Evaluation Components

Although monitoring and evaluation should be a continuous process whose degree of formality fits the personalities of project implementors, certain minimum information should be provided in written reports to the Management Implementation Secretariat, the Executive Committee and AID. The frequency and content of these reports are suggested to be:

- o quarterly reports: tracking financial resources;  
(administrative information)
- o semiannual reports: summarizing the achievement of project outputs (monitoring information) plus financial information;
- o annual reports: commenting upon the achievement of project objectives, major problems, changes in project design, and lessons learned. These reports should provide an action plan for the next year's activities.

These annual reports should form a basis for discussion at annual meetings held between managers of all project components including PVO and association representatives. These meetings should provide a mechanism for self-evaluation, help to plan future activities and provide a basis for budget requests.

It is suggested that implementing agencies (Associations and PVUs) submit these reports to project managers (MIDP, MIS) 60 days after the end of the respective period. Project managers would have 30 days to summarize these reports for the Executive Committee.

The entire monitoring and evaluation system is expected to be designed by monitoring and evaluation experts within the Management Implementation Secretariat, project managers (MIDP, General Contractor, bSAL), and project implementors (participating associations and PVUs) once project activities formally begin. They will determine the content and frequency of reports to the Executive Committee. Outside technical assistance may be required to help design and implement this system.

### 3. Special Evaluation Components

Outside contractors should design and implement special evaluation components with the active participation of project managers. A summary of these components, to be described more fully in this report, includes:

- o operational planning studies: to help plan initial project activities and provide baseline information on associations and PVUs
- o baseline impact studies: to collect information from SMEs and microenterprises to be used to determine the impact of the project
- o mid-term evaluation: to assess the extent to which project objectives are being met; recommend changes to meet those objectives; suggest funding levels for the latter half of the project, assess the income and employment effect of the project to date; recount lessons learned;
- o final evaluation: to assess the extent to which activities begun by the project are viable and self-sustaining; to assess the project's long-term income and employment impact, to reflect upon the program and policy lessons learned through the project.

The contractors chosen to perform these studies should demonstrate a proven capability to analyze as well as collect data. Philippine study efforts have a reputation of concentrating upon data collection rather than analysis. Part of the problem stems from a lack of adequate resources and funds to analyze data rigorously. Thus, each scope of work for these planning and evaluation efforts should include sufficient funds to allow for a timely and comprehensive data analysis. Previous reports that have been written by individuals proposed to design and analyze baseline and mid-term impact data, for example, should be reviewed as part of the firm selection process.

A total of \$400,000 has been allocated for all evaluation efforts. These funds should be used to cover the costs of the operational planning studies, the mid-term evaluation and final evaluation. It is suggested that the impact evaluation data collection process be funded separately and supervised by the Research component since it will be a long-range evaluation effort.

## II. Operational Planning and Baseline Studies

### A. Objectives and Timing of Studies

Two types of studies should be conducted at the beginning of project operations: operational planning (OP) studies that provide information primarily to help design project activities and baseline studies that collect information by which to gauge the project's impact. The former should focus upon the capability of project implementing agencies (associations and PVOs) while the latter would collect more comprehensive data on microenterprises and SMEs.

These studies have been divided into two types because planning information is needed quickly while gathering and analyzing income and employment data is an extremely time-consuming effort. Project activities have been delayed enough in the past; the project should not wait until impact data results are known. If impact information is collected during quick, "one-shot" interviews, then it probably will not be accurate enough to be used for comparison purposes. Gathering accurate and useful impact data requires a more sophisticated approach.

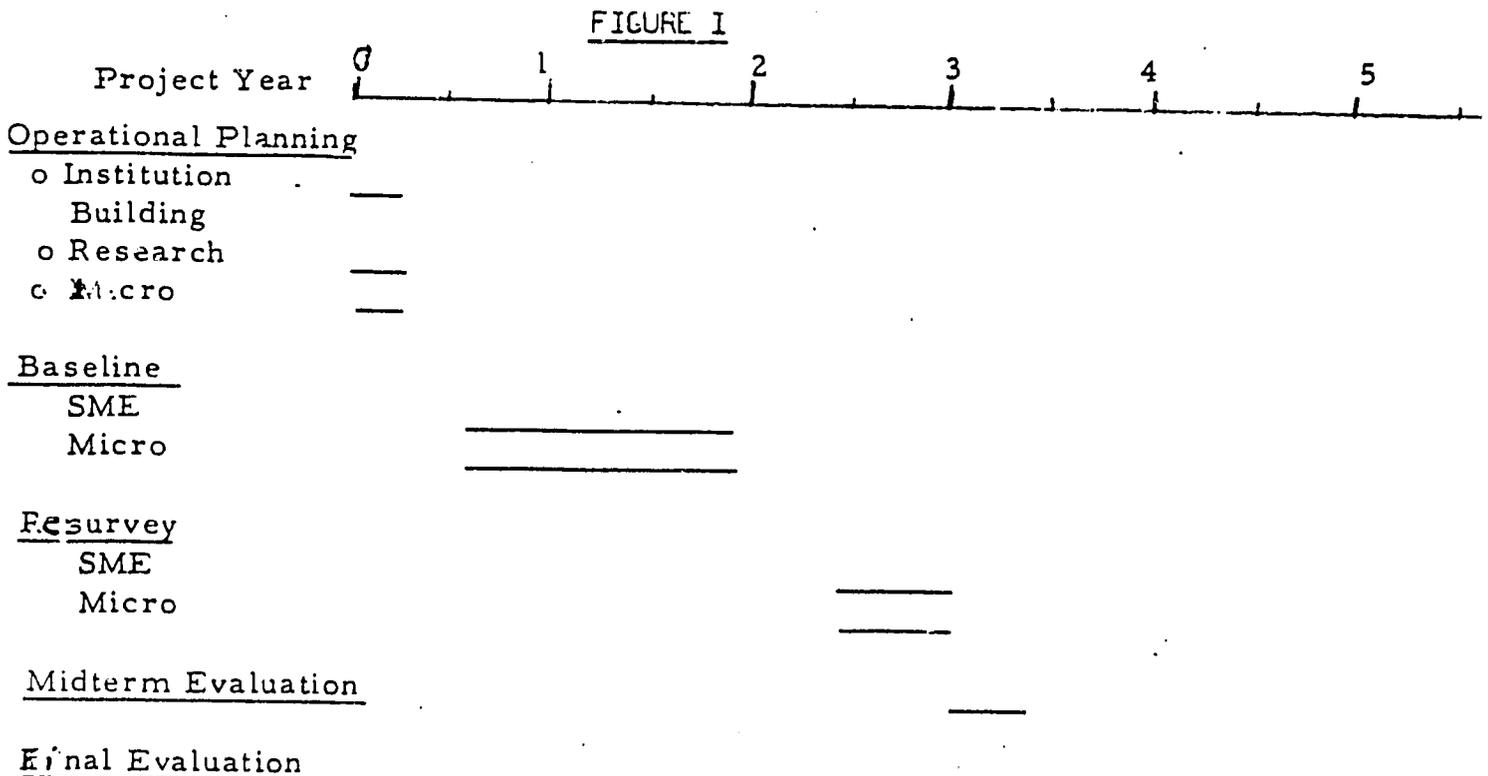
In addition, it would be premature to conduct in-depth examinations of microenterprises and SMEs before the specific associations and PVOs to receive SMEED assistance have been selected. Such data collection efforts should only begin after a clear plan of action for project activities and a strategy for assisting these organizations have been formulated. If the interviewed enterprises have no further contact with the project, then the money spent to collect this information will have been wasted. Thus, baseline data studies should not begin until project activities for the first 1.5 years of project implementation have been planned.

