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A SYSTEMS APPROACH

for the

DESIGN AND EVALUATION

of

PVO SMALL ENTERPRISE DEVELOPMENT PROJECTS

Report of a PVO Working Group
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This paper develops the ideas of a Working Group of PVO and donor representatives who met in March, 1984 to formulate an analytical framework that would encompass the diversity and complexity of income generating and small enterprise projects. Beyond the author, valuable ideas and organising energy were added to the Working Group by Robert Hunt, Illinois State University; Susanne Kindervatter, OEF International; Ross Bigelow, AID/FVA/PVC; Andrew Oerke, TFP/International; and Carl Liedholm, Michigan State University. Support for the Working Group and this paper was provided by the AID Office of Private and Voluntary Cooperation, Thomas McKay, director, and by Partnership for Productivity.

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Part 1. A Systems Approach for the Design and Evaluation of Small Enterprise Development Projects

1. Moving Beyond Present Evaluation Paradigms

In March 1984, representatives of eight PVOs, the Agency for International Development, and several consultants1/ met in Washington to discuss the design and evaluation of PVO small enterprise development projects. Much was accomplished in four days of meetings, including the design of a framework for comparative evaluation that:

* takes a broad mix of benefits into account and gives explicit value to social and institutional gains as well as economic ones.

* blends complexity with rigor into the comparative analysis of SED approaches used by various agencies and the different project contexts in which they work, factors which must be considered in order to see how benefits are produced.

* identifies change over time (or "progress" internal to a project) as the most important unit of analysis to be examined and compared and suggests kinds of measurements that do this.

* creates a framework more appropriate for learning about processes of small enterprise development and socio-economic change and for local practitioners to upgrade project designs and methods based on this.

What brought this Working Group on PVO small enterprise development together were several shared perspectives. We believe that a "systems approach" to project design and evaluation is necessary: something that does not treat variables in isolation but examines processes and views SED projects as whole systems of relationships that remain open to a larger world of influences. Although conscious of the difficulties of measuring and analyzing complex socio-economic change, we nonetheless think that a broad range of benefits can be measured and complex projects can be compared with both rigor and richness. The ideas offered in the rest of this paper do not constitute a refined methodology for a systems approach, but they are suggestive of how to carry out such an approach.

In its meetings to date, the Working Group has considered a number of difficulties inherent in the comparative analysis of SED programs. First is the fact that PVOs differ markedly in the approaches or worldviews that they take to business development. These differences include different

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beneficiaries and targeted groups, different services and strategies for delivering them, different degrees of beneficiary involvement, and perhaps even different philosophies of development.

Second, there are differences in project contexts: 1. skill levels of beneficiaries; 2. the maturity of the local economy; 3. urban/rural distinctions; 4. social cohesion and political stability; 5. the harshness or benevolence of natural elements. These and other differences must all be taken into account in a reliable analysis of benefit/cost relationships.

Third, SED projects produce a complex and broad set of impacts. Few are aimed only at creating new businesses, or improving existing ones. They assume that business success will be translated into a variety of improvements in outlook and security for owners, their families and workers. Business changes are also presumed likely to affect the overall social and economic character of the communities in which the firms operate. Gains in productivity are as necessary in rural subsistence economies as they are in monetized economic activity. However, these impacts are seldom measured because they are difficult to express and document.

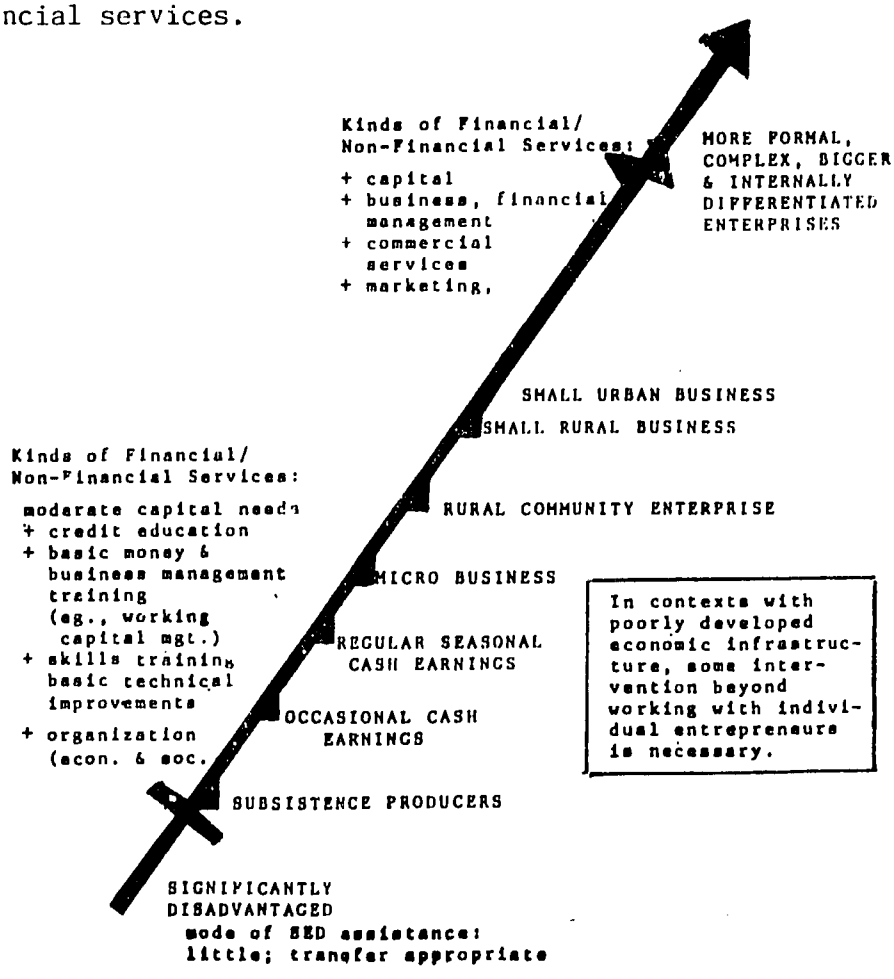
For Working Group members, repeated omissions of current approaches to SED evaluations were of concern. It is necessary to have a methodology which is comparable. But the shortcomings of simple, quantitative modes of comparison are notable: they sharply undervalue social outcomes, as well as the complexity which is introduced by divergent approaches and settings. Is there a way of comparing projects in terms of their success and costs without the omissions of approach, context, and non-monetary benefits that are inherent in current approaches? Can evaluation frameworks be learning oriented rather than judgmental? Can they be participatory for local staff and clients in order to lift the motivation and analytical skills of the people most involved in the daily implementation process?

This Working Group is one among a series of activities which has been assisted or organized by the Agency for International Development. In October 1983, the AID Office of Private and Voluntary Cooperation sponsored a Small Enterprise Development Conference at which two comparative analyses of PVO small enterprise projects were presented: Peter Kilby and David D'Zmura's, Searching for Benefits , and Robert Hunt's, Evaluation of Small Enterprise Programs and Projects: Issues in Business and Community Development . These papers, plus a guideline methodology designed by Robert R. Nathan & Assoc. entitled Assessing the Cost Effectiveness of PVO Projects , were useful framing documents to the Working Group discussions. The methods and documents of the PISCES project which analyzes micro-enterprise development for low income beneficiaries, plus other recent SED evaluations done by Judith Tendler and a Development Alternatives team headed by Susan Goldmark also aided our knowledge and discussion.

