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**MONITORING AND EVALUATING
SMALL BUSINESS PROJECTS:
A STEP BY STEP GUIDE
FOR
PRIVATE DEVELOPMENT ORGANIZATIONS**

**MONITORING AND EVALUATING
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FOR
PRIVATE DEVELOPMENT ORGANIZATIONS**

by
Members of the
Small Enterprise Evaluation Project

Shirley Buzzard

and

Elaine Edgcomb,

Editors

PACT

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Acknowledgments

Writing a book with a group is a challenging task indeed. There are opposing views to be reconciled as well as clashing styles. What made the task possible, in fact enjoyable, in this case, was the overarching commitment on the part of everyone involved to developing an alternative approach to the evaluation of small business projects—one that was simple yet complete, sound, and within the capacity of most private development agencies.

We are grateful to all the members of the Small Enterprise Evaluation Project for their contributions to forming the “systems approach” described in this book. It took considerable thought and hard work to take the idea, first framed in 1983, and make it into a practical field manual. When so many minds and hands have shaped the material, it becomes difficult to attribute specific chapters to individual authors, but we would like to cite the following special contributions.

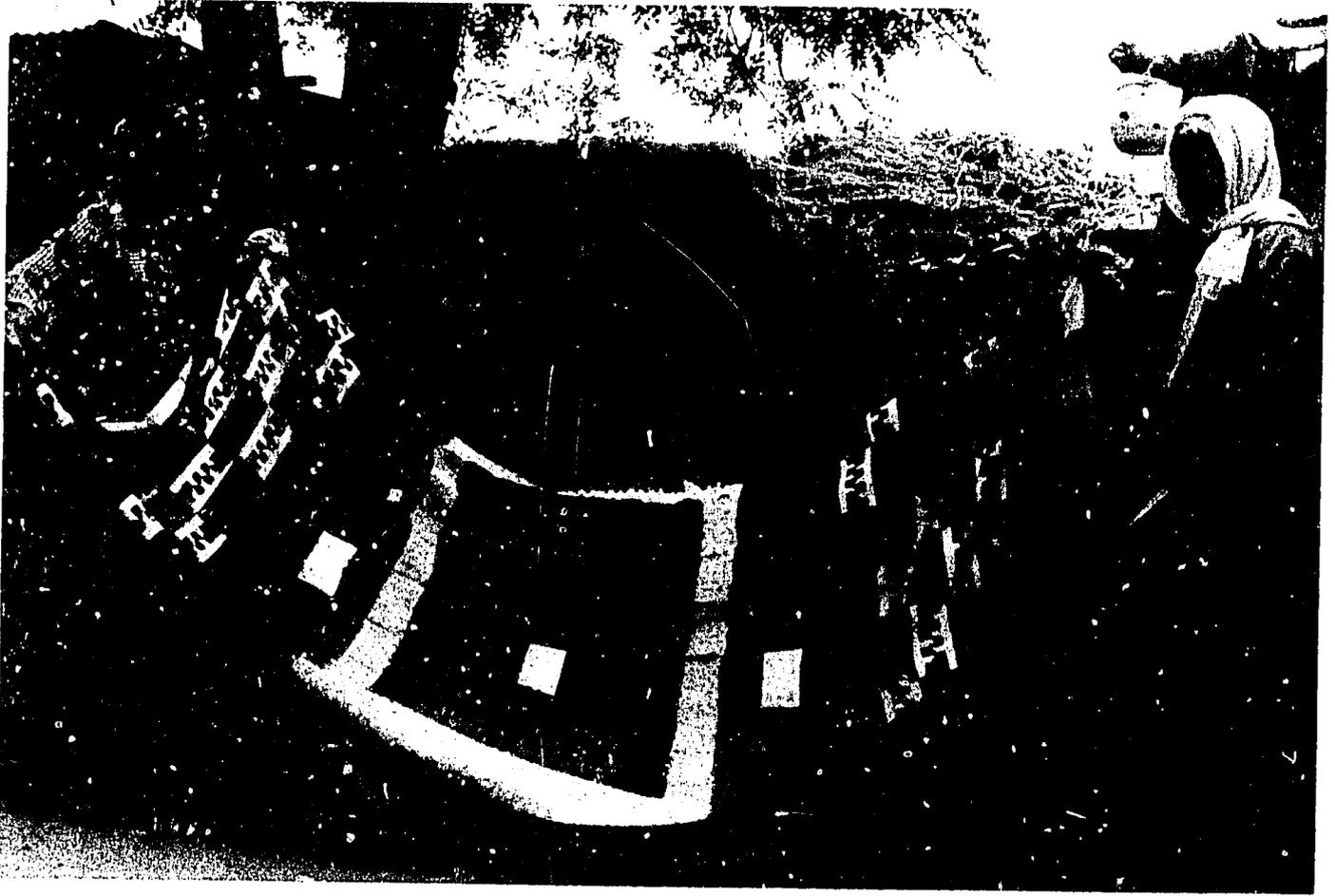
First, the Steering Committee guided the process of discussion, drafting, critique, and revision. They contributed countless hours to organizing the work groups, as well as generating the financial and material resources we needed. Suzanne Kindervatter, more than anyone else, had a clear vision of what the book should be. She suggested the Step by Step approach and guided us through the successive drafts. Peggy Clark and Paul Rippey conceived the cases presented in Step 1. Tom Dichter developed the key questions and many of the cautionary tales used in Step 2. Jeff Ashe, Ken Graber, and Eric Hyman are the principal contributors to the economic material incorporated in Step 4 and the Tools section. Jim Cawley helped define the discussion of organizational effectiveness found in Step 6. Cheryl Lassen and Ray Uriarte developed the agency case studies found in the Resources section. Thanks also to Nancy Nicalo whose long experience in interagency endeavors provided a much needed perspective on the whole.

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Shirley Buzzard
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Editors



Introduction

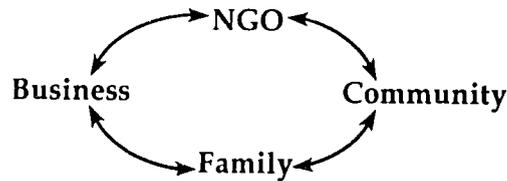
SOME THINGS YOU NEED TO KNOW BEFORE YOU START

Why Did We Write This Book?

We wrote this book because there was no simple guide to the evaluation of small business projects. We believe that most nongovernmental organizations (NGOs) have broader objectives than just helping businesses start or expand. Most NGOs also want to help people take more control over their lives and to improve the economic conditions of the whole community. NGOs also want to improve their own skills in training, technical assistance, credit, and other services to the poor. They need methods to measure their progress toward all these goals.

What Is The Systems Approach?

We know that NGOs are generally trying to help businesses as a way to achieve social and community development. We see the NGO, the business, and the community as part of an integrated whole.



We feel progress for each part of that integrated whole should be monitored. We ask you to monitor your progress in four areas:

- profitability of the business
- economic consequences for the family and community
- social change
- the NGO's ability to assist small businesses

We will help you choose the information, or indicators, you need to measure progress.

In each area, you may choose as many or as few indicators as you want. You can choose simple or complicated methods of collecting information. If you will choose one good, simple indicator in each of the four areas, you will have a "systems approach" to monitoring and evaluating your program.

How The Book Was Written

This book has taken shape over the past three years. At first, an informal workgroup of NGO representatives and consultants met occasionally in Washington, DC to discuss some of the issues in the evaluation of small business projects. First, we had to

define what NGOs want to do. Then we began to clarify how best to measure progress towards those goals. Most of the evaluation systems we knew were too "economic" and did not adequately cover the broader social and political issues of interest to NGOs. Also, many of the economic methods did not apply to the very small businesses, vendors, and home production activities that are the target of most NGO assistance.

After we had met informally for nearly two years, the "systems approach" began to emerge from our discussions and we felt we were ready to write a manual that would be aimed at the field staff of NGOs, would be flexible enough to cover all the different ways NGOs work, and would also be a scientifically sound way of measuring economic, social, and institutional progress. The Agency for International Development, Office of Private and Voluntary Cooperation gave a grant to Private Agencies Collaborating Together, Inc. (PACT) for the preparation of the book. PACT (with offices in New York City) is a consortium of US and Third World NGOs.

Out of that grant, the Small Enterprise Evaluation Project (SEEP) was created. SEEP is a collaborative effort of 25 US-based NGOs. We looked at existing monitoring systems, exchanged ideas, wrote and rewrote until we felt we had a guidebook that is simple but that does not prescribe a rigid system.

Members of the SEEP project are listed at the beginning of this book. Some of us wrote, some reviewed drafts, some sent in ideas, some were our conscience, and some made us think about what we were doing. All contributed money, time, and energy to the project.

THE FIELD TESTS

When we felt we had a good draft of the book, we field tested it with two different NGOs. Each field test was a workshop where the NGO field staff worked through the steps and designed, or redesigned, a monitoring system for their program.

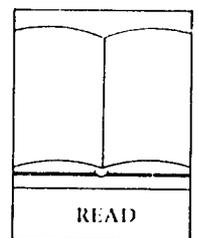
The first field test was with CASP/PLAN in Bombay, India. CASP/PLAN is a collaborative effort between the Community Aid and Sponsorship Programme and Foster Parents Plan International. CASP/PLAN carries out integrated community development programs in an outskirt of Bombay and it places an emphasis on the economic development of the families of sponsored children.

The second field test was with the staff of the Foundation for the Peoples of the South Pacific in the Solomon Islands. FSP programs in the Solomon Islands are small and are limited to a few types of businesses (fishing, poultry, and pigs), and work with women's groups. Sections of the book have also been used by Save the Children and CARE field staff.

The field tests were extremely useful in helping us clarify and simplify the **Steps** and **Tools**. They also gave us confidence that this flexible, do-it-yourself approach works well in very different situations.

Some Important Definitions

The development literature uses the terms "monitoring" and "evaluation" in a variety of ways. So that we will all know what we are talking about, we are using the following definitions. We suggest you read them carefully before you start.



Monitoring Progress or Measuring Impact?

In this book, we discuss the creation of a monitoring system for your small business project. **Monitoring is the routine collection, analysis, and use of information about how well your project is going.** Monitoring:

- helps staff and clients make decisions to improve the project
- allows you to decide what effect or impact the project is having on clients
- ensures accountability to all parties with a stake in the project's outcome—clients, staff, donors, management, and others

Impact evaluation is a periodic assessment of a project's effectiveness. It measures the extent to which objectives have been accomplished and what these accomplishments mean to clients and communities.

In our view, monitoring and impact evaluation are not distinct operations. Monitoring provides information for day-to-day management and for impact assessment. When an impact evaluation is called for, whether by outsiders or by staff, then the results will be more accurate and revealing when they draw on information that has been routinely and objectively collected over the history of the project.

For simplicity, in the text, we refer to a monitoring system because we hope that you will routinely think about how you are doing and how to do it better. More key terms we use in the book are defined below.

Key Words We Use

1. When we talk about *small business*

We generally use this term to describe the income-producing activities of the poor. Some development organizations call them enterprises. Others call them *income-generating* activities, but this can suggest an approach that is more casual, temporary, or less demanding. We choose the word *business* to reflect our bias towards a professional approach to the activities of the poor. Other key words are:

microenterprises—the tiniest business with one to four employees

cooperatives—where workers are the owners

formal sector—businesses officially licensed by government and paying taxes

informal sector—operating without full compliance to law

entrepreneurs—the owners, those who invest money, use new ideas, and are willing to take risks

profit—the difference between the cost of making the product or providing the service, and the price at which it is sold

capital—the cash invested in a business

working capital—the amount of money the business needs to cover its normal expenses such as salaries, rent, raw materials, etc.

employment—an opportunity to exchange time and labor for money

2. When we talk about our *assistance to small businesses*

NGOs or nongovernmental organizations—the private development agencies which undertake small business projects. They are sometimes also known as voluntary agencies or private and voluntary organizations (PVOs)

credit—loans for supplies, equipment, and working capital

training—formal workshops and short sessions aimed at reaching groups of business people with leadership development, motivation, and business management skills

technical assistance—one-to-one, nonformal training that takes place during visits to individual businesses and is aimed at resolving specific problems

policy—your organization's guidelines which you use as a basis for making decisions

management—the staff responsible for overall direction and administration

extension agents—field workers who are in most direct contact with the assisted businesses

clients—the business people assisted by the projects. They are also called participants. We use these words to suggest the active role they have in our projects, and that in some way, they pay for the services received.

3. When we talk about *monitoring and evaluation*

goals—the larger, overarching end to which project accomplishments are expected to contribute. They can be expressed in numbers, but are often expressed in more quality of life terms.

objectives—the more specific outcomes to be achieved as a result of project activities, most useful when expressed in measurable terms

focus—the key questions we want to answer about our project

indicators—key pieces of information which, when studied over time, point to some changes in people's lives

tools—methods used to gather information on indicators

information gathering—the process of accumulating quantitative and qualitative material to answer focus questions. Sometimes called data collection.

analysis—the process of organizing and studying the information gathered to develop conclusions

use—the application of conclusions to help clients improve their businesses and NGOs improve their assistance programs

stakeholders—those who have a primary interest in our projects, including participants, field and management staff, and donors

How to Use This Book

We present the “systems approach” in eight **Steps**. When you work through all eight **Steps**, you will have designed your own project monitoring and evaluation system. Here is what you must do:

1. Read over the **Monitoring System Master Plan Worksheet** at the end of this introduction. This worksheet has questions that you must answer after you work through each **Step**.

2. Begin with **Step 1**. Read and study the text and answer all the questions in this **Step**. Follow the directions for transferring answers to the **Step 1** questions on the **Worksheet**. Do the same for **Steps 2 to 8**.

3. In **Steps 4, 5 and 6** you will be referred to **Tools** in the **Resources** section. This tool kit presents 32 different ways to measure changes brought about by your organization’s projects. So you will have an idea of what **Tools** you have to work with, we suggest you read all the definitions first. Because we want you to adapt the **Tools** to your situation, we have included an introductory section on **How to Modify the Tools** (Page 113). Methods mentioned in the text in CAPITAL LETTERS refer to **Tools** in the **Resources** section.

After completing all eight **Steps** you will have a clear, simple statement of the goals and methods of your small business project and you will have a system for measuring how well you are doing.

The **Resources** section includes two CASE STUDIES which show how two NGOs completed the **Master Plan Worksheet**. These will be helpful as you work through your own plan. There is also a **Bibliography** listing and briefly describing some publications you may want.

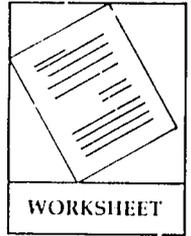
If you are starting a new small business project, you will want to spend a lot of time on **Steps 1 and 2**. They offer a simple guide to planning. If you already have a small business project, you may want to spend less time on those two steps, but we strongly urge you not to skip them. Even with old established programs it is good to rethink your strategy from time to time.

Good luck!

Monitoring System/Master Plan Worksheet

This worksheet provides a place for you to record answers from the exercises in this book and to determine how well the resulting system will work for you. Fill in each section as you complete the **Steps**.

As with the other **Tools**, feel free to modify the worksheet to suit your needs.



STEP 1

1. We will target the following types of business:

- a) _____
- b) _____
- c) _____
- d) _____

2. We will *not* assist businesses which:

- a) _____
- b) _____
- c) _____

STEP 2

3. A brief description of our package of services is as follows:

4. The factors (staff skills, institutional support, etc.) we must consider in design of our system are:

STEP 3

5. The primary stakeholders in our project are:

- a) _____
- b) _____
- c) _____
- d) _____
- e) _____
- f) _____

6. These are the key questions we must answer for our stakeholders:

- a) _____
- b) _____
- c) _____

STEP 4

7. We are monitoring the following economic indicators and using the following tools to collect information:

Indicator	Tools
a) _____	_____
b) _____	_____
c) _____	_____

STEP 5

8. We are monitoring the following social indicators and using the following tools to collect information:

Indicator	Tools
a) _____	_____
b) _____	_____
c) _____	_____

STEP 6

9. We are monitoring the following indicators of our institutional development and using the following tools to collect information:

Indicator	Tools
a) _____	_____
b) _____	_____
c) _____	_____

STEP 7

10. We will collect and write up the information according to the following schedule:

	What	Written by	Distributed to
<i>Weekly</i>			
a)	_____	_____	_____
b)	_____	_____	_____
c)	_____	_____	_____
<i>Monthly</i>			
a)	_____	_____	_____
b)	_____	_____	_____
c)	_____	_____	_____
<i>Annually</i>			
a)	_____	_____	_____
b)	_____	_____	_____
c)	_____	_____	_____

11. Which key questions (from **Step 3**) can we answer most strongly using these tools?

12. Which key questions will only be answered indirectly?

13. What is the main weakness of the system?

Would adding an additional tool solve the problem? If so, explain.

STEP 8

14. We will present the following information qualitatively (quotes, meeting summaries, etc.):

- a) _____
- b) _____
- c) _____
- d) _____

15. We will analyze the following information quantitatively and use these statistics (average, percentage, etc.):

Information	Statistics
a) _____	a) _____
b) _____	b) _____
c) _____	c) _____
d) _____	d) _____
e) _____	e) _____
f) _____	f) _____

16. We are setting these goals:

Annual

- a) _____
- b) _____
- c) _____
- d) _____

Long Term (?_____ Years)

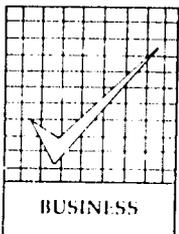
- a) _____
- b) _____
- c) _____
- d) _____

17. We believe this system can work in our program given our staff skills, money, and time available:

YES

NO

If you answered NO, go back and reduce the number of indicators, the number of tools, or choose tools that are easier to use.



Defining Small Business

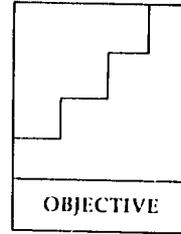
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Before you can design a monitoring system for your small business project, you will need to make some decisions about the definition of small business for the purposes of your project.

The objective of this **Step** is to think about the various approaches to small business assistance and arrive at your own definition of "small business."