Operational planning studies should be conducted by each of the three project components, Institutional Development, Research, and Microenterprise Development during the first weeks of project start-up. These studies should help to focus project activities and determine priorities during the first 1.5 years of operations, (through December 1985). To be useful, these studies should be designed with the active participation of the Executive Director of the Management Implementation Secretariat, managers of the three project components and implementing agencies. AID and Philippine government policy makers should oversee these efforts.

OP study results can be used to establish baseline information on pre-SMED association strength and services, state of the literature on SMEs and PVC willingness and capability to implement loan programs. Since the results of these studies will be used to plan near-term activities, a high priority must be placed on getting them started as soon as the Management Implementation Secretariat begins operations. This means that quick contracting mechanisms, such as the Indefinite Quantity Contract, might be used so that capable expertise can be identified, contracted and begin work within a few weeks. To be most useful for project planning, the results from these studies should be available within two months after the field work begins.

Baseline studies for future impact evaluations should be conducted under the auspices of the Research Component for the Institutional Development and Microenterprise Development components. This will help ensure that the studies have the time and resources to be planned and conducted properly. These data gathering efforts should be closely coordinated with that of the "diagnostic" teams and SMED-assisted PVCs. Otherwise, the same enterprises will be subjected to similar, often grueling, interviews leading them to question the efficiency of the SMED project process.

A summary of the proposed timing for these studies is shown in Figure 1.



## B. Institutional Development Operational Planning Studies

### 1. Introduction

Two studies are needed to help plan project activities for this component. They are:

- o a review of SME development activities currently undertaken by public and private agencies in the Philippines, and
- o an examination of the strength of existing SME associations in the project area.

### 2. Review of Other SME Development Activities

Since the information in the project paper was collected in early 1983, public and private agencies have initiated new SME development projects, learned some lessons about existing projects and, perhaps, even changed their strategy on what types of SMEs to promote. Before treading in these well-traveled waters, the project manager should have a clear idea of what other SME assistance efforts are doing. This information can help ensure that project managers design SMED activities so that they complement rather than duplicate existing efforts. This study should help to justify specific project activities based upon existing needs that are not being met and, thereby, avoid confusion and consternation among implementing agencies and beneficiaries.

The study should include a review of:

- o all major SME development programs funded by international donors and the Government of the Philippines;
- o other SME development activities undertaken by agencies operating in the Philippines; and
- o centrally-funded AID projects that could be used to assist the development of Filipino SMEs.

Specific focus should be placed upon programs that assist:

- o the three priority subsectors identified in the project paper
- o the five regions included within the SMED project

o SME business associations.

This might include loan programs, technical assistance agencies, technology transfer projects, and equity investment schemes. Information should be gathered through a review of relevant project documents and interviews with staff members of agencies implementing these programs.

The study could involve a two person team comprised of a Filipino and an American consultant for one calendar month. The Filipino team member should be familiar with Philippine SME assistance agencies in the private and public sectors and SME development strategies in general. The American team member should have experience working on SME development projects and, preferably, have work experience in the Philippines. The American consultant should collect information from AID headquarters on relevant centrally-funded projects prior to arrival in the Philippines. Data gathering in the Philippines should not require more than three weeks, with the final week reserved for report writing and debriefings.

### 3. Examination of Existing Associations

The SMED project has been designed to strengthen the capability of existing business associations to deliver services to SMEs. Yet, little is documented about the present capability of associations existing within the project area. More information on national, regional and local associations is required prior to formulating a specific assistance strategy.

A study, therefore, should be conducted to assess the strength of associations that are potential assistance recipients and intermediaries under the SMED project. First, a comprehensive list of all active associations that represent enterprises in the three priority subsectors (furniture, garments and housewares and gifts) in the five regions should be compiled by talking to national association leaders and other knowledgeable sources. The study team should choose at least two associations within each subsector in each region (assuming that many exist), or 30 associations total from the list of all associations. These should be the most active associations on the list and represent enterprises that produce primarily for the domestic as well as export markets. Their national organization should also be interviewed to determine the services provided to these regional and local chapters.

Some regions may have particularly high potential for SMEs not within the three chosen subsectors. For example, food processing represented 93 and 41 percent of total manufacturing value added of SMEs in regions VI and V respectively, while non-metallic mineral products represented 50 percent of value added in region I. (see Annex J page 7, SMED Project Paper Annexes) The study team should include information on a few of the strongest associations that represent such dominant industries as part of the study. This information would provide a source of comparative information on regional associations, might unearth some innovative ideas on services that might be provided to members and help to plan longer range project activities. In addition, the survey team should interview local and regional Chamber of Commerce branches and analyze how they might complement the efforts of industry-specific associations.

Information on sampled associations should be collected through interviews with association members - including those not serving on the Board of Directors - as well as SMEs that are not members of the association. Including those not within a leadership position of the association as well as those that have chosen not to join should provide a more balanced perspective of the association's strengths and weaknesses. The team should try to interview at least two members of the association (the association President and one other member that has not been selected by association officers) and two non-members. Non-members may be selected from lists prepared by the Directory of Business Establishments or the Bureau of Domestic Trade. Non-members should include entrepreneurs that have never received assistance from any government agency.