2. Recognizing the Diversity of Approaches to Small Enterprise Development

PVOs have an enormous diversity of clients, contexts, and ways of dealing with these. However, this diversity, in the "small enterprise" sector and the approaches and comparative advantages of agencies that implement projects in it, is not particularly well understood.

Within developing economies, there is a continuum of many different kinds of income earners and business people. These range from subsistence producers to people with seasonal cash activities to those with more formal and permanent business activities. The needs of clients for services are very different depending on where they are located along this continuum of economic differentiation. For example, those at the lower end of the spectrum have less needs for capital and more needs for how to make more productive use of their resources and manage better the cash that they have. As a business or economic activity grows larger, more complex and more permanent in nature, so too does its need to record and analyze information upon which to make business decisions, and its need for investment capital and commercial services. Below is a preliminary mapping of the range of clients that SED projects deal with and the kinds of services involved. Specific PVO agencies do not serve all of this continuum; they become specialists in serving specific sections of it. A comparative SED evaluation must identify clearly differences among agencies in approach, clientele and the delivery of a package of financial and non-financial services.



The specific worldview of a PVO is a major determinant of where it works along the previous continuum, who it assists and what services it provides. A systems approach to evaluation starts by recognizing that a PVO has a philosophy about the methods it is using for small enterprise development which is not at all randomly determined, but based (sometimes deeply) on values. Therefore, PVO approaches are not something that can be easily traded or altered to conform with the latest values or policy framework. Below are brief expessions of the worldviews of several of the PVOs involved in the SED Working Group which illustrate this diversity.

AT International gives grants to indigenous PVOs to enable them to introduce new or improved technologies by making credit, technical assistance and equipment available to local businesses. ATI focuses on the commercial use of more productive technology, especially that which is low cost, labor intensive and uses local resources.

ACCION/International makes credit and management assistance available primarily in Latin America at the micro enterprise level in both rural and urban contexts. It encourages the formation of cohesive local beneficiary organizations (solidarity groups) among credit users.

Institute for International Development, Inc. working around the world, gives credit and a lesser amount of management assistance to established small and medium enterprises in mostly urban areas. Loan clients are recommended to IIDI through local church organizations.

OEF/International, (formerly Overseas Education Fund) works with indigenous organizations throughout the third world to expand poor women's employment opportunities by promoting the development of viable small enterprises and job skills training/placement programs. Since beneficiaries are both economically and socially disadvantaged, OEF programs include training to enhance "life skills" (eg. personal efficacy; collective action), as well as assistance in market analysis and marketing, technical skills training, and management assistance.

Partnership for Productivity/International working primarily in rural African and Caribbean economies, uses credit as a tool for teaching management of small economic activities and promoting increased savings and investment. PfP also consciously aims to strengthen the local economy through the diversity and particular kinds of enterprises it works with and to link it with sources of capital, technical and knowledge resources at higher levels of the national and international economy.

Save the Children Federation/Community Development Foundation, a major worldwide PVO, organizes and empowers communities to deal with a variety of nutrition, health, agriculture and other issues. SED activities, primarily revolving loan funds, are part of an approach that stresses integrated community development. SCF regards improved community processes and the enhanced status of women and children as ultimate measures of its success.

Technoserve working in Latin America and Africa, gives assistance to larger scale cooperatives, group ranches and rural industries which, in turn, serve many smaller producers and entrepreneurs. The assistance encompasses credit fund administration, business and organizational management, and a range of production technologies.

World Education, Inc., working around the world, assists local indigenous organizations in developing their own programs at the community level. Emphasis in projects is placed on group formation, non-formal education, skills training, and enterprise development. Revolving credit, management assistance and technical assistance are extended to support income generating activities.

The range of approaches, clienteles, and services mentioned above indicate the need for evaluation frameworks that are sufficiently broad in the kinds of benefits which are valued and the diversity of evidence of program performance which is taken into account. What we are really looking for are frameworks that will enable us to learn what mix of financial and non-financial services are appropriate for different enterprise levels; what timing and sequence of these activities produce the best impact; and what kinds of complementarities there are among different kinds of economic, social and institutional benefits.

3. The Importance of Context

The context of a development program often helps to explain its success or failure. The amount and kind of results to be expected depend to a great extent on such factors as infrastructure, level of development of the local economy, ethnic and linguistic homogeneity, availability or lack of natural resources, and so on. The group felt that a comparative analysis which did not allow for contextual factors would be, at best, misleading. When it cannot be demonstrated that context is controlled for and that there is good evidence of marked contextual differences which make it more difficult to produce results, these differences must be specifically taken into account.

What we need are practical instruments or operational guidelines for comparing one project context with another. Below is an illustrative methodology for this. While not perfect, a checklist of this kind can prompt evaluators to acknowledge contextual factors meriting special weight or consideration.

GUIDELINE FOR JUDGING CONTEXTUAL DIFFICULTY

A. Individual Beneficiaries

* Income, Assets of beneficiaries
* Skill level of beneficiaries (literacy, numercy, technical knowledge)
* Social status of beneficiaries
* Degree of involvement in non-monetized subsistence vs. cash economy
* Business start-up vs. expansion of existing businesses

B. Local Environment of Project

* Presence of roads, banks, wholesale, transport, and suppliers of key goods and services
* Expanding or contracting local economy
* Degree of presence of social cohension/norms of social accountability
* Harshness or benevolence of local natural environment (climate; rainfall; soils)
* Presence of serious ecological problems such as deforestation, erosion, disease
* Levels and norms of public services and political stability
* ethnic, linguistic and cultural homogeniety

C. Uncontrollable External Events

* "Acts of God" or social disasters such as droughts, plagues, revolutions, or hurricanes

A checklist such as the one above could be used to reach an agreement among parties to an evaluation as to whether the project context was favorable, moderately difficult or very difficult. Also, the simplicity or complexity of the small enterprise intervention itself effect the rate and quality of results. These two factors taken together can give a more rational basis for one to estimate parameters of project performance and the extent to which project investment costs need to be subsidized over time. The Working Group recognized that there are few guidelines for this kind of analysis of project viability. The matrix on the next page suggests an approximate way to compare expectations of projects with differing degrees of difficulty of context and project design. This kind of formal contextual analysis must be present in order to validly interpret results.

DEGREE OF CONTEXTUAL DIFFICULTY	DEGREE OF DIFFICULTY OF ENTERPRISE/INSTITUTIONAL INTERVENTION	PARAMETERS OF PERFORMANCE (or ECONOMIC VIABILITY)
FAVORABLE	A. More simple, single-type intervention: management training to established businesses loans for working capital to established businesses B. More complex intervention: Urban business start-up for those with business backgrounds Technology introduction	
MODERATELY DIFFICULT	C. More simple, single type intervention: Credit to poor (smaller loans) Vocational education to poor D. More complex intervention: forming group or collective enterprise export marketing	
DIFFICULT	E. More simple intervention: credit or voc ed to refugees, handicapped, or other types of beneficiaries with extreme disadvantages F. More complex intervention: commercial crops with subsistence farmers business start-up among people with little money or business experience	

Members of the Working Group were aware that a weighting of project outcomes on the basis of degree of difficulty posed by the environment should be used discriminately so as to avoid becoming a means for obscuring poor choices of tools, intervention sites or management practices. The central point is that it is inappropriate to utilize a quantitative mode of analysis without accounting for the constraining or supportive forces that influence project performance.