In order to complete this **Step**, do the following activities. Check off each activity when you finish it.



- 1. Read "How Big is Small" and circle the size of business you think you want to assist in each category listed in the typology.
- 2. Read "Some Definitions" and check off the definition that applies most closely to your organization.
- 3. Read the case studies and write down your answers to the discussion questions.
- 4. Record your answers for **Step 1** on the **Master Plan Worksheet**.



Most organizations define a business size by the number of employees, whether it is registered with the government, and whether the business operates out of the home.

The table on the next page gives a typical classification of how businesses might be broken down into microbusinesses, small, and medium businesses. Circle the size of business you think your organization works with most often.

HOW BIG IS SMALL?

Most NGOs work with businesses in the microenterprise and small business category. Some NGOs, however, believe it is better to work with the small and medium-sized businesses to stimulate employment.

What is large to you may seem small to other organizations. As shown in the table below, there are different definitions of "small" businesses. A World Bank small business would be large by NGO standards. Circle the definition that comes closest to your own.

SOME DEFINITIONS

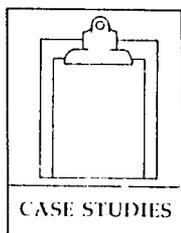
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Characteristics of Different Size Businesses

	<i>Microbusiness</i>	<i>Small</i>	<i>Small-Medium</i>	<i>Medium</i>
<i>Number of Employees:</i>	1-4	5-9	10-29	30-49
<i>Place of Business:</i>	In home	Shop next to home or nearby	Separate from home	Separate location; more sophisticated building
<i>Production Process:</i>	Simple	Simple, but slightly more advanced, more steps	More sophisticated, several different steps with specialization of labor	Complex production process; may be more capital intensive
<i>Financial System:</i>	Cash flow accounting, no formal documentation	Basic accounting system	Accounting system and records in place and payroll or personnel system	Accounting systems and financial records maintained, planning and management reports also in evidence
<i>Credit Sources:</i>	Informal sources at higher interest rates. No access to formal credit due to lack of business records and collateral	Informal sources; need for working capital for supplies and equipment financing	Informal sources; formal credit could be accessible but remains difficult to obtain	Some access to formal credit, but these sources operate slowly and are inflexible in meeting pressing needs
<i>Markets:</i>	Local market	Local market with some expansion	Local and national market, competition apparent, larger quantities of raw materials and supplies needed. Forward and backward linkages to national and community economy	Regional or national markets. Export is possible.
<i>Legality:</i>	Unregistered. Operate in informal economy	Unregistered.	Registered.	Registered; abides by government policy and regulation (i.e. tax and labor regulations, import/export licensing)

- adapted from Cotter, James; *A Project Manager's Guide to Small Enterprise Development*

<i>A.I.D. Office of Agriculture</i>	Maximum of 20 workers \$50,000 in capital assets \$5,000 in capital assets per workplace
<i>The World Bank</i>	Maximum of 100 employees \$250,000 in fixed assets Range from small manufacturers with modern operations to petty traders in the informal sector
<i>Save the Children Federation</i>	Maximum of Ten employees \$5,000 in credit requirements Do not have ready access to formal credit markets



Here are six case studies of different types of businesses and some of the diverse services offered to them by NGOs. Read the cases carefully; then answer the discussion questions to decide what businesses you will and will not help.

We will refer back to these case studies in other **Steps**.

CASE STUDIES

Case One: Harmony Women's Group

The first case is a typical NGO project—a women's cooperative. It is made more effective with a loan and technical assistance in agriculture and business management. The assistance has a profound effect on the women's group. But is it for the better?

As a result of a government irrigation scheme, some communities were able to increase their crop production. In one community, 45 women belonged to a social organization called the Harmony Women's Group. Members made baskets and other handicrafts, and the proceeds were used primarily for emergency expenses, such as funerals, for members. Each woman farms her husband's land, and about 30 percent of the men are working in other cities. Before the irrigation scheme, women were able to produce only enough for their families with little left over for sale or exchange.

An NGO called Community Prosperity, (CP), began to work in the region and helped to start a group credit program so that farmers could get loans to improve their agricultural production. They also assisted the farmers with information on how to improve their crops and how to manage their farms.

The CP small business extension agent approached Harmony Women's Group with the idea that they might get a loan and try to grow more crops. Harmony Group members liked the idea that all group members would be responsible for the loan to the group.

The small business agent attended two long meetings with Harmony Group members. She helped them write a charter and elect a business manager in addition to the president and secretary. A formal charter and elected officials were required before CP could give them a loan.

Over the first growing season, group members learned a number of new farming skills. Some, such as intercropping, were fairly easy. Others, such as using fertilizers and insecticides, were more difficult. Children, working in the fields with their mothers, seemed to learn more quickly than their mothers.

But problems plagued the project. Because of the new emphasis on agriculture, some Harmony Group members dropped out of the club. The Harmony Group was no longer an organization for women to share their problems and have fun. Now it was an agricultural cooperative. Fertilizer arrived too late and, in the end, the yields were not much more than before the project. Some children got skin rashes and respiratory illnesses from the chemicals. The women had to reorganize their lives around the irrigation calendar. They ended up working less at the crafts that had brought in most of the group's income.

Case Two: Duleep's Pants

Sometimes a little loan can make a big difference. This case example shows how a business can grow with a small capital investment and how helping one business can affect a whole family.

For three years, Duleep had tried to make a go of his pants-making business but he could not seem to get ahead. His friends told him that the first years were the "years of struggle" and that after a while he would see his business stabilize, or even grow; "sustained growth" was what that young woman from "Micro-Business Progress" called it.

Since he didn't have much working capital, Duleep worked hard for as long as his supply of cloth lasted and then peddled what he produced. Sometimes he sold to a store in the city, but they gave him checks he couldn't cash for two months. He prayed his battered treadle sewing machine would hold up. If he could just buy that electric machine his cousin wasn't using, the one that did the fancy stitching, then he could really get ahead.

Encouraged by his friends, he joined "Micro-Business Progress." Two years later, he saw that "sustained growth" was in his reach.

There was no question he was making money—twice as much according to his calculations. He is keeping records and, talking to the other four members of his group, he worked out a plan for how his business would grow.

Duleep laughed when he thought about the cramped room where he produced pants before. Last year he built a nice room that even had a cement floor. And that rickety old treadle sewing machine, well, his youngest son is using it now, and he bought his cousin's machine and another machine as well. He has two new employees.

Merchants come every few days to buy what his “little factory” produces and they pay him cash. He has enough business now to maintain an inventory of five bolts of cloth—a far cry from when he bought cloth by the yard from his neighbor, Marina.

Did his business have more “sustainability” now? It certainly seemed so. He had money in the bank and a backlog of orders. He felt sure “Modern Creations” was going to make it.

Case Three: The Fish Smokers’ Cooperative

Cooperatives, as we saw with the Harmony Women’s group, do not always work smoothly. Here is a case where working together brings substantial benefits.

The “Fish Smokers’ Cooperative,” the fifteen women pulled together by the dynamic community leader Mrs. Ojimbo, had not accomplished much in its first two years. There was enthusiasm but the group had yet to take its first collective action. The women worked as they always had, buying fish from the men who returned every evening in their dugouts, and then drying and smoking the fish in their family compounds. They loaded the dried fish onto battered carts and sold it in a town three hours’ walk away. The work was backbreaking and time consuming and the women had little to show for their efforts.

They were enthusiastic when one of the field workers from “Women United” came to their community offering credit and training. Although getting the women to take collective decisions was difficult at first, in two years the spirit of progress and cooperation was evident to anyone.

There was little doubt they were making more profit. Most agreed, “We are making three times what we were making before.” Mrs. Ojimbo had become a capable manager of the cooperative. She and the other members of the board had applied what they learned in the training sessions; good records were kept, and the Cooperative had a two-year expansion plan.

Perhaps the most obvious sign of change was the modern fish smoker that all the women were using (including the ten new members who joined). The new smoker used a fraction of the firewood used by the traditional system and produced a cleaner and higher quality product. With more working capital, the women bought more fish, and with a better quality product, they began to get contracts from stores. There were even rumors of exporting dried fish.

Case Four: The Quarrelsome Quarry Workers

This case raises the interesting question of the difference between a business and other types of economic development.

A large marble quarry is owned by a wealthy landowner. All the marble is cut and carried out by hand. The laborers, over 45 families in all, are all from an economically depressed part of a neighboring state. The work in the quarry is extremely difficult as marble is cut into large slabs and carried out by hand. Women and children collect the smaller chips in baskets and carry those out for grinding into gravel.

The pay of the quarry workers was small, even aside from the fact that everyone over eight years of age worked at least 12 hours a day in the quarry. The quarry owner charged for food and housing and, for most families, wages barely covered expenses. There were no schools for children and no medical care even though the work in the hot quarries was unhealthy and dangerous.

World Improvement International (WII), an NGO committed to integrated community development projects among the poor, began to work among the quarry workers to help them define their problems and find solutions to them. As discussion progressed, it was clear that the workers were vastly underpaid for their work and that the quarry owner was making a very high profit from their labor. They needed better housing, schools, and access to medical care.

The quarry owner objected to the work of WII and made every effort to stifle the project. But, as more workers began to talk about the problem, they decided that they would organize and begin to stand up to the quarry owner. They first asked for a school building for their children and they quarried the stone for it themselves. Next, they asked for shorter working hours, plots for home gardens, and higher wages.

Since the workers will all strike if he does not meet their requests, the quarry owner has reluctantly gone along with most of them. He has also seen that workers can be more productive if they are healthy and feel motivated. While conditions in the community of quarry workers are still difficult, they are much better than they were. They now have an organization that can negotiate with the quarry owner to improve living and working conditions. Some workers are beginning to talk about buying a nearby section of land and opening their own quarry. Other families have saved enough money to open small businesses when they go back to their home state.

Case Five: Gabriela and Her Friends

Vendors, those who buy and sell in the streets and marketplaces, represent one of the most common informal sector businesses. This example shows some of the social benefits that may result from a small business program.

Each morning, Gabriela borrows five dollars from the loan shark and purchases bananas from the wholesale market. The loan is due at the end of the day at 50 percent interest. She loads her bananas onto a public bus, takes them to one of the suburban markets, and spends the day selling there. Some days she sells a lot and can make two or three dollars beyond the \$7.50 she must repay the moneylender. Other days, when there are many bananas for sale and few buyers, she barely covers the cost of the bananas and the bus fare.

Gabriela heard some other women talking about Credit for All, (CA), a local organization which was offering small loans to vendors such as herself. She was very interested because she knew the moneylender was making much more profit than she was.

Gabriela went to the CA office and was told that she needed to join the marketwomen's association and then form a "solidarity group" with three or four other vendors. She and her friends would then have the advantages of working with other vendors to improve their conditions and they would be eligible for a loan.

Gabriela had no trouble convincing Manuela, a vegetable vendor, Ermina, an orange vendor, and Carmen, a sausage vendor, to join with her in a solidarity group. At the CA office they worked out a loan agreement with a program advisor. They were given \$100, which they divided equally. Meanwhile, the marketwomen's association was purchasing fruits and vegetables from the producers directly so that association members could buy them fresher and cheaper than at the city wholesale market. With their \$25 each, Gabriela and her friends could buy more produce to sell. And they got better produce through the association so they could charge a little more for it.

The association offered child care and preschool for members' children so that all four women could leave their youngest children in a safe, healthy place for the day. The association also provided literacy classes for adults, vocational classes for members' older children, and business management classes for members.

At the end of the three weeks, when the first loan payment was due, Ermina could not pay her share because she had used her profits to buy a new pair of shoes and had given the rest to her boyfriend. Gabriela had to borrow from her brother-in-law to cover Ermina's share.

They finally got the first loan paid off with most payments being made on time. Their profits went up considerably when they did not have to pay the moneylender and they could purchase produce more cheaply. All had been able to buy shoes for their children. Gabriela and Carmen had each been able to buy mattresses for the children to sleep on, and Manuela even fixed her leaky roof. Ermina continued to be negligent in her repayments so that when the first loan was paid off, Ermina was asked to leave the solidarity group.

Ermina was a relative of the owner of the marketplace. She told him they had asked her to leave their group, and the marketplace owner made it very difficult to keep their choice spots near the entrance to the market. Because of their contacts with other women at the association office, they learned that conditions were even better at other markets and they began to sell in other places.

The association has begun to offer legal assistance to women who have problems with the police, and a group of women have approached the municipal government with a plan for improving conditions in the city markets.

Case Six: The Bountiful Banana Cooperative

The final example shows how thinking big can help a lot of people. The Bountiful Banana Cooperative is not a small business but it helps the same type of people as the other examples. Some people might argue that a few larger businesses have more effect on poverty than a lot of small businesses.

Bountiful Bananas Inc. is an agricultural producers' cooperative. As part of a land reform, a large estate was taken over by the government and given to the National Cooperative Farmers Association. The 96 former workers on the plantation were given cooperative management of the 121-hectare plantation, which grows bananas and some coffee. Under the land reform agreement, the workers have to repay the former farm owners for their land. They owe \$500,000 over a 25-year period.

The workers had little experience in business management and the debt was a large one for them to plan around. During the first few years, profits remained relatively stable, but little had been invested and equipment began to wear out. Soil became infertile, and buildings fell into disrepair.

They approached Tech-Aid, an NGO specializing in assisting businesses, and asked for their help. Tech-Aid studied the situation and found that there were other problems, too. The Bountiful Banana Cooperative had no manager or accountant. These jobs were performed by the cooperative's inexperienced Board of Directors and a private accounting firm. Cash books and records were several months out of date.

Tech-Aid found that the coffee operation and two particular varieties of fast-growing banana were the most profitable activities although the farm had concentrated on slow-growing varieties of banana with the least return.

Tech-Aid made a number of recommendations about increasing the profitability of the business and training cooperative members in some basic management and

business skills. They also began to look into the possibility of using part of the land to raise goats.

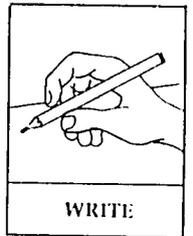
At the end of a three-year agreement with Tech-Aid, the plantation had diversified, identified the most profitable products, set up an accounting system, and increased productivity. The results were impressive and the cooperative was able to meet its debt payments with no problems. Profits increased fivefold during Tech-Aid's contract.

The residents of the Bountiful Banana plantation are very happy about the turn-around in their farm and they cite the increase in wages from the larger harvests. They also feel that they have more control over their lives than they had before. Through the cooperative, they have started a small health clinic on the farm and they have built a larger school for the children of cooperative members.

People are somewhat worried, however, about how well the improvements will maintain themselves when Tech-Aid is not there to help them out of problems and to help them with management decisions.

**ANSWER
THESE
DISCUSSION
QUESTIONS**

1. Would you consider all these cases appropriate for your NGO's small business assistance program? Why or why not?



2. What are some of the problems all the people in the cases share?

3. What are some of the solutions they found to problems?

4. Are they all "small businesses?"

5. Would your organization work with the Bountiful Banana Cooperative or is it too large?

6. Would the organization of the Quarrelsome Quarry Workers be considered a small business? Why or why not? Could your NGO organize workers or would it be politically difficult for you?

7. What is the largest business you currently work with?

Number of workers _____ Annual budget _____

8. What is the smallest business you currently work with?

Number of workers _____ Annual budget _____

9. Would you work with larger or smaller businesses? If so, under what conditions?

10. Refer to the chart on Page 16 which shows the differences between micro, small, and medium businesses. Which type of business do you target? Why?

11. How big does a business have to be before you would consider it outside your target population? Why?

12. Is any business too small for you to work with? Why?

13. Is registration of the business important in your area?

14. Some NGOs will not sponsor liquor stores or tobacco growing. Or, you may have found that some types of businesses are just not feasible. Are there any types of business you do not support? Explain why you exclude these.

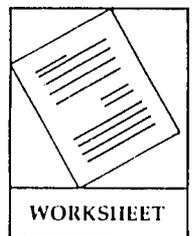
TO
SUMMARIZE

15. Write here guidelines on the types of business your organization works with.

16. Write here your policy on types of businesses you will *not* work with. Explain why you will exclude these from your projects.

As you work through the next steps, and look at your resources, you may want to come back and redefine "small business." For now, turn to **Step 1** on the **Master Plan Worksheet** and answer the questions there.

Then let's go on to **Step 2** and clarify exactly what your organization does to assist small businesses.





**NGO
NON
GOV**
ASSISTANCE

Defining Your Small Business Assistance Program

2

25

2

In the last **Step**, we tried to define what a “small business” means to your organization. In **Step 3**, we will begin to look at some actual indicators for monitoring the effectiveness of your project. Before you look at how well you are doing, however, you need to be clear about what you are doing. You may already have an understanding of what you do, but it is important that you be able to write it down in a clear way so you can refer back to it as you proceed. You also need a statement like this to put in your reports so others will know what you do.

The objective of this **Step** is to develop a clear, written statement of the goals of your small business assistance project and a statement justifying your decisions.

To complete this **Step**:

- 1. Answer Questions 1 through 9. Some you may be able to answer immediately. Others you may need to discuss with other staff before you answer them.
- 2. Study the “cautionary tales.” These are true cases where organizations made mistakes we can learn from.
- 3. Record your answers for **Step 2** on the **Master Plan Worksheet**.

Check off each activity when you finish it.

To give you an idea of how some NGOs have answered these questions of where, who, how, and what, see the boxes on the next pages. Each NGO will answer the questions differently but it is important that you define your program in this way before you design a monitoring system that fits it.

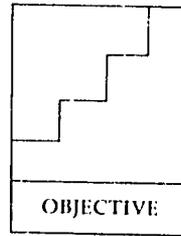
Accion

Accion is an NGO that has a very specific approach to assisting small businesses. They have pioneered in the area of credit and use the solidarity group as a method of minimizing default.

A solidarity group consists of five or six people who apply for a loan as a group. Each individual has his or her own business and they divide the loan equally among themselves. They are all responsible for repayment. Each member of the group has a strong interest in the success of each other’s business. If one fails, the others are responsible for his share of the loan.

WHERE? Growing urban areas and their poorest communities.