Ideally, the study team should interview about:

- 60 members of furniture, garment and handicrafts associations in the five regions (2 members X 30 associations),
- 60 non-members that belong to these industries, (2 non-members x 30 associations)
- 10 members of associations that represent other important industries in the 5 regions, (2 members X 5 associations)
- 10 non-members that belong to these other industries, (2 non-members X 5 associations)
- 10 members of local Chambers of Commerce (2 members X 5 Chambers)
- 10 ex- or non-members of local Chambers of Commerce (2

- non-members X 5 Chambers)
- 8 members of the national furniture, garment and handicrafts associations and the PCCI (2 members 4 associations)
- 8 non-members of these national associations (2 members X 4 associations)
- 6 members of other important industrial sector associations at the national level (3 sectors X 2 members)\*

TOTAL: 182

(\* Assume that 3 additional industrial sectors are identified within the five regions)

According to this plan, the team would interview about 32 entrepreneurs in each region. However, it is unlikely that each region will have two active associations for each of the three targeted industries. Some regions may have only one relatively weak association, thereby, lowering the number of respondents accordingly. After a sample frame of associations has been compiled, the survey team may decide that it more appropriate to interview more enterprises belonging to fewer associations or vice versa.

It is recommended that a four person team be contracted to gather the information needed on these associations. A large team is necessary to collect and analyze data and write-up study results within the prescribed two month time limit. One part-time research assistant should be assigned to the team to make logistical arrangements, reduce data (make arithmetic calculations) and help edit and type the report. All team members should be SME development experts and at least one team member should also be extremely familiar with Philippine business associations. A proposed schedule might be as follows:

- Week One: Discussions with project managers, sampling frame compiled, sample section completed, questionnaire design, questionnaire pre-test conducted; logistics arranged;
- Week Two: Two team members interview national organization members and non-members  
  
Two team members interview local association members and non-members in Region "A"

- Week Three Two team members interview local association members and non-members in Region "B"
- Two team members interview local association members and non-members in Region "C"
- Week Four Two team members interview local association members and non-members in Region "D"
- Two team members interview local association members and non-members in Region "E"
- Week Five- Seven Data analysis, preliminary debriefing, preparation and review of draft report;
- Week Eight Completion of final report

Qualitative and quantitative information should be collected from members and non-members to assess the extent to which associations represent the interests of subsector SMEs and their capability to provide services. Two open-ended questionnaires should be used to gather information from members and non-members about local and national associations. The questionnaire designed for members should include questions on:

- o year of the association's establishment
- o growth of membership over time
- o operating budget
- o amount of dues
- o number of paid and volunteer staff members, functions and training (in full-time job equivalents)
- o number of members attending the Annual meeting
- o number of members and non-members that attend special seminars or luncheons organized by the association
- o the cost of past special activities and how these costs were covered;
- o the usefulness of past association technical assistance activities (seminars, guest speakers, etc.)

- o the services that the local organization has received from the national organization;
- o the extent to which they think the association is an appropriate mechanism to alleviate their business problems
- o why other SMEs in their industry have not joined the association
- o future activities they would like the association to undertake;
- o whether association members would be willing and able to pay for such future activities;

Non-members should be questioned about why they have chosen not to join the association and whether they use other sources to receive the same services. As much information as possible should be collected about alternative sources of technical assistance.

Since the association members are small and medium scale enterprise owners, the interviewers should also seize the opportunity to question them about their businesses. After gathering some general information on the nature of the enterprise's business, the interviewers should try to determine through a variety of direct and indirect questions what the entrepreneurs' objectives are:

- o If they are currently producing for the domestic market, do they want to export their products?
- o Do they wish to expand their current businesses or do they plan to diversify into other subsectors?
- o Would they like to subcontract part of their production process to other firms?
- o Would they like to bulk purchase certain raw materials with other firms?
- o Would they want to share common facilities with other firms (use common technology, etc.?)
- o What would be the potential advantages and disadvantages of these approaches?

The interview team should also ask entrepreneurs what they perceive to be the greatest problems affecting their business. Open-ended questions should be asked to determine what entrepreneurs believe are their greatest problems. Examples of topics to cover include:

- o current and potential market for the product
- o market stability in economic cycles
- o sales and distribution effort (system and cost)
- o strength and dominance of competition
- o vulnerability of raw material inputs (supply and price)
- o quality of raw material inputs
- o labor (skills, cost, turnover)
- o production processes (efficiency, appropriateness, scale)
- o product quality (for domestic and export markets)
- o competitors' attempts to copy product design and/or lure away skilled workers
- o infrastructure (electricity, transport, water, communications)
- o working capital
- o investment capital (long-term loans and/or equity participation)
- o legislation and controls

Towards the end of the interview, the interviewers should try to get some general idea of the enterprise's scale through direct observation of assets and general questions regarding:

- o average monthly sales during the most active months (number of active months)
- o average monthly sales during slow months (number of slow months)
- o estimated assets, debt, net worth
- o estimated number of wage-earning workers; non-paid family members

The interviewer should not attempt to get exact answers to these questions, but merely get some idea of the scale of the enterprise. As mentioned previously, this information is not to be used as baseline data for future SME impact evaluations. Some general parameters for the baseline study on SMEs are provided on pages \_\_\_\_\_.

### C. Research Component Operational Planning Study

#### 1. Introduction

It is recommended that this component fund a study to help develop an action plan for the first 1.5 years of research activities. The basic parameters for this study have already been described in the Project Paper.

## 2. Operational Planning Study for Research Component

The Project Paper states that one of this component's first activities will be to catalogue existing studies and research on enterprise development and employment issues. Researchers are supposed to prepare a brief synopsis of each catalogued item - type of analysis, programs/areas analyzed, conclusions and recommendations - to provide greater guidance for policy analysts. The wealth of material available on this subject suggests that this effort could easily involve six calendar months or more. Project managers, however, now need a better sense of what studies are most urgently required to plan the first 1.5 years of project activities.

It is suggested, therefore, to commission a short study - one person month - to briefly review the literature and conduct discussions with project managers and key implementing agencies to learn which research topics are of highest priority. This report would then be used to rank study projects in order of their need and feasibility so that research may begin before the entire cataloging process has been concluded. This list of study projects, of course, would be complemented by others suggested by project participants throughout project implementation.

### D. Microenterprise Development Operational Planning Studies

#### 1. Introduction

Two baseline studies are suggested to plan project activities for this component:

- o a general overview of PVCs active in the five project regions who are currently involved in income-generating activities or would be interested in starting such activities, and,
- o a detailed examination of all PVCs with loan programs operating in the five regions (or planning to expand into those regions).

## 2. PVO Overview Study

This study has already been conducted by the Micro Industries Development Program; the report's findings indicate that a substantial number of PVOs are interested in the program. Further research, however, is needed on the specific experience that PVOs administering such loan programs have had, and the lessons they have learned. This information would help to design the PVO development component and provide background information for selecting the PVOs to receive loan funds during the first 1.5 years of project implementation.