4. Broadly Defining Small Enterprise Benefits

Although it is widely recognized that small enterprise projects produce a variety of benefits, most SED evaluations focus on the topics and indicators with which an evaluator has specialized expertise. This Working Group encompassed an unusually rich diversity of expertise, which we used to spell out a broad definition of SED program benefits. Our benefit categories were divided into four principal areas: enterprise or household level economic benefits; social equity benefits (human and social development); benefits to the local economy; and organizational/institutional benefits. We understand that there are major challenges in measuring some of these benefits, but we believe that it is far better to acknowledge and include a broad range of benefits in an evaluation framework than to confine ourselves to benefit indicators which can be quantified in conventional terms of counts, weights, or monetary units. We will not be able to do valid economic analysis of projects until we can arrive at an adequate valuing of diverse SED project benefits, and not just the benefits to individual households or firms. Beyond this, frameworks which do not encompass economic and social/institutional benefits will not be able to recognize the complementarities and enhancing effects of one on the other. Small enterprise projects must foster climates in which people can: become economically mobile; have the confidence to save and invest at increased rates; and can maintain a certain level of security and well-being in the other aspects of their lives so they can concentrate on developing economic activity. As such, the social and institutional benefits provided by SED projects are not a luxury; they are often a necessity for working with lower income groups whose fragile resources and lesser social standing make them much more vulnerable to risk than the minority of middle and upper income citizens.

A reason to have a broad definition of benefits is that the presence of any kind of data, no matter how soft it is in the way it was conceived of and gathered, takes on an aura of hardness in the eyes of readers when it is unaccompanied by any other kinds of analysis or forms of data. Readers may not have sufficient knowledge to appraise the adequacy of the variables examined and data collected. Thus the Working Group believes it is best to begin with a comprehensive definition of SED benefits.

What follows is a bank of indicators for the four main categories of SED benefits. Limitations of time and other resources make it impossible to examine all these variables in a project evaluation. Nonetheless, one or a few variables can be selected from each of the four categories in order to provide a more comprehensive examination of the kinds of benefits SED projects produce. These benefit categories also allow one to analyze structural as well as individual change.

ENTERPRISE/HOUSEHOLD ECONOMIC BENEFITS

Benefits	Indicators
1) ECONOMIC VALUE ADDED (Income) - Financial profitability - Economic profitability - Income of households	1) Changes in value added are crucial but hard to measure. Some of the more easily counted of these are: - change in number of workers - change in number of products - change in number of machines - change in sales
2) SAVINGS/INVESTMENT/CAPITAL FORMATION	2) Savings include not just cash but also labor.
3) BACKWARD AND/OR FORWARD LINKAGES	3) Backward linkages equal the net income of primary producers (income minus cost); forward linkages are price reductions.
4) NEW CONNECTIONS OF THE FIRM TO OTHER LEVELS OF THE ECONOMY	4) Village = region = urban centers = national capital = international These connections can provide new markets, information, technology, capital
5) INCREASED PRODUCTIVITY	5) Improved ratio of inputs to outputs; more efficient use of labor, equipment, local raw materials, waste by-products; more options about when, how, what to produce and sell.
6) HUMAN CAPITAL FORMATION (Management, formation of entry-level entrepreneurs)	6) This includes the mastery of such skills as the management of working capital, identification of markets, more effective use of business records, planning etc.
7) LABOR	7) Better distribution of labor throughout the year. Increase in skills. Increase in the total number of hours worked.
8) TECHNOLOGY ADAPTATION	8) Performance, efficiency, reliability, maintenance requirements of new technologies. Skill acquisition by users.

Measurement Notes

Many people think economic data is 'hard' because it deals with numbers. However, if one examines the reliability of the numbers more closely, most data about individual economic benefits is very soft. Profitability is difficult to measure even in a monetized economy: there have to be good business records. In a subsistence household there are no records of cash inputs and labor input is very hard to measure. Carl Liedholm noted that to calculate "profitability," labor must be given a price. In addition to the challenges presented by their economic size and lack of records and prices, the subsistence sector and informal economic sector ("micro-enterprises") often have cycles of production which are short, or quite different seasonal economic activities. Therefore, good measures of profits or income are hard to get. An effective approach to measurement may be to carefully study a few units of analysis and use them as an approximate value for other clients. Two weeks of careful monitoring of a client can produce reliable data on labor allocation.

PVO's and evaluators should look for proxy kinds of information which may be useful in estimating benefits and save time and effort in measurement. These include technical reports, theses, and journal articles, which have studied in detail the behavior of small economic units.

BENEFITS TO LOCAL ECONOMY

Benefits	Indicators
1. Gross Village Product- increased availability of goods and services (price, quantity, quality, diversity, regularity of supply).	1. This measure must be indicated in terms of local utility of, and need and preference for goods and services. For example, local preferences may be to have regular access to medicine, farm supplies, or fuel; favorite local foods; equip ment repair services, or items like good bread and fresh produce.
2. Improved Local Market Infrastructure	2. Increased organization; improvements to actual physical space; more information about prices, demand; creation of alternative channels; regularizing legal requirements and eliminating public regulatory corruption.
3. Development of Other Local Economic Infrastructure	3. Examples of other infrastructure include transport, packing, grading, storage facilities; businesses which supply goods and services which are key to many other producers (distributors, suppliers of farm inputs, veterinary services).
4. New, Expanded Local Industry	4. Greater utilization of local labor, raw materials; increased organization of small producers; increased skills, production technology.
5. Shaping the Local Economy	5. Rationalizing competition; encouraging needed kinds of goods and services; facilitating linkages amoung firms and between economic levels; more able to export surplus and import for shortages in local economy.
6. Positive Influence on Balance of Payments	6. Local economy replaces more imports with the consumption of local goods and services; local economy increases its exports to other levels.
7. Employment	7. Decreased underemployment; increased productivity of those who are employed; better distribution of employment (more work available in dry seasons; labor saving techniques that increase productivity during peak demand periods).

EQUITY (HUMAN AND SOCIAL DEVELOPMENT) BENEFITS

Benefits	Indicators
1. Skills, Knowledge, Information - increased ability to plan, problem solving - formation of entity-level entrepreneurs - skill acquisition - managerial/technical - understanding legal rights - creativity, reading, writing	1. Examples of skills include technical skills such as fertilizer using, bee-keeping, food processing, money management skills, and farm management/skills in planning and executing over time a strategy of production. Since most peoples' economies involve several economic activities (several farm plots, dry season activities, cash activities, diverse forms of savings and investment) this last type of management skill impacts critically on productivity.
2. Quality of Life (physical and psychological) - income generation and reduced risk of subsistence (food/health) - better employment conditions - sense of security/reliability - socio-economic life of children (education, health, clothing) - happiness (i.e. preferences are addressed/ available)	2. Various kinds of indices exist to measure satisfaction of basic needs regarding nutrition, shelter, clothing, health, and education. Service delivery can also be analyzed by types/volume delivered to women, landless labor, minority ethnic groups, and others determined to be poor or disadvantaged in a given local context.
3. Status/(perceived social distance among individuals) - expanded roles for poor/ability to fight corruption - reduced caste distinction - treatment of women - decreased subsidies from poor to rich	3. Benefits concerning status, empowerment and social costs/benefits are not easy to indicate or measure, let alone compare across programs. Use of multiple indices or scales usually increases reliability for this kind of benefit.
4. Empowerment and Action - ability to leverage resources - increased problem solving ability and efficacy - ability to defend self, exercise legal rights - independence, self-reliance, hopefulness - ability to work together	4. In addition to attitude and perception changes, one must also analyze the concrete actions that have resulted from empowerment, and the significance of these actions in terms of social gains. The use of baseline data or local comparison groups are necessary to set some reference point for validly judging progress and change. They Know How (Inter-American Foundation, Rosslyn, VA, 1977) is a good source of social gains indicators.
5. Social Benefits/Costs - reduced unemployment/underemployment - recognition of/dealing with social costs - altruism/social accountability - reduced social corruption, ecological destruction - increased integrity as a social norm - reliability that the system works	5. The Evaluation Sourcebook for PVOs published by the American Council of Voluntary Agencies in Foreign Service (NY:1983) is an excellent introduction to tools such as diaries, farmer records, social mapping, problem stories, etc. Pictures and video are also appropriate research tools to indicate social gains over time.