WHY? This is where you find the greatest number of poor people. Because of the large number of poor people, it is efficient to provide services in these areas.



WITH WHOM? The “able poor;” owners of existing businesses, individual vendors, production shops of five people. Emphasis on women and the poorest of the poor.

WHY? Belief in reaching women. Belief in economic opportunities for all.

EXPECTED OUTCOMES? Not the improvement of the business for its own sake but increased income—jobs for poor people. We encourage entrepreneurship and the creation of social bonds.

WHY? Philosophical belief in the greatest benefit going to the local community. Belief that this level of work will create such a benefit. We believe that helping individuals can have effects on the family and community.

WHAT METHOD? Small amounts of credit. Use of solidarity groups to guarantee repayment.

WHY? Belief in filling a gap in credit system. These people would not otherwise have access to credit.

Technoserve

Technoserve has a very different approach to development assistance. They believe larger businesses have a greater potential than “microbusinesses.” They specialize in management assistance.

WHERE? Rural areas with agriculture or agricultural potential.

WHY? Agriculture is the key sector for the poorest of the developing nations.

WITH WHOM? Groups of motivated individual farmers who wish to form, or already have formed, cooperatives or other formally constituted entities that can be run as enterprises.

WHY? Philosophical belief in the notion of creation of wealth as answer to poverty. Belief in strength in numbers. Belief in motivation as stemming from ownership. Farmers own shares in the business.

EXPECTED OUTCOMES? Improvement of the business for its own sake. Because the business is large, there will be immediate economic effects on those associated with it and the agricultural community, as well as on the commodity sector in both region and nation. With time, policy can be influenced as well, both locally and nationally.

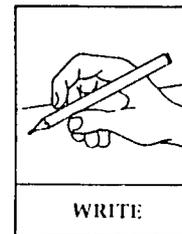
WHY? Belief in the widest possible benefit for the scarce resources of the assisting agency.

WHAT METHOD? Training and technical assistance in running a business in agricultural sphere.

WHY? Belief that greatest gap in developing countries is inability to manage existing resources. Belief in filling that gap through on-the-job training in those skills.

The two NGOs have very different solutions to the problem of poverty. Accion focuses strictly on credit to urban microbusinesses. They see business as a means to improve social conditions. Technoserve focuses strictly on management assistance to large agricultural businesses. They see the viable business as an end in itself.

What Are Your Organization’s General Development Goals?



Some NGOs, work through community organization. Some do child sponsorship. Others have a specific emphasis on health, credit, education, or women. What is your method of work?

How does your small business program fit in? Is economic development a means to an end? If so, what is your objective? Or is economic development an end in itself?

NGOs all have an official statement of their goals and objectives and most have some policy on *how* programs will be carried out. Sometimes these statements of goals are so general as to be of little use in program planning. “To improve conditions among the poor” or “To bring about humanitarian change in the world” are commendable but not very helpful.

If you do not have a clear statement of what you are trying to accomplish the following things may happen. You can probably think of an example of each from your own experience.

- Projects may be started for which you lack the skills and resources to carry on.
- The assistance offered turns out to be inappropriate.
- The results of the assistance may not be what you had hoped.

Is the area

densely populated

sparsely populated

The distance between businesses may determine how often you have contact with business people and how to plan training programs.

What Resources (Bank Credit Programs, Businesspeople Associations, etc.) Are Available in Your Area for Assisting Small Businesses?

QUESTION 3

- a) _____
- b) _____
- c) _____
- d) _____
- e) _____
- f) _____

Which of these do you work with?

Why do you not work with some? Do you have an organization policy requiring that you use local resources when they exist? Yes No

Cautionary Tale

“Our organization wanted to start some furniture-making projects involving a steady supply of wood. We didn’t know that the government’s policy was about to change, making the supply of wood very unreliable. When it happened, we were unprepared. We learned a lesson: You have to get to know the policy environment, not just generally but as it relates specifically to what you are trying to do. If we’d known what was coming in advance, we would have had two good options. First, we could have mounted a strategy to try to change that policy, easier to do before the change than after. Second, we could have chosen other types of projects or looked for other types of materials. This would have saved us a lot of grief.”

With Whom Do You Work? (Check All Those Which Apply to Your Program)

QUESTION 4

- individuals
- families
- groups

- women
- men
- both



- | | |
|--|--|
| <input type="checkbox"/> existing business expansion | <input type="checkbox"/> new business start-up |
| <input type="checkbox"/> individually owned | <input type="checkbox"/> individually owned |
| <input type="checkbox"/> cooperative ownership | <input type="checkbox"/> cooperative ownership |
| <input type="checkbox"/> formal sector | <input type="checkbox"/> formal sector |
| <input type="checkbox"/> informal sector | <input type="checkbox"/> informal sector |

Why are you working with this particular population and this particular type of business?

- organization policy
- just sort of happened that way
- staff do not have skills to help larger businesses
- _____
- _____

Who are you leaving out? Why?

Based on your answers to Questions 2, 3, and 4, write a clear statement of your target population including who you do and do not help.

Cautionary Tale

“We decided to help women in the rural community where we worked to increase their income by forming a cooperative unit to make straw hats and bags, products with a local market. By working together at a central workshop rather than individually at home, we thought they could increase their production and hence their profits. What we did not realize was that working away from home was not practical for them and the cooperative failed. Now we are supporting opportunities that mesh better with home and child-care responsibilities.”

QUESTION 5

How Does Your Organization Assist Businesses?

Training: List your training services (entrepreneurship, leadership, technical skills, business skills, etc.)



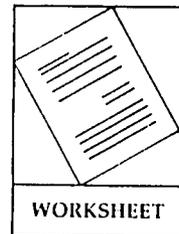
Financial: (List how you assist business financially) (grants, direct loans, etc.)

Helping cooperatives: (consumers, marketing, credit, etc.)

Individual counseling on management:

Others:

Based on your answers to Questions 4 and 5, write a clear, brief description of your package of services to small businesses. Write your answer in **Step 2** on the **Master Plan Worksheet**.



Cautionary Tale

"We decided to offer credit training to street vendors and the owners of small shops in the capital city. At first, we gave them too much money for too long a period of time. When repayment time came, the money had been spent on something else. We offered management courses on subjects such as accounting and sales but they were too sophisticated for the clients. Our expectations of how quickly they could absorb our help were too high. Now we offer very small loans with a short repayment rate. Our training uses non-formal techniques and is much more practical."

QUESTION 6

What Are Your Staff Strengths and Weaknesses?

Do you have a separate department dealing with small business projects?

- Yes
- No

Do the people who work in the small business project also have responsibilities in the health, education, or other sectors?

Do any members of your staff have special training in business or accounting? List the name of the person and the formal training they have (type of training, how long): Use an additional piece of paper if the list is long.

Do any members of your staff have training or expertise in economic and social analysis so that you can determine the relevance (or irrelevance) of your program to the society's real problems?

In general, would you rate your organization's staff skills as:

- weak
- medium
- strong

Which type of assistance does your NGO do best?

- training
- financial assistance
- technical and managerial assistance

Why are you good in that area?

Which type of assistance is weakest?

- training
- financial assistance
- technical and managerial assistance

Why is your program weak in that area?



And finally, before we move into the next **Step**, let's look at your assessment of your organization's capacity to expand.

Is Your Funding Dependable?

Does your organization have a dependable source of funding? Do your program budgets fluctuate considerably from year to year? Are you working on a grant for a limited period of time?

QUESTION 7

Can You Train Your Staff?

Does your organization have the capacity (interest and money) to provide additional training for your staff as your project grows and the needs of your clients change?

QUESTION 8

What Emphasis Do You Place on Evaluation?

What emphasis does your organization place on monitoring and evaluation? Is most emphasis on evaluation imposed on your field staff by your headquarters or donors?

QUESTION 9

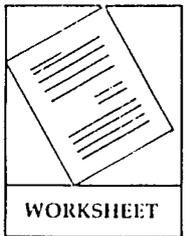
Is there a commitment (of time and money) to designing and using a system?

Do field staff want a more effective monitoring system?

Based on your answers to Questions 6 through 9, what factors such as

- staff skills
- dependability of funding
- training capacity
- evaluation emphasis

must you consider as you design your monitoring system? Write a short statement on your limitations in these areas and write it on the **Master Plan Worksheet** under **Step 2**.





Defining Your Purpose

3

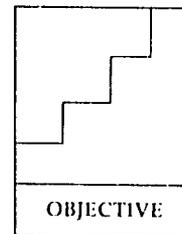
37-

3

In the earlier two **Steps** you defined what you mean by “small business” and you clarified your organization’s package of assistance to those businesses. In this **Step**, and in **Steps 4, 5 and 6**, you create a monitoring system that is custom designed for your organization.

You do this by:

- establishing the purpose of your monitoring system
- focusing it on a few key issues
- deciding what information you need
- planning how to gather it
- adapting or developing the tools you will need



The objective of this **Step** is to establish the purpose of your monitoring system and focus it on a few key issues.

To complete this step:

- 1. Read and study the following conversation.
- 2. Answer Questions 1 through 3.
- 3. Record your answers for **Step 3** on the **Master Plan Worksheet**.

Check off each activity when you finish it.

Let’s listen in on a dialogue between an economist and a project manager. Deciding what a monitoring system should focus on can be very tricky, especially when the people involved have different ideas of what small business projects can achieve. And these ideas are often very different—for participants, project staff, managers, donors, and professional evaluators.

A Conversation Between an Economist and a Project Manager

M: So, you’re an economist, eh? Please don’t take this personally but I must admit that I mistrust the work that you do. I have seen evaluations done by economists and I did not like them. In fact, the project I work with, in Bandui, was evaluated by one of your colleagues last year, and we are still upset and unhappy about the job she did.

E: I’m sorry to hear of your problems. Maybe if we discuss this incident, you and I will be able to gain a greater mutual understanding.



- M: At the request of our major donor, an “outside evaluation” was done of our program. While we were happy to have the evaluator come, we felt her written evaluation was both too narrow in its scope and too broad in its conclusions.
- E: That seems to be a paradox. Will you explain?
- M: With pleasure. It was too limited in its scope because it dealt only with the economic aspects of the project. She reported on what our participants earned, but not about what they learned. She wrote about how many new jobs there were, but not about what the participants thought about their jobs and why they were important to them.
- E: Well, it is certainly true that economists study economics and not other things, and it sounds like your “evaluator” did just that. But that is appropriate. Economics is still an imperfect science, but it is the best tool we have for measuring what is really valuable to people.
- M: How can you make such an outrageous claim?
- E: I’ll show you. Let’s look more closely at your complaints about the evaluation that was done. I believe the first complaint was that she only measured what your clients earned, not what they learned.
- M: That is a simple way of saying she evaluated changes in businesses instead of changes in people. For instance, we spend a lot of time teaching our clients the fundamentals of managing their businesses. We spend more time doing this than anything else, and yet it was hardly mentioned.
- E: But surely it was evaluated. You teach your clients these things so that they can run their businesses better, don’t you? So if they use them, their businesses will be more profitable, which is what your evaluator measured. A good evaluation measures the end directly, not the means. Does that make sense to you? Do you agree?
- M: It makes sense, but I don’t agree. The changes in people *are* the end, and the businesses are a means to that end. You’ve got it backwards. Let me give you an example: One of our clients sells pots in the market. His 12-year-old niece has been to school and she helps him with the bookkeeping for his business. The 12-year-old is learning skills that will help her be productive later in her life. But you won’t see that benefit anywhere in the evaluation.
- E: It *should* be there. That’s called a “secondary learning benefit.” It’s hard to measure precisely. But we can estimate it: It’s equal to the increase in lifetime productivity of the 12-year-old because of what she has learned.
- M: Here’s another example. People in this region are very curious: They observe what their neighbors are doing and after a while they begin to imitate it. Even we don’t know how much impact we are having on the people around here, but we think it is a lot more than just what happens with our clients.
- E: That’s called the “demonstration effect.” It’s hard to measure also, but we can estimate it. It is equal to the increase in production of the average imitator, multiplied by the number of imitators.
- M: Isn’t that just making numbers up!

3

2

1

E: No, we are using scientific tools to arrive at the best estimate of economic benefits in an area where few written records are kept.

M: But does "scientific" mean ignoring the obvious? For instance, there is a spirit and an excitement here in these villages that wasn't here before the project started.

E: People can't eat numbers, and they won't keep going very long with just transient increases in profits.

M: I know economic results are important, but there is more to development than statistics.

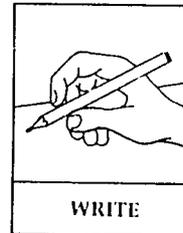
E: I understand your beliefs, but . . .

M: I understand your feelings, but . . .

E: Maybe the answer is to measure those things we can put into numbers and try to document other changes in other ways.

M: Yes, I guess we are both right.

The issue that emerges from this conversation is that of perspective. People may view the same event or activity in very different ways depending on their interests, training, and past experience. A monitoring system must consider the different perspectives of the participants, the NGO field staff, the NGO national or international staff, and the funders. Questions 1 through 3 will help you plan to gather information from all these perspectives.



What Are Your Expected Results?

What economic benefits?

What social benefits?

What internal changes (improvements) in your NGO would you expect to occur?

QUESTION 1



QUESTION 2

Who Has an Interest in Your Progress?

Stakeholders are all those who have an interest in the project. First, identify all the stakeholders in your project. They include clients, project staff, donors, local governments, and others. Then indicate why they are interested and what information they need about the project. For example, your donors may need much more general information than your staff.

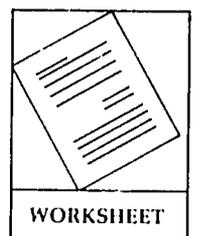
You can make a chart like the one below. Leave enough space for all the stakeholders. In the end, your monitoring system must provide them with the information they need to continue their involvement in the project.

For each stakeholder, list all the things they need to know about your project. Donors, for example, need a financial statement, a description of your activities, and some indication your project is having its intended effects. If you have trouble with this exercise, go ahead to the "decision making" chart on the next page, then come back to this one. It is very important that you clarify who needs to know what so your system provides that information.

STAKEHOLDERS	INTERESTS
A. _____	1. _____ 2. _____
B. _____	1. _____ 2. _____
C. _____	1. _____ 2. _____
D. _____	1. _____ 2. _____
E. _____	1. _____ 2. _____

3
2
1

Write the answer to this question on your **Master Plan Worksheet, Step 3.**



QUESTION 3

What Decisions Will Be Made?

Next, what decisions will be made on the basis of your monitoring system and who will make them? For example, your donor might decide whether to continue funding every three years. Your project manager will decide whether to add new staff annually, but your field staff may decide which businesses need more technical assistance on a weekly basis. Again, you can make a chart.

DECISIONS	BASED ON WHAT INFORMATION	MADE BY	HOW OFTEN
1. _____ _____	_____	_____	_____
2. _____ _____	_____	_____	_____
3. _____ _____	_____	_____	_____
4. _____ _____	_____	_____	_____
5. _____ _____	_____	_____	_____

Now, go back and complete the chart on your stakeholders if you haven't already.

What Are The Key Questions?

QUESTION 4

Look back at the charts you made up and see what key words, issues, concepts seem to underlie the needs of your stakeholders and decision makers. The key issues may be increased income, increased community participation, and improved living conditions for the poor.

Write your key issues here.

1. _____
2. _____
3. _____
4. _____



Phrase those issues as questions for your monitoring system to answer. For example: How much has the income of clients increased this year? Has community participation increased? Has the standard of living gone up as a result of participation in a business?

Write your key questions on the **Master Plan Worksheet**.

You may have as many “key questions” as you want but try to keep them as “essential” as you can. You will refer to them often as you go through the next **Steps**.

Before we move to the next **Steps**, let’s review the systems approach and what we will do in the remaining **Steps** of this workbook.

The systems approach to monitoring and evaluation is a way of collecting information on four aspects of development simultaneously:

economic change in the business; increased profitability and sustainability of the business

economic change in the community; increased access to goods and services and more jobs

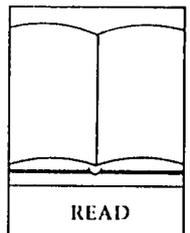
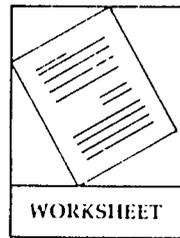
social change; individuals and groups gaining more self-confidence and control over their lives

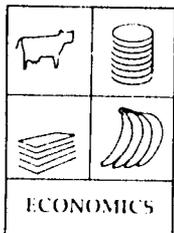
effectiveness of the NGO assistance package, or institutional change; the increased effectiveness of your training, management counseling, loans, and other efforts to help the poor with business development.

In the next three **Steps** (4, 5, 6) you will choose some indicators that match the goals of your organization. You will also choose some tools to collect that information.

Indicators are those key pieces of information which, when studied over time, point to some changes in people’s lives. **Tools** are the methods we use to track each indicator.

Finally, in **Step 7** we will look at some of the practical aspects of information collection—the time and resources involved. If you find you have designed a system beyond your resources or skills, go back and choose fewer **Indicators** or simpler **Tools**. You may want to glance at all the next **Steps** so you will know what is coming before you begin.





Choosing Economic Indicators and Tools

4

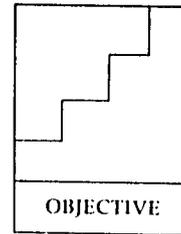
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In this **Step** we will look at two levels of economic change: 1. change in the assisted business; 2. the effect of the business project on the community.

The objective of this **Step** is to choose the **Indicators** and the **Tools** you need to measure these two levels of economic change.

The **Indicators** and **Tools** we recommend take into consideration the different sized businesses NGOs assist and that the amount of time you have for evaluation is limited. It is assumed that most assisted businesses fall into one of the three following categories.



The very smallest: hawkers, vendors, street food sellers, and those with stalls in the market. Their owners are likely to be women and it is unlikely that they can or will keep written records.

Microbusinesses: candy makers, seamstresses, furniture makers, hairdressers, small appliance repairers, and family-based production. These businesses usually employ one or two family members. They may keep some written records.