## 3. Study of PVOs with Lending Programs

This study would build upon the PVO overview study and any others that exist on lending programs of PVOs operating in the Philippines. The study team, therefore, would begin by examining previous pertinent studies. The next step should be to make a list of all PVOs with lending programs based upon information gathered from these studies, conversations with those knowledgeable about these programs, and publicity efforts conducted by the MIDP. Although the microenterprise baseline study includes most PVOs with such programs, it does not include all of them. A clear and consistent definition for the term "PVO" should be used when deciding which loan programs to include on the list.

The MIDP baseline study located about 56 PVOs with lending programs. About half of these agencies charge interest on their loans. The study team should be able to identify a few more agencies that have lending programs in the 5 project regions or plan to expand into such regions. After this list of PVOs has been made, the team should try to separate those PVOs with active lending programs from those that only have a few loans outstanding. The former group should be divided into active PVO loan programs that charge interest on loans from those that are interest-free.

The team should try to interview all PVOs that have active lending programs that charge interest and some that are interest-free but would be willing to charge interest. A total of 40-50 PVOs should be interviewed since the project is supposed to disburse loans to 30 PVOs during its first two years. This study should provide information on which PVOs are most capable of managing loan funds without undergoing a training program so that they may be the first to receive such funds. Other PVOs may require extensive technical assistance prior to receiving a loan from the SMEU project.

This study should involve an in-depth examination of sampled PVCs objectives, administrative capability and financial systems and performance. The program's objectives should be examined to determine whether they are consistent with SMEU project aims and whether the agency is even interested in participating in the project; knowledge about its administrative capability is necessary to determine if it is ready to receive additional loan funds or whether additional training is required; information on its financial systems and performance should provide a good idea of the probability that it will be able to repay loan funds from the SMEU project and the extent to which its current loan program is viable. Examples of the topics that might be explored by the study team include:

Objectives:

- o Does the PVC want to establish a self-sustaining loan fund?
- o Does it want to expand operations?
- o What is the PVC's target group? (sector, scale, and location)
- o Would the PVC be willing to accept a loan at 6 percent interest for relending purposes?
- o Would the PVC accept outside technical assistance?

Administrative Operations:

- o What is the organizational structure of the PVC and the lending program?
- o What are PVC's internal credit procedures? (loan application, approval and disbursement procedures)
- o Does the PVC provide group or individual loans?
- o Does the PVC make follow-up visits to clients? If so, what is the frequency and purpose of such visits?
- o Does it provide technical assistance to subborrowers?
- o Does a system exist to ensure the regular monitoring, planning, internal evaluation and review of activities?
- o What is the PVC's system of internal inspection and controls?
- o How many staff members work on the loan program? (try to convert into person years) What is their work experience/educational background?

## Financial Performance

- o What are the PVO's financial policies? Upon what criteria are loans made?  
(collateral, character, project viability)
- o What is the PVO's policy towards delinquent clients?
- o What is its loan write-off policy?
- o What are the terms and conditions of loans to microentrepreneurs? How were these rates chosen? What is its collection policy on principal and interest?
- o What is the PVO's loan collection performance? (age delinquent loans) How does it define its loan repayment rate?
- o What is the composition of the portfolio? (loan size range and average, loan purpose, total number and volume of loans, number of repeat loans, geographic location, type of enterprise, scale)
- o What are the costs and revenues derived from the loan program and its financial viability? (examination of the PVO's financial statements)

Since the team members should examine the financial systems and statements prepared by the PVOs, and in some cases reconstruct fragmented financial data and recalculate repayment rates so that they are somewhat consistent and valid, it is necessary that financial analysts be involved in the study. A four person team is recommended to conduct the field work and analysis: two consultants who are financial analysts familiar with loan programs in developing countries and two MLDP staff members that participated in the initial baseline study and are familiar with PVO programs. A secretarial assistant should assist the team with logistical arrangements and typing the final draft. PVOs should be interviewed by sub-teams composed of one consultant and an MLDP staff member. A tentative schedule might be as follows:

- Week One: Discussions with project managers; review of previous studies on PVO programs; establishment of sampling frame and sample selection; questionnaire design; logistics; interview with two PVOs located in Manila;
- Week Two-  
Five: Subteams interview at least 40 PVOs with loan programs, primarily located in five project regions;
- Week Six-  
Eight: Analysis of results; preparation of draft report; review of draft by project managers; debriefing; preparation of final report;

The final report should specify which ten PVOs are the best candidates for receiving the first loans disbursed under the program, and what technical assistance should complement these funds. The first PVOs may represent different strategies for providing loan funds to clients; a mid-term evaluation could then examine which strategies seem to work best and why.

This report also should include terms of reference for another action-oriented planning study to examine the potential of different mechanisms by which to assist PVOs. An example would be analyzing the potential of using regional PVO associations/service centers and/or rural banks to help PVOs administer loan funds.

The MIDP is planning to hold conferences in three regions to publicize the SMEB project and begin the PVO selection process. These conferences are planned to occur in June - July 1964. It would be most efficient if the data gathering effort proposed for this operational planning study could be coordinated with these conferences. Or, if it seems impossible to hire consultants within this short time frame, then the MIDP may collect some data from proposed PVO candidates during these conferences which is then followed by a more comprehensive study suggested in this section. In this way, the momentum provided by these conferences would not be hindered.

## E. Impact Evaluation Baseline Studies

### 1. Introduction

The research component should be in charge of designing a scope of work and supervising the collection of impact baseline data from microenterprises and SMEs. This effort, as previously stated, should be coordinated closely with project activities to avoid duplication and ensure that this information may be useful to project managers.

In theory, the impact evaluation data on microenterprises and SMEs in the five regions could be collected by the same group of interviewers at the same time. This might be the most cost-effective method since both surveys should occur in the same regions. However, it is likely that the Institutional Development and Microenterprise components will not gear up at the same rate and project activities may occur in different geographical locations.

To ensure maximum flexibility and efficiency, one contract should be issued to the same firm to conduct impact evaluation baseline and follow-up mid-term surveys on SMEs and microenterprises. This firm (or cooperating firms) must demonstrate that it has the necessary capacity to conduct such studies over several years and respond quickly to survey needs and opportunities. AID and Management Implementation Secretariat staff should act as catalysts to ensure that the firm conducting the baseline and follow-up impact studies involves project managers and implementors throughout the study process.

Associations and PVOs that will participate in the program will not begin activities at the same time. They will be incorporated into the program over time. Thus, the baseline survey team must coordinate its research efforts with this timing. Baseline data collection should occur throughout the first 1.5 years of project implementation; once an association or PVO receives funds or other assistance from SMED, then a baseline study should be planned to interview its clients.