Measurement Notes:

For a long time the feeling has been that human and social development benefits are too soft and too intuitive to quantify. While attitudinal and status variables do not lend themselves easily to measurement, a growing body of interesting and reliable methods for doing this is coming into being. For example, interesting operational definitions exist for coding attitudinal transformations as people experience consciousness-raising and empowerment education.

Clearly, any quantitative indication of attitude transformation or change of social status or quality of life must be accompanied by a qualitative contextual analysis which looks at structural variables like social hierarchy and the impact of class or caste differences on peoples' access to resources. To treat human and social variables well, there must be a quality merging of development theory with social research methods.

ORGANIZATIONAL AND INSTITUTIONAL BENEFITS

Benefits	Indicators
1. HUMAN QUALITIES - Leadership capability of project managers, community leaders. - Model entrepreneurs/farmers/other beneficiaries (low cost local demonstration system). - Staff capacity development.	1. Degree to which role models actually have others adapt new behaviors, whether a project manager whose staff follows his or her example of productivity, energy or leadership, or a farmer whose neighbors "borrow" agricultural innovations.
2. PROJECT MANAGEMENT SYSTEMS (Reliability of Operations) - Project planning and design that is appropriate to context and target group. - Monitoring and evaluation systems. - Management information system. - Financial management and accounting systems. - Personnel administration and training.	2. Presence of Project Management Systems as Indicated by: a) Adequate financial documentation and cost center accounting, as dictated by program needs (versus consuming income only to pay recurrent costs such as salaries and the latest bills) b) Clear analytical understanding of the relationship between project goals, inputs, and the causal sequence by which inputs are transformed into outputs and impact appropriate for the target group. c) Regular and reliable data produced about the number and quality of client services. d) Written policies and procedures about hiring, benefits, discipline and dispute settlement. e) Training systems other than informal apprenticeship.
3. ORGANIZATIONAL GROWTH AND DEVELOPMENT - Progress towards financial viability and away from subsidy - revenue generation. - Size of budget as a proxy of ability to handle money (also number of direct participants and area served). - Organization 'Learning Curve': ability of organization to learn from both successes and failures. - Extent to which project staff, beneficiaries and local community share the same image of project goals, benefits and responsibilities.	3. a) Change in project's ability to meet its own expenses. Depending on longevity, design, and context of project, milestones in the development of a projects viability would be: consciousness of issues of cost-effectiveness; plans to reduce subsidy; project covers local operational expenses; project maintains capital in loan fund; generation of funds for equipment replacement; project generates surplus for expansion. b) Experience of management in negotiation, and bargaining. c) Degree of local mastery of higher skills such as planning and management. d) Generation of local revenues (fees, services, local investments). e) Degree of local equity (money, materials, labor, decision-making participation, intellectual involvement) in project activities.
4. POLITICAL LINKAGES AND POLICY IMPACT: EXTERNAL ORGANIZATIONAL STRENGTH - Public respect for an institution demonstrated by beneficiaries, national government, local elites. - Degree to which an institution is being formed from scratch vs. upgrading of formal organization, service, or practices which already exist. - Decentralization of services to new areas, target groups. - Contribution of models, behaviors, methods that are solutions to manifest problems present in the public administration of policy context of a country. - Replicability/dissemination/transfer of design and methods to other institutions.	4. a) Demand for agency services and lack of glaring abuse of them; Local investment in project services; Local peer pressure and cooperation for program efficiency and effectiveness; National government contribution. b) Examples of "high policy impact": recycling of 'white elephant' projects or infrastructure so it is put back into use, and programs which reduce the drain on public resources. c) Three indicators of replicability are: Agency's ability to document its methods and impact; Agency's production of formal widely usable training materials; Management ability to form and keep collaborative relationships and keep non-constructive competition under control.

5. Practical SED Evaluation Instruments for Field Implementors

There was a consensus within the Working Group about the need for instruments which operationalize the variables contained in the bank of SED benefit indicators. These indicators and instruments must combine experience and knowledge of field methods and processes of socio-economic development with creative application of social research methods. There are certain steps necessary to create a system of monitoring and measurement based on this approach. One step is to define the package of variables to be included in an SED monitoring system and figure out how to collect reliable data cheaply by means such as: using a small, high quality sample; gathering baseline data; and establishing comparison or control groups. A second step is to create operational definitions of benefit variables such as improved employment, productivity, and empowerment, that fit closely with real processes and methods of change. The third is to convert these definitions into reliable instruments that field workers and beneficiaries can use such as checklists, problem stories and survey questionaires. Fourth, an upgrading of cost accounting systems and their internal use as an evaluation tool will also be necessary with many PVOs. The ultimate refinement of these instruments will come as projects use them on an on-going basis to monitor and develop service delivery systems over time.

Examples of Operational Definitions of SED Benefit Indicators

It is useful to discuss the kinds of refinements in operational definitions and practical instruments which are needed. An obvious one is "employment." In larger, formal urban businesses where income is earned from wages, a valid indicator of employment may be to ask how many jobs have been created. But, in smaller enterprises and rural economies one must look for different sorts of indicators such as whether the labor of family members has been distributed more productively throughout the year, thus easing shortages during peak periods and providing people with alternative activity when they are not producing agriculturally.

A less understood type of benefit, especially for those at the lower ends of the continuum of economic activity, is management training. Evaluators often look for the presence of business records such as cash books or balance sheets as an indicator that management training has been given and is being followed. Yet management training consists of many more things than written business records, especially for persons who are not literate or who are conducting informal economic activity. These people have no less of a need to organize their thoughts and understand the relationship among elements of a business (inputs, production processes, marketing, financial management) than larger business persons. There are many aspects of better business organization that do not depend on written records: separating and straightening the merchandise; improving the physical layout of production and retail activities; maintaining working capital and keeping it separate from profits; and identifying material, labor and overhead costs in order to determine prices. A lot of appropriate management training consists of enabling people to understand

interrelationships among elements of an enterprise or between one economic activity which the family engages in and several others, and how to allocate resources such as labor and cash more productively over the seasons of a year. Below is an operational definition used by Partnership for Productivity of the kinds of gains and abilities which an entrepreneur/manager exhibits. This definition is designed for a developing economy and for people with both informal and formal economic activity.