Cooperative ventures: up to 20 or 30 people who produce handicrafts, food, or have small manufacturing operations. These businesses have special management needs and require more accurate record keeping.

Our recommendations are aimed at helping you monitor change in any of these types of business. Occasionally NGOs assist much larger cooperatives, particularly in agricultural production and marketing. You can combine the **Indicators** and **Tools** to develop the more comprehensive monitoring they require.

Check off each activity as you complete it.

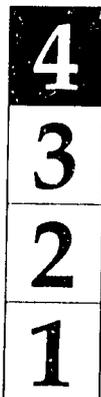
- 1. Look at the list of **Indicators** on the next page.
- 2. Read the text explaining each **Indicator** and be sure you understand what it means.
- 3. Refer to your Key Questions on the **Master Plan Worksheet**.
- 4. Check all those **Indicators** you would like to measure. Indicate which are very important (+) and which are less important (-).
- 5. Do you or the clients have any economic objectives that are not on the list? If so, add them to the list.
- 6. Now rank them from highest to lowest priority for your program. You will probably only be able to monitor one or two at each level so you need to decide which are most important.

- 7. When you have your ranked list of **Indicators**, decide which tools you will use. Refer to the **Tools** in the **Resources**. Be sure to read the section called **Modifying Tools**. Some **Tools** may look difficult but can be used in simplified forms. Try to build on your existing record-keeping system where possible.
- 8. Record your answers on the **Master Plan Worksheet**.

<input checked="" type="checkbox"/> ECONOMIC
<input type="checkbox"/> SOCIAL
<input type="checkbox"/> INSTITUTIONAL
<input type="checkbox"/> MULTIPLE USE
TOOLS

Indicators and Tools for Economic Change in the Business and the Community

INDICATORS	Simple	TOOLS Complex
Economic change in the business		
1. Profitability	Interviews	PROFIT & LOSS STATEMENT
2. Improved management	INTAKE FORMS	BALANCE SHEETS
3. Improved location, equipment	OBSERVATION	MARKET DEVELOPMENT WORKSHFET
4. Change in what is sold, produced, quality	Group discussion	FEASIBILITY STUDIES
5. Changed source of credit	GROUP CONSENSUS	CASH FLOW STATEMENTS
6. Changes in suppliers	ACCOUNTING FOR NONLITERATES	BREAK-EVEN ANALYSIS
7. Dependency on program	WEALTH INDEX	PREDICTING SUSTAINABILITY
	SCALES	
	ANIMAL ASSETS	
	INVENTORY	
	LAND ASSETS	
	INVENTORY	
Economic change in the community		
1. Increased income for community	Interviews	PROFIT & LOSS STATEMENTS
2. Increased employment	GROUP CONSENSUS	FEASIBILITY STUDIES
3. Consumer benefits	INTAKE FORMS	BALANCE SHEETS
4. Links with other businesses	Group discussion	
5. Availability of goods and services	COMMUNITY DEMAND	
6. Ecological effects	ANALYSIS	



Indicators for Monitoring Change in the Business

Definition: Profitability is the return the business owner receives on the money, management skills, and risk he invests in a business. It is the difference between the costs of doing business and the amount earned.

Profits can be increased by raising prices, lowering costs, or increasing sales.

Example: Duleep, (Case Two, **Step 2**), increased his profits in his tailoring shop by purchasing cloth wholesale. This decreased his costs while the price of the pants remained the same.

TOOLS: Simple

- Interviews with owner to find out if he believes he is making more now than he was before the project.
- Compare how much the owner says he is making now with how much he said he was making when he entered the program.
- Develop a simple ACCOUNTING FOR NONLITERATES system if your clients cannot read and write.
- With group projects, use GROUP CONSENSUS.
- Use simple PROFIT-AND-LOSS STATEMENTS. Gross profits are the monthly sales less all costs for materials. It is very difficult to distinguish between profit and family income in the smallest businesses.
- Use the WEALTH INDEX, ANIMAL ASSETS INVENTORY, or LAND ASSETS INVENTORY to get an indirect measure of income.

TOOLS: More complex

- PROFIT-AND-LOSS STATEMENTS can be used to calculate profitability. Consider such factors as reinvestment, depreciation, and taxes.
- BREAK-EVEN ANALYSIS is a way to calculate the level of risk at which the business is operating.

Example: Both **Case Studies** in the **Resources** require each business to keep simple records of their costs and income on a monthly basis.

INDICATOR 1 PROFIT- ABILITY

Definition: Improved management is the business owner's increasing ability to plan ahead and to use basic business skills to increase his profit.

Example: The Bountiful Banana Cooperative owners (Case Six) improved their accounting system, identified the most profitable crops, and diversified their products.

INDICATOR 2 IMPROVED MANAGE- MENT

TOOLS: Simple

- Ask the owner if he keeps books now.
- Ask if he is applying any other management tools such as cost reduction, saving for expansion, or diversification.
- Use SCALES to assess the frequency and quality of record keeping.
- Use SCALES to assess the quality of the business plan and how the business is being carried out.

TOOLS: More complex

- Assess the quality of the books kept.
- Assess the management of the business including how efficiently the production and marketing are organized, inventory control, and organizational development.

Example: Both Partnership for Productivity and PLAN/Mindoro (see **Case Studies in Resources**) ask participants to rate their own improvement in management skills each year. Each has devised a scale that rates improvement and enables the NGO to accurately measure change in their clients.

INDICATOR 3 IMPROVED LOCATION OR EQUIPMENT

Definition: One sign of business growth is its move to a better location or the use of improved equipment. This can lower costs and increase the number of customers.

Example: Gabriela and her friends (Case Five) found that business was better in other markets than the one they sold in at first. They also found that physical conditions in some markets were better and they attracted higher paying customers.

TOOLS: Simple

- Use interviews to list improved equipment (carts, tools) since joining the project.
- Use interviews to monitor a change of the location of business. This can be from the home to an attached shed, from a home to a shop elsewhere, or the opening of new branches or markets.
- List specific improvements in equipment.
- List tools and equipment purchased.
- Use a simplified BALANCE SHEET.



TOOLS: More complex

- Use a BALANCE SHEET to compare investment in the business now with the investments made as the project progresses. Calculate the percent of the profits that are being reinvested in the business over time.

Example: PLAN/Mindoro requires each business to start with a feasibility study, which lists expected expenditures for equipment as the business progresses. Each year the business reports whether or not they purchased the equipment and briefly assesses whether they are growing as planned.

Definition: Changing the type or diversity of products sold or changing the quality of the product can indicate an understanding of diversification, pricing, and cost control.

Quality is a complex issue. You may be able to charge more for a high-quality product but you will sell fewer products. You can have several products of differing quality. Sometimes there is a demand for low-quality, low-price products. The business owner who can assess the level of quality that will give him the most profit is using good management skills.

Example: The Fish Smokers Cooperative's (Case Three) new equipment allowed them to produce a higher quality product, which they were able to market to more stores than they could with the old equipment. They reduced costs and raised prices, which increased their profitability substantially. And the increased quality opened new markets for the fish so they also increased their productivity.

TOOLS: Simple

- Owner reports that items produced or sold have increased, decreased, or remained the same.
- Owner reports new products are added.
- Owner reports that he has increased or decreased the quality of the product and indicates how the change increased profits.
- Use a simple CASH FLOW STATEMENT, BALANCE SHEET, or BREAK-EVEN ANALYSIS to track items sold at the beginning of the program and annual changes.
- Indicate new goods produced or sold on an annual PROFIT-AND-LOSS STATEMENT.
- Specify the ways the quality of the goods has changed and calculate the profitability of different qualities.

INDICATOR 4 CHANGE IN PRODUCT OR QUALITY



TOOLS: More complex

- Monitor the total value of goods produced or sold each month. Specify the volume of sales of each product. Calculate the percentage of change from the monthly PROFIT-AND-LOSS STATEMENT.

INDICATOR 5 CHANGED SOURCE OF CREDIT

Definition: Many very small businesses are heavily indebted to local moneylenders who charge very high interest rates. Being able to get out of debt to moneylenders and having access to credit at reasonable rates can make the difference between survival and growth.

Example: Gabriela (Case Five) used to pay 50 percent interest per day on the loan she needed to buy bananas to sell each day. Some days she was unable to repay the moneylender because she sold so few bananas. By organizing a group of her friends, she was able to get a loan from the marketwomen's association at much more reasonable rates. That meant she could keep more of the money she earned each day.

TOOLS: Simple

- Ask the business owner to list the sources of credit he used last month or last year. Repeat this each year to see if they are using better sources. Calculate the difference in the cost of money (interest rates) to see how it has affected the cost of production.
- Develop a list of credit sources and rate them according to which are more appropriate to the small business owner. Ask each owner to indicate which they use and their order of importance to the business. See how the credit sources change through time.

TOOLS: More complex

- Indicate for each source of credit the amount loaned, the frequency of payments, and the terms of the loan. Use the BALANCE SHEET to calculate key ratios such as current ratio, quick asset ratio, and long-term debt to equity ratios.
- Interview managers to see if they understand the reasons for changing credit sources.

INDICATOR 6 CHANGES IN SUPPLIERS

Definition: Being able to purchase supplies in larger quantities, from cheaper sources, or in better quality may enable a business to increase its profitability, or make it more sustainable by reducing dependence on one source.

Example: Duleep (Case Two) used to buy his cloth a piece at a time from a neighbor. Now he buys bolts of cloth at a wholesaler. Not only has he reduced the cost of the

cloth but also his customers have more choice now, and that makes his shop more attractive.

TOOLS: Simple

- Interview the owner and ask where he gets his supplies now. Repeat the interview annually and see if he has reduced cost or broadened his sources.
- Ask businesses to list all suppliers. When changes or additions are made, indicate how they will be better or different from earlier suppliers.

TOOLS: More complex

- Calculate savings or losses as a result of using different suppliers.
- Interview managers to see if they are making changes based on good business principles.

Definition: At the start, some businesses may depend heavily on the NGO for technical advice, marketing assistance, loans, and support. Where groups of people are working together for the first time, the NGO staff may take an active role in mediating disputes and helping with problem solving. Eventually a business must be completely independent of the NGO if it is to survive. This is not to say that assistance from other sources, perhaps of a different nature, may not be necessary. Needs for technical assistance and other support change and become more sophisticated over time.

Example: The Bountiful Banana Cooperative (Case Six) has had technical assistance from an NGO which helped them diversify, identify the most profitable crops, and train managers and accountants. Because the idea of ownership is new to the cooperative members, and because they have few skills in managing a large business, they are uncertain whether they can continue to operate without further assistance from the NGO.

TOOLS: Simple

- List the types of assistance the business received the first year and each successive year. Include credit, bookkeeping, marketing, supplies of raw materials, training, management advice, and other assistance they get from the NGO.
- Have each business do a FEASIBILITY STUDY that indicates how much assistance they will need in each of the categories above over the next few years. Monitor how much assistance they expected to use and how much they actually use. Are they becoming more self-sufficient?
- Establish a time line within which you expect a business to become self-sufficient. Indicate what assistance you would expect to give over the period of their involvement with the program. For each business, track whether it is operating at

INDICATOR 7 DEPENDENCY ON THE PROGRAM



the expected level or better. For those operating below expected levels, identify the problems.

TOOLS: More complex

- Analyze the CASH FLOW within the business.
- Use the PREDICTING SUSTAINABILITY worksheet.
- Monitor the owner's ability to get credit, management assistance, marketing advice, and help with other problems from agencies other than your NGO.

Indicators for Monitoring Economic Change in the Community

INDICATOR 1 INCREASED INCOME FOR THE COMMUNITY

Definition: Businesses have the most economic effect on a community when they bring money in from outside or substitute goods or services for those brought in from outside the community. A business that sells to others in the community stimulates the circulation of money but it does not increase the amount of money in circulation unless it reduces the leakage of money from the community. One way to monitor the economic benefits of a program to the community is to calculate how much money is coming into the community from the outside and how much is being retained that formerly left.

Large businesses owned by outsiders can have a detrimental effect on the community because local people spend their money locally while the owners spend it somewhere else. Also, such businesses often put small locally owned firms out of business. This can also be a problem with relatively large businesses owned by local elites. They may grow to the point where they become increasingly capital-intensive and/or leave the community. Measuring this effect and the lost linkages will help you decide exactly who to assist. (*See also Step 7*)

Example: When Duleep (Case Two) made simple clothes for his neighbors, the business had little effect on the community. Now that he has customers from other parts of town and sells his clothes at shops in the city, he is bringing cash into the community and much of it he spends on food, household items, and services in the neighborhood.

TOOLS: Simple

- Interview business owners and ask what portion of their sales are to people from other communities. Calculate (estimate) the amount of money that was brought into the community as a result of the small business program.
- Do a more careful calculation of how much money is brought into the community, and also calculate how much of that goes back out to suppliers outside the community.



- Calculate reduction in financial leakages from the community due to drop in sales of products and services from outside in favor of locally produced goods and services.

TOOLS: More complex

- For each business, calculate how much income is from other communities and how much of the costs go out to other communities. Calculate the net economic contribution to the community of each business. Do some types of business make more of a contribution than others?
- For each business getting supplies from the local community, calculate how much business has been stimulated in growing, gathering, or producing raw materials. This is called a backward linkage.
- For each business, calculate how much business it has stimulated for others in marketing, sales, processing, packaging, or distribution. This is called a forward linkage.

Definition: Small businesses may have no employees other than family members. However, as businesses grow, they may stimulate other businesses through backward and forward linkages, and they may add employees who are not family members. All of these can have a positive effect on the community.

Example: The Harmony Women’s Group (Case One), though plagued with organizational and management problems, created an economic opportunity for 45 women and some of their children. If they can work out their problems, a project of this size could create an income for the members and jobs for those who would take the produce to market, keep accounts, and manage the business.

TOOLS: Simple

- Interview business owners and ask how many family members work in the business and whether they are full or part time. Ask if they hire any additional workers (even seasonal or casual workers). Total the number of people employed in the businesses in your project.
- Have each business report annually on how many workers they have, how many hours a week they work, and whether they are paid for their work (family members may not be paid). Calculate the total number of workers by categories such as family/nonfamily, male/female, full/part time.

TOOLS: More complex

- For wage workers in the businesses, ask their age and their former employment. Have they “moved up” from casual to full-time work, from unemployment to casual labor, or were they formerly in the same line of work?

INDICATOR 2 INCREASED EMPLOYMENT



- Calculate the change in wages or piecework rates since the project began, and annually.
- Determine if the types of people hired (skill level, age, etc.) has changed as the program has developed.
- Make an annual comparison of expenditures for employment-related expenses for all businesses.

INDICATOR 3 CONSUMER BENEFITS

Definition: One important result of increased business activity in a community is that consumers may have lower prices, greater choice, and more convenient shopping. Competition can drive prices down but, if too many businesses sell the same product, none may make enough profit to survive.

Example: People no longer have to go to town to get clothing made as Duleep's shop (Case Two) is good and convenient. They save time and transportation costs.

TOOLS: Simple

- Interview business owners and find out whether the price of products has changed this year. How has that change affected the community?
- Ask some community leaders if they know of any businesses that closed last year due to increased competition.
- Interview the owners of businesses that closed last year and find out why they closed and what happened to the family as a result.
- Specify the amount of change in price and calculate the percentage of change each year. Interview some people in the community to see if they have noticed the change and how it affected them.

TOOLS: More complex

- Calculate the amount of benefit to consumers for all businesses and report it in the context of the average monthly income or some other measure of how it affects an individual family.
- Calculate the net economic effect of reduced prices if some businesses were forced to close.



INDICATOR 4 LINKS WITH OTHER BUSINESSES

Definition: While businesses compete with each other for customers, in many cases one business stimulates others. This is called the “multiplier effect.” When a business stimulates other businesses to produce more raw materials, this is called a backward linkage. For example, a mat-making project created work for several men who gathered the palm leaves from which the mats were made. When a business stimulates businesses in transportation, marketing, and distribution, this is called a forward linkage. For example, a women’s underwear sewing project created many part-time jobs for saleswomen.

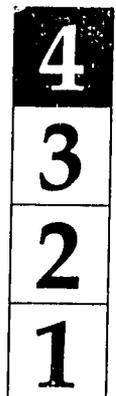
There may also be lateral linkages as when several shoemakers have their shops on the same street so that the area becomes known as a good place to buy shoes. As more customers come, more shoemakers may set up shop.

TOOLS: Simple

- Interview business owners and find out how much contact they have with other businesses. Do they refer customers to other businesses? Do they work together in the purchase of raw materials or other collective ventures?
- Can they give you any examples of other businesses that have started or expanded because of their business?
- Ask business owners to specify what they buy locally and what size business they buy it from.

TOOLS: More complex

- Calculate the financial and nonfinancial aspects of linkages. Calculate increases in productivity for all businesses involved.
- Estimate the financial effects of business associations, collaborative efforts, or improved business climate.
- Do a study of displacement. This would include an inventory of all the businesses that closed, the economic linkages that were lost, the number of employees affected and what happened to them, and an attempt to determine why each business closed. The net effect on employment and income, linkages included, should be calculated. A modified COMMUNITY DEMAND ANALYSIS can help.
- Ask business owners if they spend the increased income in the local community or outside.



INDICATOR 5 AVAILABILITY OF GOODS AND SERVICES

Definition: Being able to purchase what is needed at a convenient location can save the customer money in transportation costs and it also saves time. Being able to get services (repairs, child care, prepared food, etc.) can also make life a little simpler. Also, as communities develop, there are more health services, schools, and other community services.

Example: Residents of Gabriela's (Case Five) neighborhood not only had access to the higher quality produce she and her friends sold but also, as a result of their membership in the association, they had access to child care, literacy classes, and programs for their children.

TOOLS: Simple

- Interview some community leaders and business people and see if they have noticed any increase in the variety of goods produced or the range of services available.
- Interview some business owners and find out what proportion of goods are sold in the local community compared with outside the community. Has the proportion changed?
- Use COMMUNITY DEMAND ANALYSIS form annually to monitor new businesses and services.
- Measure the availability and use of services such as schools, clinics, and social service agencies. Determine if, and how, these may be related to the expansion of small business activity.
- From OBSERVATION and interviews, make a list of products and services now available that were not available before the project. Update the list each year.
- Make a list of all the new businesses and indicate how many are providing new products and services and how many are duplicating products and services of other business.