Baseline data on SMEs and microenterprises should only be collected after those expected to receive assistance have been identified. Since PVOs will not know specifically to whom they will be lending, for example, this means that the baseline study must wait until the first loans have been disbursed. The study team must respond quickly to these opportunities. If too much time elapses between the provision of resources and the survey, then accurate baseline data will not be gathered; the data will already incorporate the effect of these resources.

## 2. Institutional Development Baseline Study

The focus of the institutional development baseline study should be on enterprises that are supposed to receive assistance through the SMED project. Once specific associations have been chosen and their role in the project is known, then the specifics of the survey design can be determined. Interviews with SMEs affected by an association should only occur when technical assistance efforts to the association begin. Since associations will be incorporated into the project over time, this means that baseline data will also have to be collected over time. Thus, one institution familiar with SME survey design, data collection and skilled in data analysis should be contracted to collect baseline data at appropriate times.

The sampling frame should be compiled from lists of association members, conversations with members on what non-members frequently attend association functions, the Directory of Business Establishments, the SBAC and the Bureau of Domestic Trade. Sample selection should be based upon those SMEs that are expected to benefit directly from the project (association members and those interested in joining) and a matched group of those not expected to participate in any way located in the same region.

In theory, the survey should include a control group of enterprises that are similar to assisted enterprises in every way except that they will not participate in the project. However, in practice, it may be difficult to identify these enterprises since:

- o the project does not have any restrictions on enterprises that should not receive assistance
- o it is extremely difficult to find a reliable "match" group of non-participant enterprises since there are usually either key differences between those who choose to participate versus those that do not or not enough comparable SMEs in rural communities to match up, and
- o even if SMEs could be matched, the data collectors often will not be granted access to non-participants' financial data or personnel.

The sample size should be a function of the heterogeneity of enterprises expected to participate in the project, if extrapolations to the general enterprise industries are to be made. A statistician should be involved in the survey design to ensure that results can be generalized with an adequate degree of confidence.

The impact evaluation baseline study should provide a basis to test specific development hypotheses rather than adopt a "shotgun" approach of interviewing everything in sight about anything that seems to be an interesting research topic. Choosing what data to collect should be a function of what project implementors expect to happen to enterprises. For example, if associations plan to offer a seminar on product quality maintenance as their only activity and do not expect this to change employment patterns, then it would not make sense to gather a lot of information to determine whether new jobs have been created.

Since the SMED project's long-range objective, however, is to generate increased employment and income outside Metro Manila, then the baseline study should collect information on these topics when project activities are expected to affect these variables. This includes gathering data to determine what the indirect as well as direct employment and income impact of the project has been. To try to estimate the potential multiplier effect of assistance to SMEs, it is necessary to understand their linkages to input suppliers and marketing agents.

Entrepreneurs are usually sensitive about divulging information on their income and employment, especially if the data is to be used for a government-sponsored project. It is suggested that this information be collected during a few interviews. After the first interview, data analysts should check for inconsistencies in the data, spot gaps and raise new issues to be clarified in a second interview. Also, the data collectors may ask to see the entrepreneur's financial statements during the first visit; if they are not readily available, then they can be reviewed during subsequent visits and matched with recall information provided by the owner or manager.

During the second interview, information can be rechecked and additional data collected on other subjects. In many cases, even a third interview may be necessary to complete this iterative process. Since collecting this information is time-consuming, having multiple visits also helps to keep each interview under one hour in length - the maximum time that most entrepreneurs can bear to spend.

One project participant remarked that "any financial statement that an entrepreneur is willing to show you, isn't worth looking at". Financial statements may contain inaccuracies designed to limit tax liability or avoid minimum wage restrictions. Some of these irregularities may be avoided by focusing on the least threatening parts of the statement (cost of raw materials, for example) and rebuilding the statement from that base. But in any case, if distortion exists, what is key is that the same level of distortion exist when resurveys are conducted to determine the project's impact. Interviewers will be interested in examining the change in these variables, rather than their absolute amounts.

The specific quantitative data that should be gathered includes information that stems from the enterprise's financial statements. This includes:

- o annual sales
- o cost of raw materials
- o gross profits
- o operating profits
- o interest payments
- o salaries, wages and benefits paid to employees
- o pre-tax profits
- o taxes
- o composition of assets
- o composition of liabilities
- o net worth

Information on employment should divide employees by whether they are family, non-paid labor, full-time paid employees, apprentices, seasonal or occasional. Seasonal and occasional laborers should be converted into full-time job equivalents. Also, data gatherers may include information on whether these are male or female and divide the staff into administrative staff and manual workers.

Information should be gathered so that worker productivity can be assessed as well as changes in the number of jobs. Common productivity ratios include output or sales per worker.

Interviews with SME managers can elicit more qualitative information such on the nature of the industry and linkages with other enterprises. Qualitative information may be gathered on:

- o product quality
- o market share, market composition, and the strength and dominance of competition
- o nature of marketing contacts (family contacts, foreign buyers, etc.) and how they were established;
- o fluctuations and trends in demand for product
- o research and product design efforts
- o regularity and quality of input supplies;
- o stability of input costs
- o labor availability and quality
- o labor underemployment
- o adequacy of current technology.

The interviewer should also comment upon the SMEs management and accounting practices to serve as a basis for comparing the effect of management assistance. Some indices of the management capability would include:

- o planning - financial, purchasing, production and marketing projections (how far into the future do they plan?)
- o communications - within the business, among businesses with outside resource sources (e.g. associations)
- o organization - degree of formality of business operations (e.g. written policy and procedures, job descriptions, etc. )

The institution in charge of designing and implementing the data gathering process should bear in mind that the baseline study should serve as a basis to evaluate net changes in enterprise performance. Information should be collected that links net changes in employment, income, production and management practices to SMED activities.

### 3. Microenterprise Development Impact Baseline Study

Microenterprises will differ from SMEs in that:

- o they usually will have no written financial records, and
- o they have a variety of economic activities with profits and assets freely flowing between activities.

Since microenterprises have no written records, such information must be gathered by relying upon the ability and willingness of the entrepreneur to recall accurate financial information. This ability is a function of whether the figure fluctuated a great deal during the period in question, the amount of time that has elapsed since the event occurred, and the frequency with which it occurred. In general, financial data from microenterprises should be used to describe basic trends rather than absolute changes.

Rural microenterprises often form part of numerous household activities, including agricultural production. Although assistance may have been given to only one of these activities, its effect can only be interpreted correctly by examining all intertwined household activities. Profits generated by the microenterprise, for example, may be used to purchase agricultural inputs; the enterprise may not grow while other aspects of the family's businesses do. The employment effect of a PVC loan similarly may be dispersed among various

household activities.