Operational Definitions of the Formation of Entrepreneurs & Managers

* Interest in productivity; ability to see and define options for increasing it
* Presence, and the increasing scope and complexity of cash activities
* Mobilization of savings for reinvestment in further productive activities
* Planning: thinking about future courses of action and evaluating them in realistic ways
* Marketing: thinking about what to sell, where, when, and at what price
* Networking: expansion of sources of information and other resources
* Increased thinking about the relations among the elements of a business or economic activity (inputs, production process, marketing, financial decision-making)
* Appreciation of the role of risk, and willingness to take risks
* Adoption of innovation relative to peers in terms of technical or managerial processes (written records, use of fertilizer, crop rotation, preventative maintenance, improved animal husbandry, etc.)
* Increased efficiency of the economic activity in terms of:
  - waste
  - use of by-products
  - use of local raw materials
  - purchasing at wholesale prices
  - cutting loss of storage or shipment
* Ability to organize the relationship between the 'enterprise' and other aspects of the family economy. Recognition of the consequences of drawings and investment and control of family costs
* Ability to change course and adopt new, higher-yielding options
  Ability to adjust to seasonal or market fluctuations
* Ability to make a successful transition from extensive to more intensive modes of production that feature
  - complexity
  - risk management
  - adaptive ability
  - innovation relative to peers
  - ecological preservation
  - feasibility analysis (calcuation of return on investment)

From Indicators to Instruments

An instrument has to be appropriate to factors such as the level of business activity, the nature of the local economy and the social status and educational levels of clients. What follows is an example of instruments to measure "enterprise development." These two differentiate between small formal enterprises and informal economic activity of a non-permanent nature.

Questions to measure the development of small, formal enterprises

A formal enterprise is defined as having conducted operations on an on-going basis for at least a year or more. If the business is highly seasonal in nature, than this type of business should have conducted operations for at least the last three seasons.

Instructions to respondent: Now we are going to ask you to compare the economic activity you do today with what it was like 1 year (2, 3, 5, etc) ago. For each of the things mentioned, please tell us whether your present situation is:

much worse or less (-2)
a little worse or less (-1)
about the same (0)
a little more or better (+1)
a lot more or better (+2)

	-2	-1	0	+1	+2	NOTES
1. Net Worth (Use Balance sheets/client files)						
2. Sales (try to confirm with business records)						
3. More/better record-keeping (e.g., balance sheets, profit/loss)						
4. Use and analysis of business information in making economic decisions						
5. Amount of time business operates (longer hours, longer seasons)						
6. Larger amount of or improved quality of labor						
7. Evaluation of prices (costing of inputs, comparing prices)						
8. Refinements to product/service (+ variety, + quality, + choice to consumer)						
9. Expansion, diversification of market channels						
10. Improved cash flow						
11. Improved acquisition of inputs						
12. Ability & willingness to reinvest profits						
13. Preventative maintenance (of machines, animals, vehicles)						
14. Improvements to the production process (better techniques, new machines or tools)						
15. Practical business planning (realistic goals; strategy for reaching them; evidence of longer range pursuit						
16. Ability to obtain and use credit						

Questions to measure the development of informal or household economic activity

Informal economic activity may not have regular operations and/or its form may be changing rapidly. People doing this kind of activity are nonetheless forming more and better options to be productive and to relate to the cash economy on more favorable terms.

Instructions to respondent: Now we are going to ask you to compare the economic activity you do today with what it was like 1 year (2, 3, 5, etc) ago. For each of the things mentioned, please tell us whether your present situation is:

much worse or less (-2)
a little worse or less (-1)
about the same (0)
a little more or better (+1)
a lot more or better (+2)

	-2	-1	0	+1	+2	NOTES
1. Greater return on investment						
2. Cash earnings						
3. Increased marketing skills (evaluation of prices, where to sell, what sells)						
4. Evolution of this activity from sporadic to more regular part of family economy						
5. Creation of increased/desirable kinds of labor use in higher value form: better annual distribution						
6. Use of records or devices that organize bus. info and help make business decisions						
7. Change in attitude about self from a laborer to someone engaged in commercial activity						
8. Use/upgrading of artisan production skills						
9. Creation of an additional/improved option to be productive						
10. Improved production process (skills, tools, techniques, inputs)						
11. Creation of improved option for saving & investment (labor, $$, learning)						
12. Working capital mgt. (able to calculate what must be set aside, when to operate activity)						
13. Improved integration of this activity w/ other family economic activities						
14. Increased association with others for economic purposes						
15. Increased knowledge of how to use govt. and private bus. services						

Many current frameworks of small enterprise intervention are narrow and conservative in that they feature definitions of benefits and measurement tools that capture results expressed in money terms, counts, or physical phenomena (e.g. written records). Such narrow frameworks stem from the underdevelopment of our understanding of processes of socio-economic development in Third World contexts and methods to broaden participation as well as from ideological choice. The policy impact of conservative evaluation frameworks is to favor projects which work in easier contexts and which deal with clients who are not the poor majority but can show greater economic gain from more limited or conventional kinds of interventions. Of course it is more efficient to give limited assistance to the non-poor in less difficult contexts.

If policy makers wanted only projects that showed quick gains by advantaged elements, there would be no dissonance created by such narrowness. But precisely because there is such a need for increased participation and productivity in Third World economies and because there is a need for structural change, policy makers are concerned to create broader approaches that can fit the reality of the projects which develop the micro and small scale economic activities which 80+ percent of the people engage in. These more appropriate evaluation frameworks can come about by adopting things like this systems approach; by creating a diverse bank of benefit indicators; and developing the instruments that encompass complexity.2/

The evaluation and monitoring systems necessary for this broader framework of SED design and evaluation are not without costs. Individual evaluators, projects, agencies or AID missions can all make some headway. But the main recommendation of our meetings is that this diversified group of individuals well experienced in SED project design and evaluation continue to meet to produce a bank of benefit indicators and refined, multi-item instruments for measuring them. This bank would then be made widely available to policy makers, implementors, donors and researchers who could adopt it to fit their specific needs.

2/The operational definitions and instruments most needed are in the areas of social equity and organizational development. They Know How, (Inter-American Foundation, Rosslyn, VA, 1978), contains many useful definitions of social gains.

Three examples of good instruments that allow local people to analyze and manage are: Robert Chambers, "Approaches and Realities For Project Selection for Poverty Focused Rural Development: Simple is Optimal," World Development, Vol 6, No. 2, pp. 209-19; Roland Bunch, Two Ears of Corn, (World Neighbors: Oklahoma City, 1982); and Suzanne Kindervatter, Women Working Together for Personal, Economic and Community Development, (Overseas Education Fund: Washington D.C., 1983)

Part 2. Application of a Systems Approach in a Comparative Evaluation of Small Enterprise Development Projects

As an illustrative exercise in applying this systems approach, the Working Group designed a comparative impact evaluation of three PVO small enterprise projects. Although the exercise was hypothetical, it has many real implications for USAID missions, implementing agencies, and SED evaluators as they undertake comparative appraisals of small enterprise and income generating projects. Essentially, this was a dry run exercise in addressing four major aspects of comparative evaluation:

1. Setting a common yardstick of SED benefits that would be fair to different program approaches and diverse contexts. This core definition of benefits must also be realistically concise.

2. Figuring out a plan to operationalize the complex aspects of comparative evaluation, and policy guidelines for what the focus of the analysis shall be.