TOOLS: More complex

- Use 24-HOUR DIETARY RECALL to monitor changes in nutrition.
- Collaborate with a community health program to monitor changes in children's nutrition through growth monitoring.
- Monitor changes in house construction through a housing index from the BELCHER SCALE.
- Monitor the consumption of luxury goods with a modified version of the WEALTH INDEX.

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INDICATOR 6 ECOLOGICAL EFFECTS

Definition: Businesses can have a positive or negative impact on the environment. They can create pollution and the depletion of resources. They can also recycle waste material, plant crops that are good for the soil, or raise animals that have useful by-products.

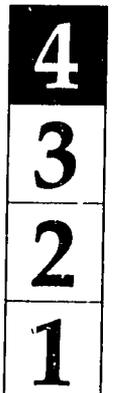
Example: The Harmony Women's Cooperative (Case One) used insecticides and other chemicals to increase the productivity of their fields. Children became ill in using the chemicals and it is possible that the produce could cause illness. The build-up of chemicals in the soil can deplete the soil's natural fertility and render it useless without additional fertilizers and chemicals.

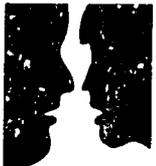
TOOLS: Simple

- Make a list of the businesses you assist and give each a rating from a -5 to a +5 depending on the effect you think each is having on the environment. Those that are likely causing problems would get a -5, those recycling wastes or improving the environment get a +5. Those with no effect get a 0. What is your overall score? If your overall score is negative, you have a problem.
- For the businesses on your list, try to estimate in both qualitative and financial terms what the effect of the business will be on the environment.

TOOLS: More complex

- For each business, quantify or place a monetary value on the ecological costs or benefits. Review the overall costs and benefits of your program to the environment.





SOCIAL
CHANGE

Choosing Social Indicators and Tools

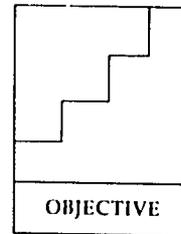
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In this **Step** we will look at the social consequences of a business program. Development is more than a few profitable businesses. For real change to occur, there has to be a change in the people themselves. Individuals must have a greater sense of control over their circumstances. The process of development includes changes in attitudes, skills, and knowledge of individuals as well as in social relations. When these changes occur, others can follow in health, education, and political systems.

The emphasis your organization places on social development is a policy decision you need to make. Some organizations see economic development as a means to social development, which is their real goal. Other organizations see economic development as the goal but one which cannot be reached without social change. Before you proceed, you may want to have a group discussion with your staff and talk about whether you see income generation and business development as an end in itself or as a means to some other end.

The objective of this **Step** is to choose social **Indicators** that match the objectives of your organization and to select **Tools** for gathering information.



Because each NGO is unique and each community in which they work has its own special circumstances, we are presenting here only some suggestions of **Indicators** and **Tools**. Develop a list of **Indicators** and **Tools** that most suit your special situation and resources. In choosing your social indicators, we urge you to include the clients in your discussions. Their goals and priorities may be different from those of the NGO, and you need to take both views into consideration.

Call your staff together for a brainstorming session. Do the same exercise with a group of clients. See if the ideas that come out of the two sessions are similar. Use the **PROJECT PRIORITIES EXERCISE** if you want a more structured way of identifying social objectives.

The chart on page 65 shows the social indicators we suggest and a list of tools for a simple and a more complex monitoring system. For definition, examples, and more detail, refer to the **Indicators** in the following pages.

Since most NGOs are particularly concerned with social development, it may be difficult to choose from among the social indicators. Feel free to add any we have missed.

CHOOSING INDICATORS

- 5
- 4
- 3
- 2
- 1

CHOOSING TOOLS

The important point to remember in choosing your **Tools** is the emphasis you want to place on monitoring social change, the skills of your staff, and the time available. Many of the methods suggested here call for you to find out both what is happening and why it is happening. They depend heavily on people's perceptions—those of both client and staff.

Some Hints

Keep these hints in mind as you work through this **Step**:

Limit the number of **Indicators** you intend to track to a manageable amount.

Develop **SCALES** and check lists to codify your **OBSERVATIONS**, and to guide interviews and group discussions.

Write down as much as you can at the time it occurs.

Give specific information of who was involved, when, exact quotations, and the facts. Generalizations come in your interpretation, not when you collect information.

Involve project participants in deciding what to monitor and how to do it. Let them collect information, analyze, and interpret it when you can.

For all **Indicators**, at the simple level, consider semistructured interviews at the beginning of the program and annually; a kind of progress report of each individual or group. Also consider group discussion, creative expression, and simple **SCALES** or **OBSERVATIONS** added to your existing record system. Because these apply to all the **Indicators** here, we have not listed them separately.

Check off each activity as you complete it.

- 1. Read the list of **Indicators** below.
- 2. Read the text for each **Indicator** and be sure you understand what it means.
- 3. Refer to your Key Questions on the **Master Plan Worksheet**.
- 4. Check all those **Indicators** you would like to measure. Indicate which are very important and which are less important.
- 5. Do you or the clients have any social objectives which are not on the list? If so, add them to the list.
- 6. Now rank them from highest to lowest priority for your program. You will probably only be able to monitor one or two so you need to decide which are most important.
- 7. When you have your ranked list of **Indicators**, decide which **Tools** you will use. Refer to the **Tools** in the **Resources**. Be sure to read the section called **MODIFYING TOOLS**. Some tools may look difficult but can be used in simplified forms. Try to build on your existing record-keeping system where possible.
- 8. Record your answers on the **Master Plan Worksheet**.

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Social Indicators and Tools

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<input checked="" type="checkbox"/>	SOCIAL
<input type="checkbox"/>	INSTITUTIONAL
<input type="checkbox"/>	MULTIPLE USE
TOOLS	

INDICATORS	TOOLS	
	Simple	Complex
1. Change in the individual attitudes skills work with others	SCALES	PROCESS DOCUMENTATION ROLE ANALYSIS WORKSHEET TIME-USE STUDIES
2. Change in role relations	SCALES	ROLE ANALYSIS WORKSHEET CRITICAL INCIDENT ANALYSIS
3. New opportunities	SCALES	PROCESS DOCUMENTATION List of contacts CRITICAL INCIDENT ANALYSIS
4. Wider distribution of benefits	SORTING EXERCISE SCALES	PROCESS DOCUMENTATION WEALTH INDEX BELCHER SCALE TIME-USE STUDIES
5. Ability to work together as a group	OBSERVATION SCALES	PROCESS DOCUMENTATION
6. Influence on systems that cause poverty	Diaries SCALES Creative expression	PROCESS DOCUMENTATION Video tape CRITICAL INCIDENT ANALYSIS
7. Monitoring social costs	Diaries School records	24-HOUR DIETARY RECALL TIME-USE STUDIES WEALTH INDEX PROCESS DOCUMENTATION



INDICATOR 1 CHANGE IN INDIVIDUALS

Indicators for Monitoring Social Change

Definition: Poor people often have the following characteristics;

- they lack self-confidence
- they have low self-esteem
- they do not have the skills they need
- they have an attitude of discouragement
- they feel unable to change their situation
- they do not know where to go for help

They will only climb out of poverty when they realize that they can change their situation and when they develop a positive attitude toward the future. Along with the changes in attitude comes change in knowledge and skills.

Example: The Quarrelsome Quarry Workers (Case Four) felt powerless and oppressed. When they organized to confront the quarry owner, they resolved some of their problems; they are working on others, and have plans to improve conditions in the quarry as well as take over ownership of an adjacent piece of land. They feel optimistic about the future and are acquiring the skills they will need to carry out their plans.

WHAT TO MONITOR

You will need to make your own list of changes you want to monitor. Be sure to talk with your clients and find out what they want to change about themselves. This is an indicator that clients themselves should monitor. Some possibilities are:

- a greater awareness of problems and what needs to be done to overcome them
- a more positive attitude towards the future
- stronger skills in working with other people
- a willingness to approach authorities such as banks, government officials, and other businesses
- development of a wider range of friends
- more knowledge about where to go for help
- opening and using a bank account
- joining other community organizations
- a willingness to work with others on common problems
- a long range plan for self, family, and children

TOOLS: Simple

- Conduct interviews on joining the program. Ask about fears, worries, hopes for the future, and specific experiences with the bureaucracy. Follow up annually and note changes.



- The OBSERVATION of change in clients by NGO staff. Record observations in the client's file. Include examples of change.
- Use semistructured interviews with a sample of clients repeated semiannually or annually.
- Carry out group discussion of changes people have noticed in themselves and others.
- Use creative expression such as skits, plays, drawings, puppet shows, and dance. Record participants' interpretation of what was done, what happened, and why.

TOOLS: More complex

- Do TIME USE STUDIES for a week, repeated annually at the same time of the year.
- Develop SCALES measuring attitude change, repeated annually.
- Keep track of contacts with officials, new sources of information.
- Use ROLE ANALYSIS WORKSHEET, repeated annually.
- Use PROCESS DOCUMENTATION to record changes as they occur.

Example: PfP has several SCALES for monitoring change in the individual, particularly those personal skills that relate to better business management. Note that the business person makes his own assessment of how he has changed in each area since he joined the project.

Definition: Role is a sociological term for the part people play in their society. In most societies, there are roles for men and women, for civic leaders, and for religious leaders. There may be roles for different castes, religions, or ethnic groups. Role is the way people of a particular social category are expected to behave.

Each role has a set of behaviors to which the individual in that role must conform. Roles are important for maintaining the order within a society because each individual knows more or less what to expect from any other individual. When someone behaves in a way that is not part of their role, it can create a scandal.

But roles can also be very constraining. If the role of women does not include working outside the home, then it has an effect on the economics of the family and the psychology of women. If the role of a person of a low social class forbids taking jobs that pay well, then that person will be poor forever.

As individuals grow emotionally and socially, they take on new roles. As communities develop, they have more tolerance for those who try new roles. A woman who formerly stayed home all day may find herself in the role of treasurer of her handicraft project. A man who formerly took no interest in community affairs may find himself chair of a committee to clean up the garbage in the community.

Example: Gabriela (Case Five) became a leader in her credit group. The credit union is run by women who hold the jobs of manager, accountant, and other managerial positions not previously open to women.

INDICATOR 2 CHANGES IN ROLE RELATIONS



WHAT TO MONITOR

In a small business project, some of the roles that might change are as follows:

- women begin to establish their own businesses where formerly business was "men's" work
- people may start a business owners' association and work together where formerly they competed with each other
- members of a low social caste or class may take jobs in occupations that were formerly closed to them
- marketwomen may organize to end police harassment
- people may form a cooperative for purchasing or marketing their goods
- business people may work with a local bank to start a small loan program

TOOLS. Simple

- Interview individuals as they join the program about what things they would be embarrassed to try. Interview women about what their husbands would and would not allow them to do. Follow up each year and see what has changed.
- Hold group discussions about roles, what they are and how they affect the family economically. Follow up annually and see what changes.
- Hold creative expressions of people who behave outside their roles and what the community reaction might be. Have "before" and "after" role playing, skits, and art contests.
- Work through the **ROLE ANALYSIS WORKSHEET** in a group discussion.
- Develop some **SCALES** to add to your current record-keeping system.

TOOLS: More complex

- Use the **ROLE ANALYSIS WORKSHEET** to identify those roles people want to change and those they do not want to change.
- Develop some **SCALES** to measure progress in changing those roles they want to change.
- Use **PROCESS DOCUMENTATION** to monitor change in attitudes towards innovation and individuality.
- TIME USE STUDIES** can monitor change in how much time people spend on their "traditional roles" (such as housework and child care for women) and their "new roles" such as a business.
- Use **CRITICAL INCIDENT ANALYSIS** to discuss some "scandal" in the community where an individual has behaved outside their role, and the community's reaction to it.



INDICATOR 3 NEW OPPOR- TUNITIES

Definition: Because they are poor and often work very long hours, poor people often have little contact with the larger world. They cannot afford books, trips to social and cultural events, or television sets. Because they do not have nice clothes, they are sometimes embarrassed to make contacts with officials and organizations that could help them.

Yet, these contacts and experiences can stimulate people with new ideas, self-confidence, and information that helps the business and the community. Small business projects sometimes fail to consider how much personal growth may come from social and educational activities and contacts with new people.

Example: Duleep (Case Two) rarely went outside his little community in the old days. Now that his shop has grown, he has to contract wholesalers, visit the larger businesses in town, and he is active in his neighborhood development association and meets other community members. From this he gets ideas about how to display his goods, learns the latest fads in clothing style, and has a network of business contacts who can advise him.

WHAT TO MONITOR

As families and communities have more money, social and educational opportunities emerge. These may include:

- invitations to training sessions, conferences, and other meetings
- meeting people from other parts of the city or country to learn about other ways of doing things
- better chances of sending children to school
- more access to health care
- being included in government programs that provide needed services in the community such as day care, nutrition, and community beautification
- using an organization created for business for some other activity such as assisting at a funeral of a member, starting a scholarship fund for members' children, or a life insurance fund for members
- cultural enrichment through trips to museums, historical sites, or musical events
- information gained on trips to visit larger businesses, factories, the newspaper plant, or a processing plant
- for those in rural areas, visits to larger cities

The extent to which changes like these can occur will depend, in some measure, on the extent to which community development work parallels the direct small enterprise assistance.

TOOLS: Simple

- Ask clients to keep records of all the contacts they make and their nonfamily activities each month. Analyze these records each year and note changes in frequency or type of contacts.



- OBSERVE changes in client behavior and note it on an annual progress report.
- Ask groups of clients to keep track of all their contacts and visits over a year and then discuss trends and changes they observe; have the changes happened by chance or was there an effort made to widen contacts?
- Devise some SCALES to indicate how much and what types of new opportunities occur. Repeat it annually and note the change.
- Use CRITICAL INCIDENT ANALYSIS to identify the effect of a special training program or a particularly useful contact.

TOOLS: More complex

- Use PROCESS DOCUMENTATION to keep track of the development of a group and their initiative in making outside contacts. This can be included in group monthly meeting reports. Be sure to analyze and discuss it annually to see how people feel about the changes that occur.
- Have each business person or group keep a log of contacts including visitors, trips, training, and other activities. You can also develop a SCALE for each contact to note how useful it was.

Example: The PLAN/Mindoro records include a plan for each group indicating what outside resources and assistance they expect to use as the project develops. There is an annual assessment of whether they needed more or less than expected. They also have careful records of meetings, training sessions, and other activities of the group.

INDICATOR 4 WIDER DISTRIBUTION OF BENEFITS

Definition: Sometimes the objective of a project is as much to get benefits to more people as it is to increase the benefits. It may be to give women an equal share in management decisions, be sure that all social classes are paid the same for equal work, or for workers to share in the profits of a business.

Example: The Quarrelsome Quarry Workers (Case Four) negotiated with the owner and were able to improve their living conditions and wages, but even more, they established their workers' organization as an advocate which the quarry owners had to recognize and cooperate with. On the Bountiful Banana Plantation (Case Six), low-paid wage laborers became landowners with an equal share in profits.

WHAT TO MONITOR

Small business projects should result in benefits being shared more equally or being extended to people who had not benefited before. The benefits can be economic or noneconomic.

- the profits from a cooperative are shared equally with men and women members according to their contribution
- wages are based on the type of work rather than the age, sex, or social class of the worker

- income from family business goes to all members, not just to the father
- sharing the risk of starting a business with other people
- all members of an association have equal opportunities to take leadership roles, attend training sessions, and get other benefits of membership
- all participants in your project feel that they have equal access to your credit, training, and technical assistance
- group sharing of business, management, and leadership skills

TOOLS: Simple

- Interview some project participants and find out if there is any feeling that some people are getting more than their share of things. Do they all feel free to express their ideas and opinions? If not, some group discussions may be needed.
- Interview some family members of project participants. Do they see the benefits to the whole family or is the owner spending more for his own pleasure?
- Devise some SCALES that will enable project participants to measure progress toward more equal conditions. Repeat them annually or more often.
- Use the SORTING EXERCISE to see if all members of a group project are progressing at the same rate. Do the leaders seem to get more than other members?

TOOLS: More complex

- Use PROCESS DOCUMENTATION to record changes in the distribution of benefits. Indicate the situations that lead to change and how those who formerly benefited more reacted to the change.
- Use the WEALTH INDEX to see if all project participants are improving their living conditions more or less equally.
- Use the BELCHER SCALE to see if the "quality of life" of all members is improving in a fair way.
- TIME-USE STUDIES may show who is putting the most time into a project and whether everyone has fair compensation for their work.

Definition: Working with others to solve a problem or start a business can be an important step towards working with others on larger problems and having a cooperative attitude with others. Some NGOs urge people to work together to start a business where the risk, labor, and profits can be shared. In other cases, the businesses may be owned by individuals but the NGO works with them to organize support groups, business owners' associations, or credit unions.

Example: Gabriela (Case Five) had always worked alone until she joined the marketwomen's association. Although she still had her own business, she and her sup-

INDICATOR 5
ABILITY TO
WORK
TOGETHER AS
A GROUP

port group had to work closely together because they were all responsible for their loans. They had a stake in seeing that all their businesses prospered. At first, they did not know how to work together well and they did not know how to handle the problem of Ermina using her money unwisely. Now they know how to choose new group members and how to handle problems as they arise.

WHAT TO MONITOR

The ability to work together as a group can be viewed in several ways. Some things you may want to monitor are as follows:

- the group's ability to handle financial matters responsibly
- the ability of the group to choose leaders on the basis of their competence rather than their power or social rank
- the ability of the group to identify problems and find alternative solutions to them
- the ability of the group to make decisions that all members can abide by
- the ability of groups to take on additional roles and responsibilities as they mature
- the willingness of the group to tolerate diversity among its membership
- the ability to place group continuity over personal differences
- the members' willingness to broaden the group to include others

Example: The PLAN/Mindoro case study has several scales by which the members of a group-owned business assess their ability to work together and how that affects the success of the business.