PVCs providing assistance to microenterprises cannot be expected to gather data on the entire production unit of which the microenterprise is part. This should be the job of the baseline study team. Comprehensive studies should be conducted on a selected sample of microenterprises that examines their objectives, constraints, income, and employment using the household rather than the assisted microenterprise activity as the economic unit of analysis. Techniques using in Farming Research Studies to analyze farmer households may be adapted for this purpose.

In addition to gathering quantitative data on the microenterprise, the baseline study team should collatorate with PVC staff to gather data on proxies to be used to judge the effect of PVC assistance. The MIFP has already outlined data it would like PVCs to gather. This includes:

- o number of additional household appliances purchased as a result of increased earnings of the business;
- o home improvements
- o number of children sent to school
- o increase in food intake or calories
- o medical expenses.

It will not be cost-effective for PVCs to collect this information on each client. Discussions should be held between the MIFP, PVCs and the institution charged with collecting baseline data to determine whether it would be more efficient to have expert data gatherers collect this information as part of the baseline impact study. Additional income and employment proxies will surely be identified by PVC staff to be incorporated into this study.

### III MID-TERM EVALUATION

#### A. Objectives

##### 1. General Object

The mid-project evaluation should build upon information collected and analyzed throughout the first three years of project implementation. AID/Washington must be involved in the design of the evaluation and participate in the review of findings. AID/Manila, project managers and outside consultants should design and conduct the evaluation jointly to maximize its potential constructive effect.

AID's participation is critical to ensure that the scope of work is designed so that the evaluation will provide information necessary to determine whether and how to continue project operations. Project managers' involvement is critical to ensure that the evaluation will meet managers' needs, address their concerns and promote the incorporation of findings in future project plans. It should provide an opportunity for project managers to pause and reflect upon what they have been doing and serve as a general planning tool for the second half of project activities. Outside consultants need to be involved to provide an independent perspective on project activities and accomplishments.

The mid-term evaluation should examine whether project design changes are necessary and offer guidance for achieving project objectives. The evaluation team should examine the original hypotheses underlying the three project components and comment upon the extent to which they have been proven or disproven. A section should be devoted to the lessons learned during the first three years of project implementation. In addition, the evaluation should examine the delivery of project inputs, the realization of project outputs and the achievement of objectives as stated in the project's logical framework and annual plans. If the project seems to be a disaster, then results of the mid-term evaluation should be used to assess whether there should be a second half of the project.

##### 2. General Framework for Mid-Term Evaluation

The general framework for evaluating the three components of the SMLB project should be to examine the performance and impact of the different project implementing agencies and

beneficiaries involved in the project. To understand why certain actions were taken and what changes occurred, it is necessary to understand the entire process behind that change. Thus, the mid-term evaluation should examine the performance and interaction of the following actors in the SMED project:

- o USAID/Manila
- o Executive Committee, Management Implementation Secretariat and other Project Managers
- o Project Implementing Agencies (PVCs, associations, PCCU, etc.)
- o SMEs and microenterprises directly affected by the project;
- o Enterprises and communities indirectly affected by the project.

Each of these actors form part of the process that leads to the achievement of project objectives. An examination of AID's timely delivery of resources and their effect on project management units (MIS, MICP, general contractor, BSMI, etc.) is the first link that determines the project's potential effect. The effect of project managers' activities upon implementing agencies (associations, PVCs, etc.) is the second link. If the project activities are inconsistent or not delivered in a timely fashion then the implementing institution's performance will suffer. In a similar fashion, the efficiency and effectiveness of the implementing institution affects the performance of assisted micro, small and medium enterprises. And, finally changes within assisted enterprises have repercussions on other enterprises and their surrounding community. It is this final link that is the justification for the SMED project; however, the chain of activities leading to this link must also be analyzed to understand what has happened and why.

The following sections will specify who are the key actors for each component according to information found in the Project Paper and Implementation plans. Since the three components of the SMED project involve very different activities, three scopes of work are suggested to serve as a framework for evaluating these activities. The project manager and independent consultants would evaluate all three components; component managers would participate in evaluating their respective activities. And, the results would have to be synthesized so that the report presents general conclusions about overall project progress and lessons learned to date.

Information on project impact on SMEs and microenterprises should be supplied by the contractor in charge of this research study. Other consultants should be hired to cover the other aspects of the evaluation and conduct spot checks on information supplied by the impact evaluation contractor. This is necessary to ensure that an unbiased, independent evaluation will be conducted.

B. Scope of Work and Methodology: Institution Building Component

1. Examination of Project Hypotheses

Underpinning the institution-building component are several hypotheses about effective mechanisms to promote SME development. By the middle of the project, managers should form some conclusions about the validity of these hypotheses and assumptions. Some of these assumptions are explicit, while others have not been clearly stated in project documents. As the project evolves, original assumptions and hypotheses will be replaced with new ones; the mid-term evaluation should examine this process and discuss the implication of such findings for other project activities.

The major project hypotheses of this project component are that:

- o Associations are an appropriate mechanism for stimulating the development of SMEs, and
- o Technical assistance and technology transfers can help develop viable labor-intensive enterprises outside Metro Manila.

Behind these two major assumptions, are the assumptions that:

- o Associations are capable of representing the industry as a whole rather than just the interests of a small group of members;
- o SMEs in the same industry or on a vertically integrated basis want to collaborate and use associations to solve their problems,
- o Associations want to strengthen and professionalize their services rather than remain primarily lobbying and social groups;

Current association members want to expand their membership and/or provide services to non-members;

Associations/SMEs are willing and able to shoulder part of the costs of technical assistance and new technology;

Lack of credit is not a great constraint inhibiting the growth of SMEs;

Subsidized services covered by SMED will eventually be fully paid for by SMEs;

Demonstration activities will have a spread effect

Introduction of subsidized technology will stimulate the creation of new jobs;

The furniture, garment and handicrafts industries offer great potential for growth and employment generation in the five selected regions;

These industries have great export potential and will generate net increases in foreign exchange;

Furniture, garment and handicrafts enterprises currently producing for the domestic market can meet the quality, quantity and price requirements of export markets with SMED assistance;

Foreign and domestic consultants can identify appropriate technology and market opportunities for SMEs and product buyers in a cost-efficient manner.

## 2. AID Performance

An analysis of AID's performance should focus on the size, nature and flow of donor resources to project managers (Management Implementation Secretariat, General Contractor, Ministry of Trade and Industry) and guidance provided throughout project implementation.