3. Identifying the "gaps" that need to be solved for comparative evaluation analysis and difficult issues ahead of us.

4. Defining a protocol for expressing the results of the comparative analysis.

Comparative analyses exist of PVO projects, but they are mostly the products of one or a few like-minded thinkers and seldom designed under conditions of wide scrutiny and debate about the basic suppositions of the evaluation framework per se. This exercise gave members of the Working Group the opportunity to express a wide range of concerns, but it also forced us to reconcile differences and make compromises in order to come up with a plan for getting this done.

Three SED projects were used in this simulation: the Save the Children (SCF) program in Lebanon; an AT International program in the Cameroon; and Partnership for Productivity/Upper Volta. The Working Group was given the following background on the three.

The SCF Lebanon program works in 200 villages in an integrated rural development program (health, nutrition, agriculture, community organization), a part of which includes village revolving credit funds. SCF does not work directly with individual clients; a community committee selects loan recipients and administers the fund. Short and medium term loans are given, most often for agricultural projects. Feasibility studies are done for each project and some technical assistance is available. The main goal of SCF is not credit distribution, but to improve the lives of children through organizing communities for development actions on multiple fronts.

AT International funds an indigenous PVO called APICA in the Cameroon which works with a local manufacturer who buys and renovates palm oil presses. The improved palm oil presses benefit both oil extraction units and palm nut producers who get more oil extracted. The manufacturer sells the press on credit to 26 extraction units (mostly cooperatives). APICA provides management assistance to the units. As the loans are paid back, a loan fund is created so that the local manufacturer can sell more palm oil presses to others. The extraction units and the local manufacturer are the primary beneficiaries of this project.

PfP/Upper Volta creates options for people to be more productive, both in subsistence and cash economic activities. It operates a loan fund and gives training in credit education, money management, and improved agricultural practices. Clients include farmers, processors, retailers, and artisan manufacturers, the majority of whom are non-literate and non-numerate. The natural climate is harsh in the Sahel and most economic activities are very risky. PfP's aim is as much to create a more balanced and dynamic area economy as it is to assist individuals to form and develop succussful small scale economic activity.

Based on this information, the members of the working group were asked to determine: a core of benefits which would be used to compare the projects, and indicators of them; how context would be weighed; how monetary and non-monetary gains would be considered in valuing costs and benefits; and how results would be presented.

6. Valuing Benefits in a Comparative SED Analysis

In selecting a core of benefits, the Working Group decided to take into account benefits from all four of the core areas of the systems approach. We sought to choose a package of indicators which was, in overall balance, fair to all three projects, even though specific indicators might be more favorable to one project and less to another. We selected the following package:

Benefit Indicators

I. Enterprise Development Indicators
- o change in value added at enterprise level
- o change in profits
- o change in labor: + units; + specialization; + distribution
- o improved productivity (presence of change that improved
- o capital and labor intensivity)

II. Area Economic Development Indicators

Linkages
- Strengthening ties with villages, towns, cities, foreign
- market (+ export, - import)
- consumer benefits: price, selection, availability

III. Equity Indicators
- o level and distribution of income and beneficiaries
- o skill level / distribution / formal and non-formal education
- o standard of living
- o new vs. existing
- o status of women and children
- o positive change in savings and investment by individuals and firms
- o people's participation: organization and skill mastery

IV. Institution Building
- o degree of building institutions from scratch vs. improving existing systems
- o management viability (ID of projects / recycling of loan fund)
- o participation - quantity and quality (group action)
- o appropriateness of intervention for local needs, context

A suggested variation on the evaluation design was to let each PVO define how economic, social and institution-building value is being added. The evaluation would then proceed to analyze the success with which the PVO's definition of its approach produces benefits in the above categories.

Another suggestion was to analyze a specialty indicator for each project based on the PVO's particular approach and the goals of its program. How would the four benefit categories be weighed vis-a-vis one another? The Working Group saw no reason why they should not be weighed equally. If the parties to an evaluation decide to weigh the four benefit categories unequally, they should explain why such a weighting formula is appropriate. In any case, the protocal for comparative evaluation is for the core indicators and weighting formula to be selected and agreed upon before the field investigation takes place.

Implementing the Evaluation: How to Take Contextual Differences into Account

There was a consensus that a comparative evaluation should take each PVO's approach and particular project goals into account. Specialty indicators could be used to see if a project is doing what it aims to do. The prioritization of goals and activities of project implementors should also be compared to what is valued by project participants and needed on a priority basis in the local context.

Views differed as to how to take context into account. Some believed that context should be the main control variable, and that such analysis can make the most valid comparisons when similar designs provided to similar levels of beneficiaries are analyzed. Others suggested taking context into explicit account by using a checklist which was agreed to in the design phase of the evaluation. One instrument suggested to judge context is the set of risk/location assesment forms commonly used by business investors. Or a special index might be constructed which includes equity, natural factors, local economy, social and political institutions, and cultural conditions. Weighting of benefit scores was not recommended unless it could be demonstrated that there were mainfest differences in the contextual difficulty of projects which affect the ability to produce results.

Weighting for context was a sensitive issue to the group. No one wanted context to become a way of inflating or deflating benefits if doing so masked the reliability of judging the quality of field methods and program management. On the otherhand, it was felt that a main weakness of comparative evaluations is that they often lack an explicit and sufficiently comprehensive analysis and allowance for contextual differences.

The Working Group agreed that the primary focus of the evaluation should be the change over time ("progress") made by each project, rather than a

static comparison of benefits among projects which does not provide readers of the evaluation with an understanding of where each project is starting from.

Opinions differed about the value of using local comparison and control groups. Some thought them to be very appropriate to understanding progress relative to the local context, and others did not

As for total overall valuing, some suggested comparing the PVOs according to each benefit category: enterprise benefits; local economic development; social equity gains; and institution-building. The majority felt, however, that each project should be judged on the total score of these four areas. For example, some participants suggested that to compare costs and benefits among the three projects, each should receive a composite benefit score made up of the four benefit categories (the value of the four categories being fixed at the evaluation design stage.) With this, benefits in any one category, no matter how much they are, can receive only so much valuing. The composite benefit score for each project could then be divided by project costs. The total benefit score would not be expressed in dollar terms, reflecting the fact that it is a composite of monetary and non-monetary indicators and data which is both quantifiable and judgemental. This would also focus the attention of the evaluation audience on change over time within a project, and prevent them from focusing on bottom-line aggregate scores.

7. Comparative Economic Analysis of PVO Projects

A controversial issue to members of the Working Group was Cost/Benefit or Cost/Effectiveness analysis, involving the calculation of a single aggregate score for a project and the comparison of such ratios to rank projects' worth. C/B or C/E analyses express results in terms of cost per beneficiary or unit of benefit. Many local PVOs and American PVOs working abroad are not set up to effectively produce quantitative data about benefits or to practice cost-centered accounting which would allow for the segregation of expenses of particular project activities. When C/B or C/E ratios are calculated quickly by evaluators using proximate figures, questions arise over the reliability of such scores and also whether such reductionist ways of treating complex phenomena can validly express project worth.

Suzanne Kindervatter of OEF/International cautioned about the ways that C/B analysis can be misused as an evaluation tool. Project costs may not be disaggregated correctly and the investment costs necessary to produce longer range benefits may not be spread out sufficiently over time. Errors in calculation occur or formulas inappropriate to a project may be applied. Also, comparison of one project's C/B performance with others may be fallacious in the absence of analysis and control for differences in project contexts.