TOOLS: Simple

- Design some SCALES to indicate some of the attributes you want to see the group improve. Have group members complete them as individuals. Have one of your staff rate them. Have a group meeting and discuss progress and problems.
- OBSERVATION is a good way to monitor the progress of a group. Your observer can note issues discussed, attendance at meetings, whether everyone speaks on issues, and how problems are handled. A monthly report on progress and problems should be adequate.
- You can also use the minutes of monthly meetings if they are kept in writing. Give the recorder some guidelines of questions you want answered in the minutes so that they become your source of information. You will need to analyze the progress on a semiannual or annual basis.

TOOLS: More complex

- PROCESS DOCUMENTATION is the best way to monitor group progress. When a group forms, there are apt to be a number of organizational and planning problems.



- You can also devise a rating system similar to that of PLAN/Mindoro where a group gets ratings on their ability to handle various aspects of group success and the ratings are combined into one "progress" score for each group each year. Those with lower scores are those with the most problems.

Definition: Poverty is a result of people's lack of information and skills, but it is also a result of vested economic interests and government policies that favor the wealthy and adversely affect those with few resources. Being able to change some of those policies, laws, rules, or customs may have consequences for many poor people. Change in the systems that cause poverty usually takes a long time and proceeds in slow steps.

Example: The vendors' association that Gabriela (Case Five) and her friends joined was large enough that the government had to take notice of their demands. Through the association, they were able to get some of the markets improved, police harassment of vendors was reduced, and the association is now contacted by officials when they want comments on policy changes.

WHAT TO MONITOR

Influence on the government can be plotted on a scale like this one.

- Stage One: Individuals have no contact with the formal sector. They do not use banks or approach government officials.
- Stage Two: Individuals or representatives of groups approach local government officials, banks, and business people when they need advice or assistance.
- Stage Three: Individuals or group officers make contact with other similar groups in the same community or other communities. Visits are exchanged. Common problems are identified and discussed.
- Stage Four: Meetings are held with representatives from other groups with the specific purpose of agreeing on a plan of action for resolving some problems they have with the bureaucracy. For example, street vendors may meet to resolve common problems.
- Stage Five: Leadership in coordinating groups is recognized by the bureaucracy as a legitimate organization. Officials consult with group leaders before making decisions. They seek out the organization as a network of communication and information.
- Stage Six: Lobbying and political activism is used to change government policies or laws. Strikes or protests are called. People seek out those in the bureaucracy who are sympathetic to the cause and get their advice and assistance in making change. Contacts are made with high government officials.

**INDICATOR 6
INFLUENCE
ON SYSTEMS
THAT CAUSE
POVERTY**



Stage Seven: There is successful change in policies and laws. For example, the development of fair regulations about when and where vendors may sell, requirements that banks make loans available to small businesses, or that squatters are able to buy the land their homes are on.

We use the term bureaucracy here in its widest sense. It is usually the government. But it also includes formal sector businesses, large landowners, or any institution that controls the resources poor people need.

Most NGOs work with people at Stage One or Stage Two. It can often make a big difference in the community just to move up one stage. Moving to Stage Seven usually takes a long time, a lot of people, and in some places it can be politically dangerous. You will have to decide what stage your clients are at, and set a realistic goal for them over the next few years.

TOOLS: Simple

- Use interviews and group discussion to decide what stage your clients are at, and develop some SCALES that will indicate progress towards the next stage. Repeat the SCALES annually and see what change is occurring.
- Use creative activities such as skits, role playing, and art to express some of the frustrations and problems people feel. Repeat it annually and see what changes have occurred.

TOOLS: More complex

- Use PROCESS DOCUMENTATION to record progress in organization, group initiative, contacts made, and being sought out as a source of information.
- Use CRITICAL INCIDENT ANALYSIS to discuss a serious incident or series of incidents and find ways of making change. Follow up with group discussions to see what change occurs.
- Use video to tape incidents of harassment, frustration, or conflict. Follow up with group discussion. Replay the tape the next year and see if the conditions still exist.

INDICATOR 7 SOCIAL COSTS

Definition: Just because you have good intentions, it does not always mean that the results of your efforts will all be good. Change usually has its costs as well as its benefits. Social costs are the undesirable and unintended consequences of development.

Example: The Harmony Women's Cooperative (Case One) was a good idea but it caused stress within the women's families, ruined their social club, and caused some of the children to become ill from the chemicals used in the fields. While the members did make some money, in their view the problems that resulted were not worth the small profit they made.

WHAT TO MONITOR

Sometimes you do not realize the costs until a project is well underway and problems become obvious and difficult to solve. Discuss some possible costs with people as you plan your project and keep them in mind as you monitor.

Does the business owner spend long hours (or critical times) away from his or her family and children?

Does a woman have a "double day" of eight or more hours of housework and child care and an additional eight or more hours away working?

Are working conditions dangerous or unhealthy? Is the workplace dark, dirty, noisy, or filled with dust, smoke, dyes, or other conditions that may lead to an increase in cancer, TB, or other illness? Are workers provided with, and required to use, safety equipment?

Does a decrease in family gardens or an increase in cash crops mean less variety in the diet?

Are the rich getting richer and the poor getting poorer?

Is additional stress on heads of households leading to more drug use, alcoholism, or other destructive behavior?

Are changing roles within the family leading to more domestic violence such as wife or child abuse?

Do mothers leave small children unattended or with very young siblings for long periods of time?

Are people foregoing long-term planning and investment, such as in children's education or savings, for short-term luxuries such as VCRs or automobiles?

Are children kept out of school to help with the business?

TOOLS: Simple

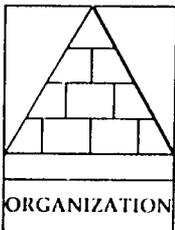
- Hold informal interviews with participants and members of their families held annually or more often if costs are high.
- Conduct group discussion of problems and how they have increased or decreased over the past year.
- Develop some SCALES to measure some costs your project is likely to create and ask participants to use them on a semiannual or annual basis.
- Use a simple version of the 24-HOUR DIETARY RECALL to see if people are eating as well as, or better than, they did before the project. Repeat it annually.
- Interview school teachers and review school records for attendance of project participants' children.
- Ask some participants to keep simple diaries of their domestic problems for a week. Repeat it each year. Ask them to indicate on a SCALE what is better and worse over time.



TOOLS: More complex

- Use the WEALTH INDEX to see how people are spending their money. Do those with the most consumer goods also have savings accounts and send their children to school?
- Use the 24-HOUR DIETARY RECALL to monitor changes in quality or variety of diet.
- Do TIME-USE STUDIES to see how people are using their time and how much time they spend relaxing with family and friends.
- Have a sample of participants keep a diary of their activities, feelings, problems, quarrels, and the things that made them feel good for a week or a month. Repeat it each year with the same people.

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Choosing Indicators That Monitor Your Effectiveness as an Organization

6

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In this **Step** we will look at ways of monitoring how effective your NGO is at delivering services to the poor. When we talk of social and economic indicators, we are looking at change in others—the individuals, families, and communities that are the targets of our small business program. In this **Step**, we turn the focus to ourselves, the NGO, and ask whether we are doing a good job in reaching the right people, providing them with the services they need, and running the program efficiently and effectively.

The **Indicators** and **Tools** we recommend in this chapter will allow you to assess how well you are doing as an organization. In choosing the **Indicators**, we have made three assumptions:

that an increased upward flow of communication within an organization is good;

that projects should include clients in planning, implementation, and evaluation;
and

that projects should not remain dependent on the NGO.

We are also biased toward qualitative methods of information gathering and analysis. Few of us can afford to have an outside management specialist come in and analyze how we do things. This means we must critically examine ourselves to insure objectivity, be sure to get ideas, opinions, and information from all project levels. This would include:

senior management and policymakers

representatives from national and international offices

local managers

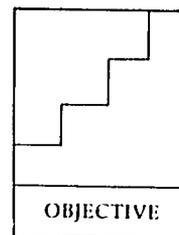
field-level service delivery staff

community leaders

project participants and their families

The objective of this **Step** is to choose indicators of the NGO's organizational efficiency and effectiveness and choose appropriate tools to gather information on those indicators.

The INSTITUTIONAL DEVELOPMENT WORKSHEET in the **Resources** is a series of questions for discussion covering many aspects of organizational development. We have tried to limit the discussion in this **Step** to those aspects of organizational development that most directly affect a small business program.



Check off each activity as you complete it.

- 1. Read the list of **Indicators** below.
- 2. Read the text explaining each and be sure you understand what each means.
- 3. Refer to your Key Questions on the **Master Plan Worksheet**.
- 4. Check all those **Indicators** you would like to measure. Indicate which are very important and which are less important.
- 5. Do you have any institutional objectives that are not on the list? If so, add them to the list.
- 6. Now rank them from highest to lowest priority for your program. You will probably only be able to monitor one or two so you need to decide which are most important.
- 7. When you have your ranked list of **Indicators**, decide which **Tools** you will use. Refer to the **Tools** in the **Resources**. Be sure to read the section called MODIFYING TOOLS. Some tools may look difficult but can be used in simplified forms. Try to build on your existing record-keeping system where possible.
- 8. Record your answers on the **Master Plan Worksheet**.

Indicators for Monitoring NGO Effectiveness

INDICATOR 1 PROGRAM OUTREACH AND SELECTION OF APPROPRIATE CLIENTS

Definition: The selection of appropriate clients means that we are reaching those individuals or groups we want to reach, and that our services are not given to those who fall outside our target group.

On your **Master Plan Worksheet**, you have a statement of who you do and do not help. Use this as a guide for formulating your policy on who you aim to reach.

Example: One NGO studied the clients in their small business program and decided that most of the businesses would have been successful without their help because the owners were assertive and outgoing. They had failed to reach those who really needed business advice and assistance.

WHAT TO MONITOR

Some questions you might ask are:

- Who is participating in the program?
- Which participants benefit the most?
- How do people hear about the program?
- Are our screening procedures effective?
- Is it just field workers' opinions or are other standards used to determine participation?

Indicators and Tools for Monitoring Your Effectiveness as an Organization

INDICATORS	TOOLS	
	Simple	Complex
1. Program Outreach and Client Selection	INTAKE FORMS	
2. Management of credit program		MONITORING YOUR CREDIT PROGRAM MONTHLY MONITORING OF CREDIT PROGRAM
3. Effectiveness of technical assistance	PROFIT-AND-LOSS STATEMENTS	BALANCE SHEETS
4. Effectiveness of training programs	Interviews SCALES	BALANCE SHEETS FEASIBILITY STUDIES
5. Cost effectiveness of program		COST-BENEFIT ANALYSIS
6. Sustainability of program		PREDICTING SUSTAINABILITY
7. Organizational growth	Interviews CRITICAL INCIDENT ANALYSIS Brainstorming	PROJECT PRIORITIES EXERCISE
8. Human qualities	Interviews Group discussion SCALES	
9. Political linkages and policy change	Interviews Review of office documents	

<input type="checkbox"/>	ECONOMIC
<input type="checkbox"/>	SOCIAL
<input checked="" type="checkbox"/>	INSTITUTIONAL
<input type="checkbox"/>	MULTIPLE USE
TOOLS	

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TOOLS: Simple

- Use simplified INTAKE FORMS when clients enroll in the program. Compile statistics on income, family size, and other factors.
- Compare your outreach and screening procedures with those of other successful projects such as listed in **Step 8**.
- Do a SORTING EXERCISE to identify those families in the lower third of the income scale. Are they heavily represented in your program?

TOOLS: More complex

- Do a community socio-economic SURVEY to find the average income in the community. Compare the average income with those in your program.
- Use the WEALTH INDEX, LAND ASSET INDEX or ANIMAL ASSET INDEX to develop an economic profile of the community. Where do your clients fit in? Are you reaching those you hope to reach?

INDICATOR 2 MANAGEMENT OF YOUR CREDIT PROGRAM

Definition: A credit institution is a business. Its product is loans. It must “sell” the loans at a rate that breaks even or shows a profit for the institution.

Example: Many NGOs try to start revolving loan funds at reduced interest rates. Unless they charge inflation rate plus the costs of administering the program (for screening applicants, bookkeeping, office expenses, and default rates) the program will eventually run out of money.

WHAT TO MONITOR

To be sure the credit fund is maintaining itself, you will have to monitor the following:

- portfolio quality, a description of the financial status of the institution
- collection performance, the percent of loans overdue
- portfolio yield, the income generated from the loans, which is a measure of the sustainability of the fund

There are instances where agencies believe that the poorest people cannot pay cost-based interest rates, and require subsidies. This is especially true when a program is used as a vehicle for social change. If this is true for you, you must be sure that the poor really can't pay a higher rate, and that the economic and social gains to be achieved will outstrip the cost of replenishing the fund. Sometimes, programs can charge variable interest rates for different levels of clients, building in subsidized funds for the very poor, but eliminating these for others. If this is your case, you must monitor your program carefully, and seek other funds to continue.



TOOLS: Simple

- There are no simple tools for monitoring a credit program. Any credit program must have a very good accounting system in place.

TOOLS: More complex

- See MONITORING YOUR CREDIT PROGRAM and MONTHLY MONITORING SYSTEM FOR A CREDIT PROGRAM.

Definition: Technical assistance is the one-on-one advice your staff gives to clients. It may include regular visits to the business or it may be handled on an "as needed" basis.

Example: An NGO found that most of its staff time was taken up with a few business people who were the most assertive in asking for assistance. People with failing businesses were afraid to ask for assistance. They found that it was important for the staff to visit each business every two months so they could identify problems before they got too serious.

WHAT TO MONITOR

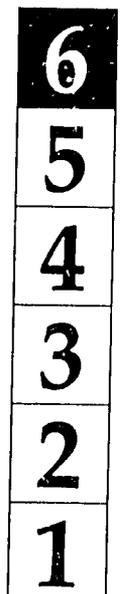
There are a number of questions you may ask about your program of technical assistance. Some are as follows:

- Are staff skills as strong as they could be?
- Is staff time used well?
- Is assistance timely?
- Do staff communicate well with clients?
- Which businesses get the most attention?
- What behavioral change results from staff advice?
- Does advice improve the business?

TOOLS: Simple

- Keep a file on each business indicating staff visits and problems discussed. Include a follow-up assessment of whether recommendations were followed, and the result. Divide businesses into two groups—more successful/less successful. How was technical assistance given to the two groups?
- Hold a review at least every six months with technical assistance staff reviewing the type of assistance they have given and their own training needs. Note changes and problems for the record.

INDICATOR 3 EFFECTIVE- NESS OF TECHNICAL ASSISTANCE



- Have an unbiased observer interview a sample of clients quarterly to verify that recorded visits were actually made, how the business person felt about the visit, and whether recommendations were followed.
- Organize group discussions of business clients to identify problems and suggest ways of making advice more appropriate.

TOOLS: More complex

- Compare a matched sample of businesses that receive technical advice with a comparable group without assistance. Is there a correlation between profitability and the amount of technical assistance?
- Organize a "crisis team" to visit businesses that seem to be floundering. Have them report on the history of the problem, assistance from the NGO, and a plan of action for improving the business.

INDICATOR 4 EFFECTIVE- NESS OF TRAINING PROGRAMS

Definition: Training programs may be anything from informal, day-long sessions with a few people to formal workshops or classes lasting several weeks. Training topics may include business principles such as entrepreneurship, choosing a business, book-keeping, business management; or they may be technical subjects such as bicycle repair, welding, or sewing.

Example: In the Fish Smokers' Cooperative, Mrs. Ojimbo attended a number of training sessions, which allowed her to develop her managerial skills as well as learn how to use the more complicated new equipment.

WHAT TO MONITOR

It has been shown that training for small business is most effective when it is short, practical, and related to the stage the business is at. Teaching someone cost control when they have not decided what business to start is usually a waste of time.

- Is training geared to the needs of the clients?
- Is it held at convenient locations and times?
- Do people apply what they learn to their businesses?
- Do applicants feel the training is helpful?
- Does the training complement your technical assistance?

Monitoring training programs is sometimes difficult. Evaluations done at the end of the training sessions are almost always positive because people have enjoyed the opportunity to attend and meet other people. The true measure of the effectiveness of the training is whether they apply what they learn and whether that affects the profitability of the business.



TOOLS: Simple

- Interview trainees six months after the training session and see what they remember of the ideas presented. Ask for examples of how they used those ideas in their business.
- Use SCALES to find the trainees' opinion of whether the training was timely, the right length of time, was held at a convenient time and location, and whether the presentation was clear.

TOOLS: More complex

- To determine what skills people actually learn, identify those your training sessions try to convey. Do a baseline at the beginning of the training by holding structured interviews with clients. Ask them how they would handle some hypothetical situations. Repeat this after the training and again in six months. You can do this on a group basis, too.
- Have staff evaluate changes in the behavior of those attending training sessions. Use the SORTING EXERCISE to identify the trainees who seem to be progressing better and those who do not seem to learn much.
- Visit the businesses of trainees and ask for examples of how they changed their business practice as a result of training. Look at PROFIT-AND-LOSS STATEMENTS or BALANCE SHEETS and see if they are better kept and used.

Definition: Cost-effective projects are those that have the most effect at the least cost. A great deal depends on the type of program you have, the clients you are working with, and how complex the approach of the NGO is.

Example: One NGO found that their technical assistance staff reached more people by working through "model businessmen" in each community. These businessmen agreed to provide advice and encouragement to smaller businesses in their area. The NGO staff only visited really troubled businesses and depended on the model businesses to extend their outreach.

INDICATOR 5 COST-EFFEC- TIVENESS OF THE PROGRAM

WHAT TO MONITOR

Indicators of cost effectiveness might include the following:

- monitoring the proportion of funds used for administration
- identifying services that have the greatest impact
- services such as credit, technical assistance, and training are financially self-sufficient through user fees and local contributions

- the percentage of funds coming from the NGO is decreasing each year as other sources of funding are tapped.

TOOLS: Simple

- Use agency accounting systems to determine the portion of funds for programs, salaries, and other overhead.
- Monitor the increases in local sources of funds. Assign a monetary value to services such as training and technical advice from other organizations.