Information on the status of resource flows would include comparing projected with actual commitments and disbursements, and the time elapsed between reimbursement requests and payments. Evaluation team members should question donor and

project management staff to discern the former's familiarity with project priorities, objectives, activities and field conditions. Number of field trips and participation at Executive Committee meetings may also be used as proxies for donor interest in project implementation.

### 3. Project Managers' Performance

The focus of this inquiry should be the appropriateness, quality, quantity and timeliness of assistance provided by the Management Implementation Secretariat, the General Contractor, the BSMI and the PCCI to associations. This information can be derived through conversations with project managers and assisted associations as well as a review of all relevant documents.

The evaluation team should try to analyze how well the internal monitoring and evaluation system is working, whether the process approach seems to be achieving the desired results, and how well efforts are coordinated. It should examine the extent to which project managers are able to plan activities and meet internal targets. Changes from the original project design and the extent to which project hypotheses have been verified should also form a major part of the analysis. In addition, basic quantitative and qualitative information should be collected on :

- o number and nature of assisted associations and
- o nature, quantity, timeliness appropriateness and cost of technical assistance to associations.

### 4. Implementing Agencies' Performance

The evaluation team should try to interview about 4-5 associations in each region as well as national associations that have been assisted by the SMED project. If the number of assisted associations is extremely large, then the evaluation team may have to select a random sample. However, it is likely that the team should be able to interview all assisted associations.

Data collected on some of these associations for the operational planning study may be compared with their current status; otherwise this information should be reconstructed by asking members about the growth of their organization. The same methodology used for the CP study - interviewing non-members as well as members - should be used to determine the effectiveness of these associations. Some proxy measurements of the growth and enhanced capacity of associations are:

- o growth of membership over time
- o number of members attending Annual Meetings
- o number of demonstration projects
- o nature, quantity, appropriateness and cost of services provided to SMEs
- o number of members and non-members that participated in these activities
- o number of associations with group activities and the nature of these activities (bulk purchasing of raw materials, etc.)
- o increase in number of staff and their skills
- o financial contribution of association to SMED activities.

#### 5. SMEs Performance and their Social Impact

The performance of assisted SMEs should only be assessed if sufficient time has elapsed since the provision of outside assistance. SMEs should have received assistance at least one year, preferably two years, prior to an examination of the impact of that assistance. Otherwise a sufficient gestation period will not have passed to allow a meaningful analysis to be conducted. The evaluation team should conduct spot-checks to confirm the general trends indicated by the impact evaluation data.

If project activities have been delayed, then the mid-term evaluation should not include an in-depth analysis of the project's income and employment effect and this part of the evaluation should be postponed. In this case, the evaluation team should conduct a quick survey of assisted enterprises in each region to get a sense of the effect of the project. Rapid rural reconnaissance techniques should be used to gather proxy indicators, qualitative and some quantitative information to gauge the effect of the project on assisted enterprises and their communities.

Information on the effect of associations on SMEs should be collected through interviews with association staff members and SMEs. The direct and indirect effect of this assistance should be gathered by re-interviewing those interviewed for the baseline study (described in pages \_\_\_\_), including those SMEs that did not receive assistance from the SMED project. Non-assisted enterprises, to the extent that they are similar to those that were assisted, should serve as a control group so that the effect of non-project factors may be known. It is not enough to examine the change in assisted enterprises' performance; the evaluation should be able to link these changes to project activities.

The focus of interviews with assisted SMEs should be on the nature of assistance provided through the SMED project, additional resources that may have been secured due to the project (loans, equity investment) and finally an assessment of the effect on this assistance upon the income and employment directly generated by the firm. The data that is collected should be similar to that discussed in the section on the baseline study (page \_\_\_\_\_)

Information on vertical and horizontal integration activities, linkages with other sectors, and indirect income and employment generated by these enterprises should be gathered through discussions with firms, marketing agents, suppliers and other firms that have been affected by the assisted firm. Qualitative information may be gathered through interviews with key informants knowledge about business activities in the sector while quantitative information may be gathered directly from these enterprises, or, perhaps from existing secondary sources.

#### C. Research Component

##### 1. Examination of Project hypotheses

The basic hypothesis governing the research component is that findings discovered through SMED research activities can affect policies governing that sector. It is also assumed that funding policy dialogues between the private and public sectors can stimulate a spirit of cooperation between these sectors. Other specific hypotheses are that the SMED project can:

- o help the GOP and private sector to establish more effective systems to gather accurate and relevant information on SMEs and increase their capacity to analyze policies relevant to SMEs;
- o establish an ongoing effective policy dialogue between the private and public sectors regarding government policies and progress affecting SMEs;
- o undertake action-oriented studies whose results are useful to project implementors.

The mid-term evaluation should try to discern the extent to which these assumptions are valid. Policy changes due to research cannot be expected at the time of the mid-term evaluation; however, project managers should be able to comment upon the effect of public and private sector policy forums and project implementors can discuss the extent to which research activities are relevant to their needs.

## 2. Performance of Research Component Managers

The evaluation team should try to assess the extent to which project managers' activities have contributed towards achievement of project objectives. The extent to which project manager has tried to elicit research proposals from other implementing agencies, whether research contracts have been clearly outlined, adequately funded, well-supervised and results incorporated into seminar discussions should be topics for investigation. The appropriateness of the timing of policy studies and the amount of time that elapses between the study idea, its funding and the presentation of results can be proxy measurements for the efficiency of the research funding process. In addition, the team should review the number, cost and content of policy dialogue seminars. The effect of these dialogues should be assessed through conversations of participants to the extent possible.

## 3. Performance of Research Contractors

Some members of the evaluation team should be qualified to judge the methodology and quality of the research efforts conducted under the Research Component. Particular attention should be paid to the extent that research contractors involved individuals and agencies with a stake in the issues being examined in each study's design, implementation and analysis. The appropriateness of this involvement and its effect on the use of study results should be commented upon.

### D. Microenterprise Development Component

#### 1. Examination of Hypotheses

The primary hypotheses of the microenterprise component are that:

- c Technical assistance from MIDP or PVC associations can strengthen PVCs' ability to manage efficient, viable loan programs and provide high-quality technical assistance to microenterprises;
- c PVCs are the most appropriate vehicles by which to assist microenterprises (versus rural banks, etc.), and;
- c Assistance from PVCs can spur the development of microenterprises in a cost-effective manner.