It may require substantial upgrading of PVO financial management systems (including personnel) if these institutions are going to be routinely subject to C/B or C/E analysis.3/ We also need to look at the present formulas and refine the guidelines for how to separate components of a project. Separating functions (credit, agriculture, legal assistance, etc.), which is often suggested, may be inappropriate in an integrated design. Another valid way of establishing cost centers is to account for the revenues and expenses of a local institution delivering services locally in a separate way from the expenses of an international aid project with heavy investment in such items as expatriate salaries, expensive monitoring, "tied-aid" vehicle purchases, etc.

The value assumptions of C/B and C/E analysis are also controversial. A fundamental assumption of economic analysis is that a project is an investment and should, within a few years time, produce benefits (preferably expressed in money terms) equal or surpassing project costs.

3/ A recent guide for C/B analysis of PVO projects which contains some instructions on how to segregate costs is, Assessing the Cost Effectiveness of PVO Projects: A Guide and Discussion, Robert R. Nathan Associates, Washington, D.C.: August 1982.
Another useful source which discusses how to spread project investment costs out over years is, A Manual for the Analysis of Costs and Outcomes in Nonformal Education, Educational Testing Service, Princeton, NJ: 1979.

In projects for the poor, in particular, the underlying assumptions about subsidies, reaching the poor, and growth versus equity, can and should be challenged.

Members of the working group expressed a sincere desire to learn about methods that would enable them to improve the quality of appropriate economic analysis of their projects. Donor and practitioner desires may be somewhat similar in this regard because both are very interested in practical applications such as feasibility analysis which are not focused around the calculation of bottom-line ratios or scores. For example, a recent implementation guideline for the Economic Analysis section of the AID Handbook stated:

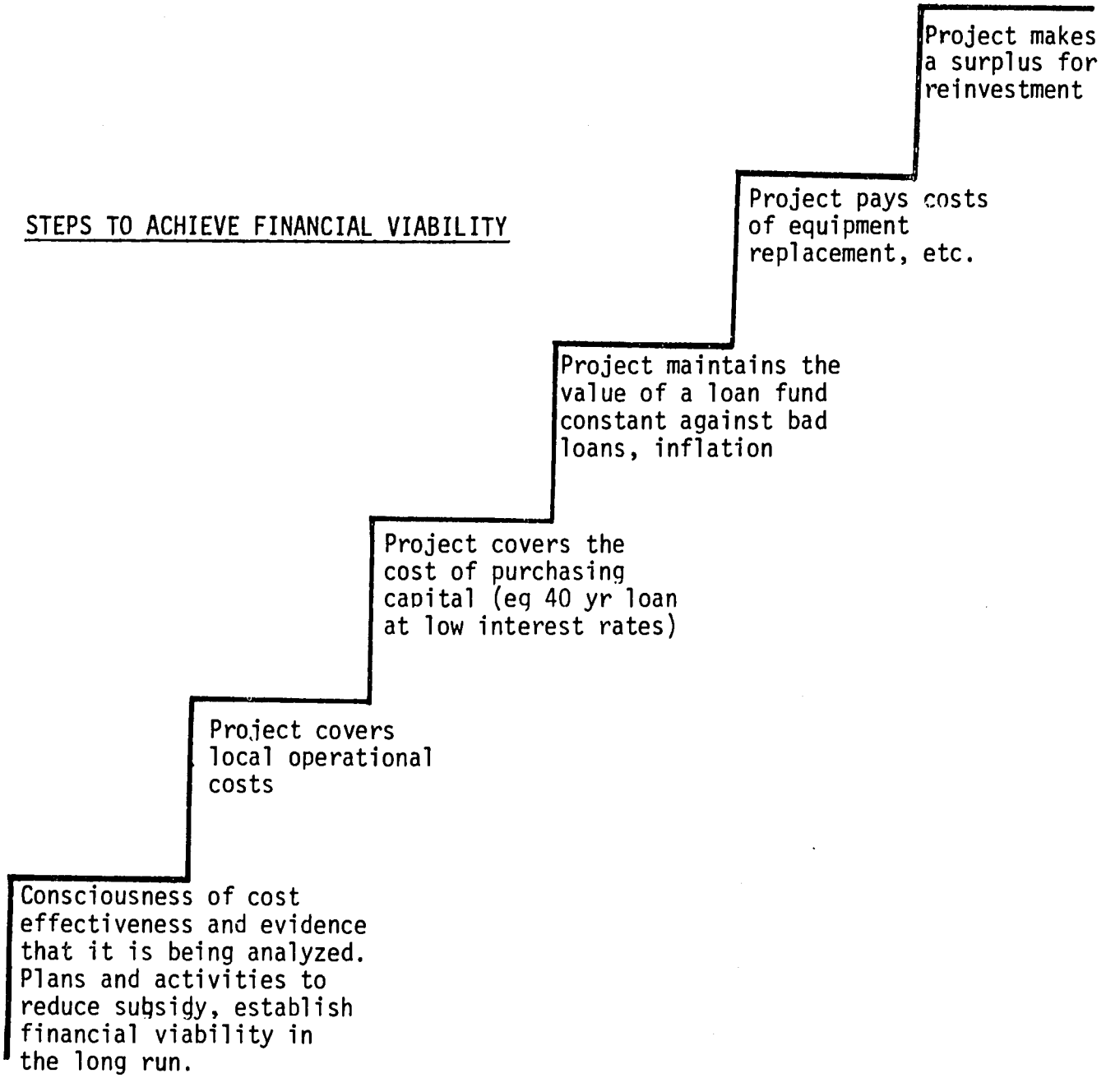
> **AID is not concerned with internal rates of return, low unit costs or any other quantitative measures. Rather, AID/W's primary concern is that the project make sense economically. A project makes economic sense after it has been considered in its full economic dimensions. This means assurance that the required inputs (especially those provided locally or by the host government) will be available; that there will be sufficient demand to absorb the outputs (be they vegetables, trainees or whatever) at the projected prices; that the project is financially viable and sustainable; and that the project's benefits to society are at least as great as benefits that could have resulted from investing in a different project.** 4/

Methods and analytical tools that would assist projects to gain economic viability and sustainability were subjects of major interest to PVO representatives of the Working Group. It was desired to have evaluation frameworks capable of analyzing progress over time towards viability, and capturing the learning about ways to accomplish this. Such a framework, however, must avoid simplistic considerations of subsidy that do not take the degree of contextual and methodological difficulty into account.

With the illustrative guideline shown on the next page, Jeff Ashe and Cheryl Lassen suggested how to judge the progress made toward the reduction of subsidy in credit programs. It may be appropriate for complex interventions working in difficult contexts to have some element of subsidy for many years. How the "cost effectiveness" of these projects is interpreted must be different than for projects with simpler interventions working in more favorable contexts.

4/ "Economic Analysis of Agricultural and Rural Development Projects: An Informal Guide," ARD Staff Paper #1, Agriculture and Rural Development Division, Office of Technical Resources, Africa Bureau, AID: March, 1983.

STEPS TO ACHIEVE FINANCIAL VIABILITY



We need more knowledge and documentation of methods to reduce subsidy. For example, small enterprise/credit projects can keep administrative costs low; charge adequate interest rates; be strict about repayment; encourage people to save (thus creating additional lending capital); charge for additional services; earn income from business activities in the local economy; sell business services to better off business people (accounting, feasibility studies, market surveys, etc.) Beyond ideas, PVOs need to share experiences about the implementation of these revenue generating strategies. (How do local people react to changing recollection policies? How does a PVO charge fees to people who didn't pay previously? What does the local tax collector say about the PVO income subsidiary?) Formulations for analyzing cost effectiveness are needed that are rich enough in examples and details to illustrate to practitioners how this can be done.