TOOLS: More complex

- Use the COST-BENEFIT ANALYSIS forms.
- Use the NET BENEFITS TO COST RATIO.
- Use the PREDICTING SUSTAINABILITY worksheet.
- Track the costs of various components of the program and use COST-BENEFIT ANALYSIS to identify those that have the greatest effect.
- Choose one or more indicators from MONITORING YOUR CREDIT PROGRAM.

INDICATOR 6 SUSTAIN- ABILITY OF THE PROGRAM

Definition: No NGO program will last forever. Because of policy changes, political upheaval, or economic problems, programs must have a built-in plan for the disengagement of the NGO and the continuation of the program.

Example: Because of a revolution, one NGO was forced to leave a country when the new government refused to allow "imperialist" organizations to work there. Because they had designed programs that were managed by local people, and most of the costs were recovered through user fees, the programs carried on. They were able to make up some shortfalls in budget from government funds and private contributions.

WHAT TO MONITOR

Program sustainability has two aspects, financial and managerial. Financial sustainability can be achieved by charging for services, or by locating other dependable sources of funds. Managerial sustainability is achieved by having programs that are managed and controlled by people from the area who are sympathetic to the needs of the clients.

TOOLS: Simple

- See the scale for rating project financial viability in the SCALES tool.
- See the scale for rating community involvement in the project in the SCALES tool.

- Set up your own “stages” for when and how you will disengage from the project. For each stage, list some of the things you would have to achieve to be at that level. Have an annual assessment of what progress you have made on your own plan.

TOOLS: More complex

- Use the PREDICTING SUSTAINABILITY tool to determine financial viability.
- Use COST-BENEFIT ANALYSIS to determine increased efficiency of management.

Definition: As projects and organizations develop, problems are bound to arise. A strong organization is able to identify problems as they arise and solve them within its resources.

Example: In one NGO it was discovered that one of the staff members was taking bribes from business owners for access to credit, training, and other services. This had a severe affect on the morale of the staff and the credibility of the program. However, the employee was dismissed and, through group discussions and some changes in the program, the program again became popular and effective.

WHAT TO MONITOR

Organizational growth can be broken down into five attributes.

1. *The ability of the organization to think critically about itself.*

This includes both formal and informal procedures for identifying problems, describing alternative solutions, and finding a solution that is within the organization’s resources.

Organizations that are self-critical usually schedule occasional retreats away from the office where staff can discuss their strengths and weaknesses in a constructive atmosphere.

2. *Shared values and objectives.*

Does everyone agree about what you are doing and why you are doing it? Are the senior managers and policymakers really in tune with what is going on in the field? Does your organization have the same objectives for a community as the community has for itself?

When there are misunderstandings or conflicting objectives, a great deal of energy can be lost with in-fighting and disorganization.

3. *Increased ability to bring in other resources.*

As an organization grows, it begins to act as a resource clearance agency between clients and local institutions such as universities, other NGOs, and the government. They are asked to share their experience and they seek out the experience of others and share that information with clients.

4. *Ability to learn from success and failures.*

A good organization builds on its own experience and the experience of others. It prepares reports over successes and failures and analyzes the reasons for the out-

INDICATOR 7 ORGANIZA- TIONAL GROWTH



come. Staff are familiar with the development literature, attend conferences with other NGOs, and make changes in programs when needed.

5. *Ability to resolve conflict.*

Conflict can be between different levels of the organization, between different branches of the organization, between participants and the NGO, or between participants. Conflicts are best resolved at the lowest possible level of the organization. Only the most serious ones should require the attention of senior staff.

TOOLS: Simple

- Review the questions on the INSTITUTIONAL DEVELOPMENT WORKSHEET in a staff meeting. Set some goals of things you would like to change about your organization and a time frame for achieving them. Follow up and assess your progress.
- Have a person from outside the organization hold confidential interviews with staff and clients and prepare a written review of the issues that emerge.
- Use CRITICAL INCIDENT ANALYSIS to discuss some event or problem and summarize what you learned from the event and what you want to change as a result.

TOOLS: More complex

- Hold an annual workshop at which the INSTITUTIONAL DEVELOPMENT WORKSHEET is the basis for reflection. Prepare some SCALES and creative expression activities for each topic.
- Do the PROJECT PRIORITIES EXERCISE.

INDICATOR 8 HUMAN QUALITIES

Definition: Human qualities are those intangible parts of an organization that make it an exciting place to work and one where there is a feeling of enthusiasm and progress.

Example: In one NGO, the district manager was located in an isolated part of the country. All field staff reported to her and she reported to the country director in the capital city. Although everyone agreed that she was technically very competent, staff who reported to her found her cold, disinterested, and unsupportive. They felt cut off from the organization because she did not pass along news and information to them. As a result, the field staff felt demoralized and discouraged.

WHAT TO MONITOR

An organization needs a mix of leadership and participation. The management style of the manager, the effectiveness of your personnel office, and the mechanisms for communication are all important.

Some things you may want to monitor are:

- Do all staff feel their opinions are considered?
- Do all staff feel that they can speak openly with their own supervisors and people higher up in the organization?
- Do clients feel free to come to the office with their problems and questions?
- Are there individuals in the office who routinely create problems, gossip, and confusion?
- Does everyone understand policies on training, promotion, and raises, and feel they are applied fairly?

TOOLS: Simple

- Hold annual interviews with all staff to determine problems, improvements, suggestions for change.
- Organize group discussions organized around topics from the INSTITUTIONAL DEVELOPMENT WORKSHEET.
- Give anonymous SURVEYS or SCALES to staff annually to monitor growth and change.

Definition: Unless there is some change in the institutional structures that keep the poor from advancing, development can be very frustrating. It has been shown, however, that even relatively small projects sometimes can lead to important changes in government policy. The informal sector is important to the national economy. If your NGO is instrumental in influencing change in policy, your influence will be much greater than if you just work with a few businesses.

Example: In one country where an NGO demonstrated that poor people can run an efficient credit program of small loans, the government relaxed some laws that restrained small businesses and ordered banks to cooperate with the small loan programs.

WHAT TO MONITOR

Political change can come both directly and indirectly. It can be the following.

- Public respect for the institution: An institution that is respected by the government and other organizations has greater influence on policy. Measure your growth in this area by keeping track of:
 - the frequency at which you are called on to provide information to government agencies
 - when representatives of your NGO are asked to make speeches at meetings and conferences

INDICATOR 9 POLITICAL LINKAGES AND POLICY CHANGE

when visitors of other organizations visit to see how you do things

when government officials consult with the NGO when planning programs for the areas in which you work

- Expansion of Services: Because the demand for business assistance is so great, programs need to be able to expand to meet the increased demand. Demonstrating the need for services in this area may make the government rethink some positions. For example:

when your NGO expands into new communities or different types of programs

when you decentralize your office, staff, and include clients in decision making

when you use cost-effective mechanisms for credit and technical assistance

- Developing models that can be duplicated: Once you have a system that seems to work in your country, you may start new programs using the same model in other places. Or, other organizations may want to start programs based on what you have learned. You can support this by:

writing case studies and reports over your experience and sharing these reports with outside organizations

having staff from the government or other NGOs work as "interns" in your program for a few months to learn your system

providing planning or technical assistance to agencies seeking help in starting small business programs of their own

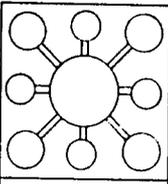
TOOLS: Simple

- Interview the staff of other NGOs or the government to find out what they think of your organization.
- Prepare simple SURVEY forms to use in the interviews.
- Keep track of all visitors, requests for information, and visits your staff make to other organizations.
- Keep track of all requests for your reports, case studies, and project papers.
- Keep track of all efforts to duplicate any aspects of your project by others. Maintain contact and report on how successful they were in doing it.

TOOLS: More complex

- Keep SIMPLE STATISTICS on your programs including the number of clients, the geographic distribution, and the COST-BENEFIT ANALYSIS of different aspects of your program.
- Prepare a simple form for each staff member to complete monthly asking what organizations sought them out for advice, presentations, or visit to your projects. Tabulate these on a semiannual or annual basis.





MANAGEMENT

Managing Your Plan

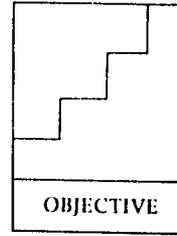
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Before you continue with this **Step**, go back and review all the answers on your **Master Plan Worksheet**. Now that you have discussed different objectives of your program in detail, you may want to revise some of your earlier answers. When you are satisfied with your work so far, go ahead with this **Step**.

Deciding what questions to ask, what **Indicators** to monitor and which **Tools** to use is only half the battle. For a monitoring system to be useful, it has to be supervised and “evaluated” like the other aspects of your work.

The objective of this **Step** is to look at the personnel and financial investment you will make in your system and help keep it as easy and interesting as possible.



In order to complete this **Step**:

- 1. Read the text.
- 2. Answer Questions 1, 2, and 3.
- 3. Write your answers on the **Master Plan Worksheet**.

Check off each step as you complete it.

Who Will Collect the Information?

Information can be collected by staff as part of their routine activities or it may be a special activity that you carry out just to get the information you need.

Information can also be gathered by clients themselves. You can ask them to make a copy of their monthly cash sheet for you, or to give you a copy of the minutes of their meetings.

Deciding who will collect the information requires some decisions about the following:

How will confidentiality of the clients be maintained?

Who can collect the information most accurately?

Who can collect the information most conveniently?

Who will see to it that the information is accurate, complete, and useful?

QUESTION 1

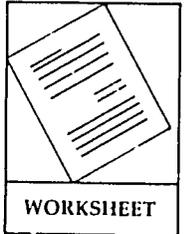
As a rule of thumb, always collect information as part of your routine activities if you can. It becomes part of your daily or weekly schedule and does not require additional time or expense for special "research" projects.

Also, use clients to collect as much information as possible. Knowing that they must make some reports to you can help them keep their activities on target and on schedule.

See MODIFYING TOOLS in the Resources. It gives some tips about pretesting and supervising the collection of information you will use in your monitoring system.

Make a copy of "Using The Tools" from the Modifying Tools Worksheet for each Tool you will use. Complete one form for each Tool.

Complete Question #10 on the Master Plan Worksheet.



QUESTION 2

When Will You Schedule the Collection, Analysis, and Interpretation of Information?

You will need to plan ahead for the time it will take to collect and analyze your information. If the monitoring is part of your routine activities, you still need to schedule some time occasionally for your staff to:

- discuss the progress of the program
- discuss the progress of your organization in delivering services
- discuss whether the monitoring system needs revision

Some of the tools in the Resources require special time set aside for collecting information. Do not underestimate the time it takes to design forms, pretest them, administer them, and analyze the results.

Make up a calendar showing what information will be collected and when. Also, if you have a mechanism for doing part of the analysis in the field, indicate how often that will take place.

For example, if each of eight small business field workers is responsible for 50 small businesses, you might ask half the businesses (a sample of 50 percent) to submit their cash statements each month. Each field worker then summarizes the information and sends it to the supervisor. The supervisor summarizes the information from the eight workers. He prepares a monthly report on the average profits and marks that amount on a chart on the office wall. This takes much less time than trying to take out two weeks and interview a lot of business people.

Write here the name of the person who will be in charge of the monitoring system _____

Which information is collected weekly? _____



Who summarizes it? _____

How often? _____

How is it used? _____

Which information is collected monthly? _____

Who summarizes it? _____

How often? _____

How is it used? _____

Which information is collected every year at the same time? _____

Who summarizes (analyzes) it? _____

How is it used? _____

Which information will you collect occasionally? _____

How often? _____

Who will summarize or analyze it? _____

How will it be used? _____

After you have a calendar indicating what you will collect, when, and how often, ask if:

- you scheduled a day or two every year for a staff retreat to reflect on your progress and problems
- you scheduled time for writing reports over the project including those to headquarters, donors, and others

Will This Really Work?

Before you try to set up any monitoring system, look at the results on your **Master Plan Worksheet**. Consider the stakeholders, the time and money it will take, and the skills of your staff, and ask these questions.

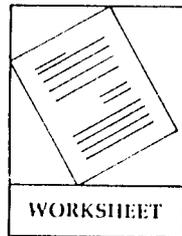
QUESTION 3

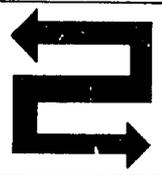
- Have we asked the right questions?
- Will we get enough information for all the stakeholders?
- Do staff have the time to do this?
- Can we afford to start and carry on with this?
- Are the **Indicators** correct for the questions we need answered?
- Are the **Tools** suitable for getting the information we need?
- Are there any gaps in the system?
- Will we get the information we need both to know how we are doing (impact) and what our strengths and weaknesses (monitoring) are?

If you have a positive answer to all the above questions, then you are ready to move ahead and think about how you will analyze the information you have and how to use it.

If you have a negative answer, go back and try to pare the system down to something you can manage. It is better to accurately monitor one or two **Indicators** in each category than to start a complicated system you cannot maintain or use.

Turn to the **Master Plan Worksheet** and answer the questions there under **Step 7**.





INFORMATION

Using the Information

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The final step in the process of setting up a monitoring system that works for you is to use the information. Using it means that:

you have to make sense of it (analyze it);

you have to present it in such a way that everyone can understand what progress you have made;

you have to learn from what you find.

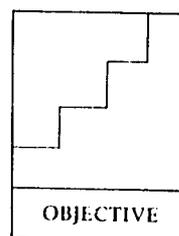
The objective of this **Step** is to clarify how you will analyze the information you have and use it to measure progress.

In order to complete this **Step** you will need the copies of “Using the Tools” you started in **Step 7**.

Then,

- 1. Answer Question 1 for each tool
- 2. Answer Question 2
- 3. Answer Question 3

Check off each step as you complete it.



How Will You Analyze the Information?

QUESTION 1

Analysis is both an art and a science. It means seeing patterns in a lot of material and it means isolating the significant numbers from those that are not significant.

As you know from the earlier chapters, a good monitoring system for a small business project includes both *qualitative* and *quantitative* information. Qualitative information is usually in words—reports, interviews, observations, plays, or the minutes of a meeting. Quantitative information is usually in the form of numbers.

The analysis of information can take many forms, and you should decide how you will analyze it before you collect it. Analysis is easier if it is in numerical form. Responses to even the most open-ended questions tend to fall into categories. You can ask a lot of open-ended questions and then try to fit them into categories, or you can do a pretest, find out what the most common categories are, and then use a more structured form for collecting the information.

SCALES are another way to turn qualitative answers into a quantitative form.

It is important not to try to predetermine people's answers. If you are giving them a limited number of answers to a question, be sure that all the likely responses are included. You will find this out from a pretest.

In some cases, it is best to keep the information in people's own words. This is especially true if you are working with a small group of people. Sometimes a direct quotation from an interview or the minutes of a meeting can be a powerful way of making a point.

With open-ended interviews, it is important that the responses be written down in exactly the words the respondent used. The interviewer should guard against assuming what the respondent "means" or recording the response in the words of the interviewer rather than those of the person interviewed.

Coding qualitative data takes a little time but it can be well worth the effort. Let us assume you have carried out open-ended interviews with 100 small business owners. You asked each 20 questions and now you need to analyze the responses.

First, read all the responses to each question and make piles for those that seem to be similar. If you have too few piles, the question was not specific enough. If you have too many piles, the question was too broad. You should be able to identify five or six main themes for each question. You can count how many people responded to each by counting your interview forms.

To cross check, ask two or three readers to do the same thing independently and see if you come up with the same themes.

You can use this method for analyzing notes taken by **PROCESS DOCUMENTATION**, the minutes of meetings, or the progress reports filed by your staff over each project.

Analyzing quantitative data involves using some basic arithmetic and a few simple statistics.

The most common statistics you will use are the average (also called the mean) and percentage. Range, median, and mode are other descriptive statistics. These are discussed in the **Tool** called **SIMPLE STATISTICS** in the **Resources**.

If you have pretty good mathematical skills, you may want to try to do a correlation, a standard deviation, or a test of significance. These are described in **SIMPLE STATISTICS** but you will have to get a book on statistics to actually do them. They are not hard but they can be time consuming if you do not have computer.

Be sure to do this exercise for each tool on your "Using the Tools" form.

QUESTION 2

How Will You Measure Progress?

In your monitoring system, you must have some comparison or standard by which to measure your success. To say that the average profit of an assisted business this year was \$1,500 does not tell us much unless we know how much profit they made before the project or how much other businesses were making.

There are usually two ways to compare information.

A time-frame study: Information is collected now (a baseline) and compared with similar information collected periodically as the project progresses. In this way you know what conditions were at the first of the project and how they change through time.

A comparison with nonparticipants: Information is collected from a sample of businesses that are in the project and compared with those that are not in the project. See the section on sampling in the SURVEY QUESTIONNAIRE for more information on this technique.

Ideally you would have both types of comparisons so you can monitor what your project is doing over time as well as comparing it with businesses that have no outside assistance.

But, we live in a world that is less than ideal, and in most projects it is difficult to get information from clients, much less from nonclients. For NGOs with projects in other sectors, it is sometimes possible to get information from families who are in the health or education program as a comparison with small business families. In most NGO programs, you have to work only with time-frame studies.

The main limitation of a time-frame study is that you cannot be sure that change you measure is the result of your project. Maybe those changes would have occurred anyway. So, even if you can only monitor a small sample of nonparticipants, try to do so.

Which type of comparison will you use?

.....
.....
.....

If a sample is to be used, explain how you will choose it:

.....
.....
.....

If a time frame is to be used, how often will it be repeated?

.....
.....
.....

How Will You Measure Success?

QUESTION 3

How much impact is enough? How do you know when your project could be called successful? Standards of success are arbitrary but for program planning it is helpful to set some annual and long-term goals. Standards of success can be phrased in absolute terms such as: We will reduce loan defaults to less than 20 percent of all loans within three years. Or, they can be phrased in relative terms: We will reduce the loan default rate by 3 percent per year.

When you are starting a program, it is hard to know what goals to set. Can you expect to reduce loan default by 10 percent or by 90 percent the first year? Try to set realistic goals so you will not get discouraged.