Other important assumptions are that:

- c PVCs want to borrow funds at 6 percent interest to establish or expand lending programs to microenterprises;
- c PVCs want to receive technical assistance to improve the capability of their staff;
- c a minimum spread of 15 percent is sufficient to cover PVC administrative expenses and risk of loan defaults;
- c lack of credit and technical assistance are key constraints restricting the growth of microenterprises;
- c microenterprises are willing and able to borrow funds from PVCs at 21 percent interest or higher and repay these loans;
- c microenterprises are willing to accept technical assistance and continue new practices even after external assistance has ceased (e.g. after their loan has been repaid).
- c the effective interest rate of PVC loans to microenterprises (including transaction costs) will be lower than alternative sources;

## 2. AID Performance

Evaluators should focus upon the same basic issues as those described in the corresponding section for the Institution Building Component (pages \_\_\_\_\_). Evaluation team members should interview AID staff on what has been the major with which they have been occupied during project implementation and review documents pertaining to the takedown of funds.

## 3. Project Managers' Performance

The MIDP is the key management agency of this component; its efforts will be coordinated with those of other project components by the Executive Director of the Management Implementation Secretariat.

The MIDP is supposed to:

- o select PVCs that will receive loan funds
- o establish a mechanism for the disbursement and recovery of these funds (directly or through a third party);
- o provide technical assistance to PVCs to strengthen their loan operations and staff capability to assist microenterprises;

The mid-term evaluation should assess the effectiveness of these activities. The quantity of this assistance may be found through examination of information contained within the MIDP's internal monitoring and evaluation system; its quality and effectiveness can only be discovered through interviews with assisted PVCs and their microenterprise clients.

Indicators of MIDP activities and performance include:

- o number of PVCs receiving loan funds
- o repayment rate of PVCs with loan funds
- o number of PVCs receiving technical assistance
- o number of PVC staff members receiving technical assistance;
- o nature of technical assistance received by staff members;
- o cost-effectiveness and efficiency of the monitoring and evaluation systems established by the MIDP (covering MIDP and PVC activities)

#### 4. PVC performance

The methodology and indicators described in the section on suggested operational planning study of PVCs with loan funds (pages \_\_\_\_\_) can be used as a basis for the mid-term evaluation. If PVCs with different loan delivery mechanisms (group versus individual loans, high versus low interest rates) have received loan funds, then the evaluation team members should strive to determine which strategies seem to work best under what circumstances.

In addition to data suggested in the operational planning study section, the evaluation should try to analyze the efficiency of PVC's lending process. This would include collecting information on the number of days between loan request, approval and disbursement to learn whether excess delays are encountered by borrowers. Staff productivity

measures (number of loans per staff member, number of clients receiving follow-up assistance per staff member, etc. ) and an analysis of the administrative costs per loan (with and without subsidies) are other efficiency criteria that should be carefully assessed.

A key consideration of the evaluation should be to calculate the loan repayment rates of PVC subborrowers and the viability of the loan program. Financial statements prepared by PVCs should be recalculated to determine the true viability of the loan program when provisions for bad debts, subsidies and the erosive effect of inflation are included.

The evaluation team should try to assess the quantity and quality of technical assistance provided by PVCs to microenterprises. The only way to know the quality of technical assistance will be to interview clients to solicit their views.

#### 5. Microenterprise Performance and Social Impact

A second survey based upon the methodology outlined in the section on the Microenterprise Baseline Study should be conducted to assess the impact of PVC assistance. As mentioned in that section, the study's unit of analysis should be the microenterprise's household unit and include all economic activities conducted by that household. Particular attention should be paid to how the project has affected the linkages between microenterprises and SMEs, and its effect on raw material input suppliers and marketing agents.

The same contractor that performed the baseline evaluation should be responsible for collecting impact data required for the mic-project evaluation. Data analysis should be performed by this contractor and members of the mic-project evaluation team.

In addition to collecting data suggested in pages \_\_\_\_\_ the survey should try to assess some qualitative changes such as:

- o the project's effect on community organizing efforts and microentrepreneurs' access to outside resources;
- o the project's effect on microentrepreneurs' involvement in formal or informal capital markets;
- o an increase in status of credit recipients and community volunteers;.
- o effect of microenterprises owned by women on their

### family relationship and status:

The evaluation may not be able to quantify some of these changes, but rather suggest some general trends that are occurring. It will be extremely difficult to separate changes that have been caused by the project from those caused by pervasive and prevailing economic, social and political forces. At the very least, the evaluation should comment on whether the project seems to have had a positive, negative or neutral effect on participants and their communities.

The combination of data collected from SMEs and microenterprises (assuming that both are assisted in the same region) should reveal whether one group is benefitting at the expense of the other or whether both are expanding (or contracting). The mid-project evaluation may also be able to reveal whether the project is indeed stimulating the creation of new jobs or merely transferring jobs from smaller, or less competitive firms to those assisted by the project. Also, the evaluation should be able to comment about who is getting these jobs: Are new workers children (under 16 years of age) who have left school to take advantage of these new opportunities or are they older, skilled workers? If it is premature to examine these issues during the mid-project evaluation, then they should assume a high priority during the final evaluation.

### E. Evaluation Team Member Skills and Level of Effort

The evaluation team should be composed of:

- o a team leader experienced in managing and conducting evaluations of micro, small and medium enterprise development projects with an economic/financial background;
- o a financial analyst/banking expert with experience analyzing lending programs in developing nations
- o two business analysts with experience analyzing the performance of micro, small and medium enterprises in developing nations;
- o an institutional development/training expert familiar with institutional development in the Philippines and business development training programs
- o a technology expert capable of analyzing the appropriateness and performance of technology provided through the project;

- o a marketing expert capable of analyzing marketing assistance provided through the project

Field work for the evaluation should be expected to require at least eight weeks if impact data has been supplied by the research contractor responsible for collecting and analyzing this aspect of the evaluation. If this data is unavailable, then about two extra weeks should be budgeted to collect and analyze data on enterprises. Research contractor staff should participate in this effort.

The team leader should arrive a few days before the rest of the team to discuss evaluation objectives, hidden agendas and potential participation of all interest parties. Based on these discussions, the team leader should outline a detailed evaluation methodology and write a very preliminary outline of the contents of the final evaluation report. Although these two plans will be subject to revisions throughout the first 2-3 weeks of the evaluation, it is necessary to formulate these plans in writing so misunderstandings and changes in focus can be avoided later during the evaluation.

The financial analyst, two business analysts and the institutional development/training expert should participate in the eight weeks of field work. They should have about 2-3 weeks to prepare their sections of the draft and final reports. The technology and marketing experts should only require about four weeks of field work and one week to prepare reports on their findings. The team leader should have an additional week to incorporate all sections into the final report.

To ensure compatibility of team members and the team leader's authority over team members, it is suggested that all team members be contracted through the same firm. If team members are assembled from different firms, then the team leader's authority over members is limited. If the team leader can control whether team members get paid, based on their performance, then the likelihood that a superior product is produced is higher.