8. Formulating, Expressing, and Comparing Results

Although there is interesting work being done by both PVOs and external evaluators to analyze the kinds and degree of socio-economic change resulting from small enterprise programs, this work is far from rigorous. Difficulties of measurement may require using proxies or ways of data processing that affect the reliability and validity of the quantitative findings. Some projects make major impacts for which there is no quantitative expression of results. Moreover, no standard protocol exists for impact analysis which serves as a yardstick to insure that an evaluation is fair and complete. For these reasons and more, all evaluators have to be modest about conclusions and prescriptions.

The Working Group also felt that conclusions should follow and be adequately supported by evidence or qualified by an honest acknowledgement of the lack of it. Where C/B or C/E ratios are calculated, we believe it is appropriate to have the other considerations which bear upon the interpretation of scores or ratios displayed right next to the number. Below is an example of a more valid way of presenting results. Just by the format of the table it gives the reader a framework in which a quantitative measure of project worthiness can be interpreted in perspective. It acknowledges factors that the quantitative score does not take into account. And it makes clear that the calculus or decision-making must encompass both data and judgement.

REVIEW OF COST/BENEFIT INDEX CALCULATIONS FOR HYPOTHETICAL NFE PROGRAM IN NEW FARM TECHNOLOGIES[5/]

Evaluation Question	Cost/Benefit Index		Outcomes Not Included in Index Calculation	Comments and Implications
	r = 10%	r = 15%		
Should this project be repeated in the North-western Provinces?	Benefit/Cost Ratio		Farming families are better nourished and in better health	Work force is not only more productive but contributes toward priority goal of better child care and health
	.92	.85	20% fewer sick days in school	
	Net Present Value		lower infant mortality rate	The 96 children receiving the education could well be a catalyst for more economic growth and continued adoption of innovations.
	-$10,000	-$12,500	Children in approximately 50% of the families are allowed to continue schooling to the grade 6 level. (The average for comparable groups is grade 2.)	Cost/benefit index underestimates worth of the project.

5/ Educational Testing Service. op. cit.

The process by which evaluative conclusions are arrived at is of major importance too. PVO agencies are interested in learning frameworks which develop the ability of local beneficiaries and implementors to develop analytic skills which they can use to evaluate their own projects' performance. As such, local participation is key in framing evaluation questions and in analyzing project performance and next steps. Standards for judging evaluation frameworks should not look only at the written product but should also consider the extent to which it creates critical consciousness, motivates, and enhances the management skills of those most involved in carrying the project forward.

Part 3. Action Steps for Further Development of a Systems Methodology for the Design and Evaluation of Small Enterprise Development Projects

As a concrete measure to assist practioners both in PVOs and donor agencies, the Working Group recommends that a sourcebook be created to serve as a self-help manual for designing and performance monitoring of PVO small enterprise development projects.

This PVO Small Enterprise Sourcebook would refine and amplify the general contents of this paper. It would be aimed not at the earliest proposal stages but at further refinement of SED methods and tracking of impact of on-going field operations. This sourcebook would be a practical roadmap that encompasses but does not focus only on micro-enterprises (informal economic activity), formal small businesses, and group economic organization. The purpose of the sourcebook would be to put practical management and analysis tools in the hands of those most involved in implementation decisions.

The style and philosophy of the proposed PVO Small Enterprise Sourcebook would be similar to the recent ACVAFS Evaluation Sourcebook for Private and Voluntary Organizations 6/ which a knowledgeable reviewer recently lauded as "one of the few good works highly recommended for community practitioners." This sourcebook, like the ACVAFS work, would be based firmly on the recognition that beneficiaries and project workers are critical elements in the formation of viable local institutions, and that tools for designing and evaluating projects have to be comprehensible to local people and include them in decision-making. Processes which upgrade the productivity and management skills of local staff and beneficiaries are some of the most necessary and valuable types of gains in development programs.

The content of the PVO Small Enterprise Sourcebook will provide practitioners with a strong technical and theoretical background concerning the decision-making and behavior of small and micro business persons in Third World economies and the diversity of credit, management, and other kinds of SED approaches. It will give concrete examples, worksheets, instruments and ways of monitoring results. Methods of collecting, analyzing and valuing results will not be limited to quantitative data, much less what is conventionally measured in terms of money, weight or headcounts. For those interested in economic analysis, the sourcebook will contain ways to examine cost-benefit relationships which PVOs can adopt to fit the designs and accounting systems of their projects. Overall, the Sourcebook will provide the operational tools for a more effective kind of evaluation framework which, unlike traditional approaches, does not concentrate on making judgements, but rather facilitates the motivation and the management capabilities of practitioners to improve their programs.

6/ American Council of Voluntary Agencies for Foreign Service, The Evaluation Sourcebook for Private and Voluntary Organizations, (ACVAFS; New York, 1983). This Sourcebook can be obtained for $6.00 by writing to ACVAFS, 200 Park Avenue, New York, NY, 10003.

This Sourcebook is a significant undertaking which will come about as a result of several interrelated processes.

1. Formation of a Working Group of PVO evaluators to write the sourcebook. This group will consist of 5-8 individuals who meet on a regular basis, including a fulltime coordinator. The Sourcebook will take approximately a year to write and is estimated to be available in the fall of 1985.

2. Formation of a bank of small enterprise development indicators and monitoring and reporting forms or instruments used by PVOs in this field. This bank would pool the expertise and systems of experienced PVOs and evaluators involved in income generating activities and small enterprise development. It would be available to the Working Group as they write the sourcebook and to PVOs who request access for their particular projects. The coordinator of the Working Group would be responsible for setting up the indicator bank and responding to requests for its use.

3. A plan for further testing of this systems approach to PVO small enterprise projects. Field evaluations using this framework are already underway in several countries including Kenya, Sri Lanka, Upper Volta, Liberia and Togo. Several PVOs and USAID missions have indicated interest in using this approach with projects. The coordinator and members of the Working Group would collaborate with field agencies in designing evaluation plans and instruments that indicate help measure benefits and costs. Mutual gain is possible with this arrangement; PVOs can receive technical assistance and more detailed operations research necessary for the sourcebook can be carried out.

4. Dissemination and outreach of the development of this systems framework to a wide number of American and Third World PVOs. Just as the Working Group can be expected to take an inductive approach toward the development of the sourcebook, periodic public meetings will enable a wider group of users to keep abreast of what is being developed, to make inputs, and share perspectives. Technical workshops will be held on several issues such as increasing economic impact, social gains, and analyzing cost-benefit relationships. Missions, such as USAID Kenya, have expressed interest in having a conference for local PVOs about this approach. The PACT Committee on Management and Use of Information will play a leadership role in facilitating further exchange of information, views and experience among U.S. and indigenous PVOs. PACT's MUI is a good possibility to become the institutional home of the Working Group and activities to develop this systems methodology further in the coming year.

If your interests and needs are consonant with the themes of this systems approach and you would like to cooperate further or be kept informed, please get in touch with the participants of the Working Group whose names and addresses are listed in the appendix that follows.

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