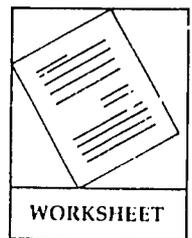
One way to arrive at goals is to read some reports about other small business projects and see what their success rate has been at different stages. Talk with people from other organizations, banks, and cooperatives. Talk with clients and see what they expect.

Start by setting some long-range goals (five or ten years). What do you hope to accomplish in the long run? Refer back to **Step 1** and see what your organization's goals are. Then break those goals down into manageable annual or semiannual goals. Goals give us something to work toward but, if they are set too high, they can lead to discouragement. The following information on lessons learned from other projects may help you set some goals.

Our goals over the next five years are

Our goals for this year are

Write your long-term and short-term goals on the **Master Plan Worksheet**.



Lessons Learned from NGO Small Business Projects

The PISCES studies were a series of studies on small business projects (see the BIBLIOGRAPHY). As a result of that and other research, some characteristics of successful small business projects have been identified. You can compare your progress with these standards.

Successful projects have demonstrated the following:

- an increase in income of business owners and employees by about 30 percent
- dramatically increased savings by the poor through voluntary and involuntary savings programs. Usually the poor have no savings at all.
- high rates of return when direct and indirect benefits are counted. That is, for the amount of money you put in, the benefits are very high.



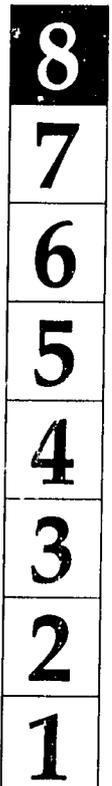
- many jobs were created and those created were stable. PISCES projects created one job for every \$500 to \$1,500 credit.
- workers trained in skills that make them competitive in the job market
- projects reaching the smallest and poorest businesses have lower economic change but the social impact is much higher. For the very poor, a little increase in income can make a major improvement in their lives

Successful projects have similar design and management characteristics such as:

- services matched to clients needs
- well-focused goals and objectives
- committed staff
- streamlined procedures
- good internal controls
- incentives for efficiency
- field staff involved in decision making
- clients involved in project assessment
- the organization has a commitment to learning

Effective credit fund programs have these characteristics:

- loan recipients take the initiative in asking for loans
- some indicator of the businesses' viability is used
- special efforts are made to reach women
- loans are made to groups
- staff and client judgement is important in deciding who gets loans
- most loan recipients hear about the program through word of mouth or contact with a staff member
- uses information channels that reach women
- outreach is low-cost and decreases as the program becomes better known
- the loan application asks for character references
- the business is visited by staff
- a business plan is developed by the loan recipient with staff help
- decision making is decentralized
- loans require no collateral
- loans charge market rates of interest



- the first loan is for working capital and is small, repayable in a short time
- subsequent loans may be larger and repayable over a longer time
- collection of loans is enforced
- penalties are levied for late payments

Successful training and technical assistance has the following characteristics:

- it focuses on a single issue or a few related topics
- it provides technical assistance both before and after loans are given
- it charges a fee, even if it does not cover the cost
- it uses nonformal, adult education techniques
- working with people who have never run a business and with collectively owned businesses requires more intensive assistance including a feasibility study, training, and regular technical assistance

QUESTION 4

How Will You Present and Use What You Find?

There are a number of ways to present information. The one you choose will probably depend on your audience.

Written reports are the most common way of presenting information. They are useful ways of conveying information through space or time. For example, you will probably make reports to your donors and to your headquarters office in writing. Even written reports, however, can be interesting and lively if you present your information in an interesting form. See USING CHARTS AND GRAPHS in the **Resources**.

Keep your written reports as short and to-the-point as possible. Include some quotations to substantiate your point. Add a few little "case studies" to give a human dimension to your words and numbers. Usually you only present some of the "highlights" of the report in the text and add an appendix with additional information. Be sure to include an "executive summary" at the front giving an overview of the findings.

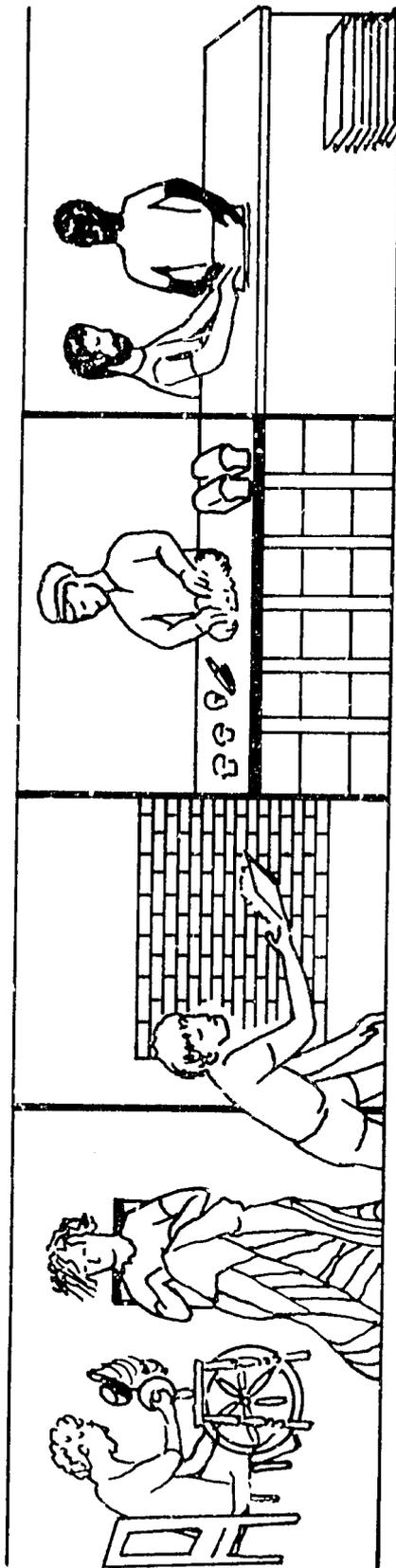
One advantage of written reports is that they also transmit information through time. Your old reports may be a valuable source of information for you. This is an advantage you do not have with more participatory methods of presenting information.

Wall charts in your office can be visually interesting to staff and visitors. Graphs showing your goals and progress in meeting them can be a stimulus to clients and staff. Reproductions (or photos) of the charts make interesting additions to your written reports.

Partnership for Productivity, (see the **Case Study**) has a "situation room" where display boards show key figures on project performance. Program objectives, planning calendars, maps of client locations, and other survey information is posted and regularly updated. Here staff meet to review and analyze performance and decide on the next steps.

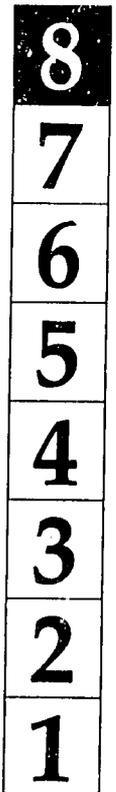


Training—(1st Half-1985)



	Juki	Scientific Needlework	Leather work	Book-Binding	Crafts	Food Processing	Nurse Aides	Carpentry	Masonry	Brick-making	Roof Sheets	Elect. & Mech. Technicians	Soft Toys	Community Dev. Assists.
KIRILLAPONE	4	4	2	13	15	13	13	5	11	36	10	10	7	5
MEEGODA	11	21	10	3	21	8	16	25	5	11	36	10	7	5
WANATHA-MULLA	30	16	3	3	21	5	11	36	10	10	7	5	5	5

A visual representation of training types by community: An interesting way to present information.



Photographs can make any report more interesting. Especially for donors or sponsors in other countries, photographs help the reader understand conditions. Show some typical business people at work but also show scenes of typical homes, streets, and the countryside.

Video and slides are excellent ways of making an interesting presentation to clients, visitors, or donors. Charts or graphs showing statistics can be included with pictures of the businesses and the community.

Community meetings are the best way to get across information to clients and community members. Meetings might include a variety of activities including a skit, a slide show, and a discussion. The more the clients participate, the more interesting it will be.

We will present the information in the following ways:

INFORMATION	HOW TO BE PRESENTED
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____

QUESTION 5

How Will You Learn From What You Know?

If the information you collected is not used to improve the project, you have wasted your time and money. It is unfortunate that this is sometimes what happens.

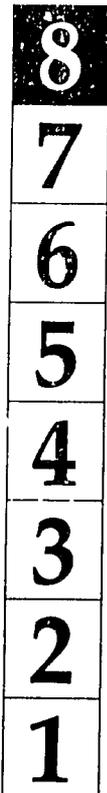
The main factor determining whether the information is used is how your field staff feel about the monitoring system. If they feel burdened with reports, if they never see the results of their efforts, and if they do not understand the value of a monitoring system, then they will not use it.

If they fail to see the results, they may not collect the information accurately or completely. They will not understand the importance of evaluation. It is fortunate that staff who work with small businesses are more apt to understand the importance of routine monitoring and record keeping than staff working in other areas such as health or education.

Sometimes, it is hard to change if we have been doing something the same way for a long time. Some changes may be particularly hard if it means that staff will have to spend more time in the field, travel more, or make other concessions.

What can be done to be sure that the results of monitoring and evaluation are used?

- You can be sure that the process focuses on the needs of the stakeholders, particularly your clients and staff.
- You can present the information in a way that is understandable.
- You can schedule reviews that link the information with decision making.

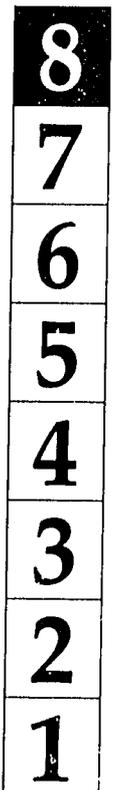


Reviews can be for clients, staff, or both. They might focus on three themes: What have we accomplished? What needs attention? What actions will we take? Sometimes it helps to get away from the office for a day to reflect on these issues.

We will use the following methods to learn from the information we gather:

1. _____
2. _____
3. _____
4. _____

In these eight **Steps**, we have covered a great deal of material. You have defined your organization's objectives and defined what you mean by a "small business." You have designed a monitoring system that incorporates social, economic, and institutional indicators. And, finally we have talked about how to analyze the information, present and use it. The final **Step**, so action, you must take on your own. We wish you good luck.





<input checked="" type="checkbox"/>	Information- Gathering Tools
<input type="checkbox"/>	
TOOLS	

The following "tool kit" contains 32 tools. Some are research methods and some are sample forms or worksheets. They are organized into four categories: Economic, Social, Institutional, and Multiple Use Tools. We suggest you browse through all the tools before you choose the ones you will use. Read the first section on Modifying Tools before you use any of them.

<input checked="" type="checkbox"/> ECONOMIC
<input type="checkbox"/> SOCIAL
<input type="checkbox"/> INSTITUTIONAL
<input type="checkbox"/> MULTIPLE USE
TOOLS

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<input type="checkbox"/> ECONOMIC
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<input type="checkbox"/> MULTIPLE USE
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<input type="checkbox"/>	ECONOMIC
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III. Institutional Tools—most helpful in completing **Step 6**

A. Tools to measure your organization's development

- 18. Institutional Development Worksheet—a worksheet for assessing the quality of the management of your NCO and identifying your strengths and weaknesses as an organization 169
- 19. Project Priorities Exercise—for helping staff or participants determine the goals and objectives of the project 176

B. Tools to measure costs and benefits

- 20. Cost-Benefit Analysis—a way of looking at alternative types of assistance to businesses to determine the most benefit for the least cost 177
- 21. Net Benefits-to-Cost Ratio—a simple version of cost-benefit analysis 181
- 22. Predicting Sustainability—estimating whether a community can sustain the cost of a project over the long run 183

C. Tools to measure credit programs

- 23. Monitoring Your Credit Program—looking at credit as a business. Is your loan program sustainable? This gives you some ideas of what to watch in credit programs 184
- 24. Monthly Monitoring System For A Credit Program—a basic form with the minimum information needed to assess the viability of your credit program 190
- 25. Intake Forms—sample loan application forms 191

<input type="checkbox"/>	ECONOMIC
<input type="checkbox"/>	SOCIAL
<input type="checkbox"/>	INSTITUTIONAL
<input checked="" type="checkbox"/>	MULTIPLE USE
TOOLS	

IV. Multiple Use Tools—helpful for all **Steps**

- 26. Group Consensus—a method for generating information about prices, costs, and profits when the information is not available from individuals . 197
- 27. Observation—using observation as a way of collecting information on both what people do and why they do it 198
- 28. Scales—several ways to make and use scales to measure attitudes and perceptions 199
- 29. Simple Statistics—a few simple statistics to use in analyzing information 202
- 30. Sorting Exercise—a simple participatory method of collecting information on a wide range of subjects 204
- 31. Survey Questionnaire—some tips on making useful questionnaires and avoiding common mistakes in their use 207
- 32. Presenting Information—this tool gives you some idea of how to present your evaluation results in an interesting and informative way 217

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MODIFYING TOOLS

The tools presented in this section are samples only. They should not be used as they are presented here but adapted to suit

- your research needs,
- the skills of your staff, and
- local social and economic conditions.

Choose the Tools You Will Use

- To start, look over all the tools presented here as they may give you some ideas for designing a completely new tool.
- Study all those tools in this section that seem to be appropriate to your questions. Choose four or five that seem to complement each other without overlapping too much.
- Decide whether they can be combined into one tool, whether you should only use parts of some, and what you need to create.
- Look at the tool closely and decide whether it is appropriate to use that method in that culture or community. Are there questions or activities some people might find offensive?
- Omit any questions or aspects of the activity that do not relate to your questions. If you do not need to know something, do not collect information on that subject. Collecting too much information is as bad as not collecting enough.
- Determine what languages or dialects the tool should be in, and in what language or dialect the information will be recorded. Do not expect your field workers to translate while they are collecting information. They may translate questions differently. Have the forms printed in the language you want used. Record answers in the language the respondent uses.

Pretesting

Pretest your instruments carefully. It will save you a lot of time and effort later.

Pretesting means trying out your tool on a few people before you begin the actual information collection. A "dress rehearsal" gives you a chance to see if your forms are clear, if the collection process is as simple as possible, and whether the results will be what you need.

To pretest, prepare your forms or activities, train those who will be administering the tool or recording information. Then have a practice session with 15 or 20 people who are not part of your target population. Then have a meeting and discuss these questions:

- Did people understand the directions?
- Did they understand the question or activity with only a little explanation?
- Could any of the questions or directions be phrased more clearly or simply?
- Did each interviewer ask the question or explain the activity in the same way?



- Are some questions or activities redundant, inappropriate, or offensive?
- Is the recording of answers or activities easy, or could the layout of your forms be improved with more white space and a more consistent method of recording responses?
- Is there agreement among interviewers about how to ask questions and how much explanation to give?
- On some questions does every respondent give the same answer? If so, leave it out or rephrase it so that it more accurately reflects the diversity of your situation.

Note: Read "The 10 Most Common Errors in Survey Research" at the end of the SURVEY QUESTIONNAIRE tool.

Eliminate Unnecessary Questions, Steps, Paperwork

Always keep your information collection system as simple as possible. It is a common error to make it more complex than needed.

Always ask how the results of each question or activity will affect your program. It may be interesting to know how old people are but will it really affect your program? If you have a special program for youth or the elderly, or if you need to know at what age women are most apt to start small businesses, then ask for that information. Otherwise, do not make extra work for yourself.

Keep all interviews, questionnaires, and forms as short as possible, preferably less than one page. If you are working with forms more than two pages long, stop and think seriously about how to cut them back.

Tabulate all the answers on the forms if possible rather than transferring the answer to another form and then tabulating. This is faster and it reduces the chance of mistakes.

Try, if at all possible, to collect your information as part of your routine work rather than as a separate activity. For example, you may add a question or two to your pre-loan agreement forms, or add a space for some comments on your field workers' weekly or monthly reports.

Supervise the Collection of Information

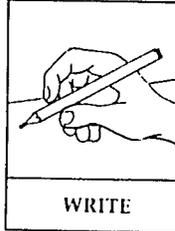
A monitoring and evaluation system needs to be supervised by someone who will be sure that information is being recorded, that it is accurate, and that it is reviewed for consistency among those who are writing the responses. The responsibilities of the supervisor of the monitoring system are as follows:

- see that pretesting is carried out and that appropriate changes are made in forms before the information system begins to work
- keep in close touch with those who are collecting the information to see what problems they have, and help simplify and clarify the process
- meet occasionally with those who are recording information to review how well the system is working, what can be made simpler, and what tasks can be combined

- keep track of incoming information, review forms for completeness, accuracy, clarity
- be sure that sampling procedures are being used if you are only collecting information from part of your clients
- make decisions about changing the system when improvements can be made

Using the Tools

We suggest you answer each of the following questions about each tool you will be using. This will help you decide whether you have the time and resources to use it.



Name of the Tool: _____

1. What modifications or adaptations are needed?
 - a) _____
 - b) _____
 - c) _____
 - d) _____
 - e) _____
2. What translations will be needed?
 - a) _____
 - b) _____
 - c) _____
 - d) _____
 - e) _____
3. Who will actually collect the information?

4. From whom will the information be collected? Describe the sample you will use or the sources of information.

5. How often will it be repeated?

6. Who will supervise the collection of information and be sure that it is accurate?
 - a) _____
 - b) _____

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- c) _____
- d) _____
- e) _____

7. When and where will it be pretested?

8. Which statistics will be used to analyze the data? Be specific about how each answer will be analyzed.

- a) _____
- b) _____
- c) _____
- d) _____
- e) _____

9. Does the information from this tool back up data collected with other tools?

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ANIMAL ASSETS INVENTORY

Definition

This is a way of assessing income indirectly. It applies to rural areas where animals are a way of saving money or where they provide some income.

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<input type="checkbox"/>	SOCIAL
<input type="checkbox"/>	INSTITUTIONAL
<input type="checkbox"/>	MULTIPLE USE
TOOLS	

How It Works

This method is similar to the WEALTH INDEX and the two may be combined during a single interview.

A list is made of the types of animals kept by people in the community. Each is assigned a value based on its typical sale value. These prices may be obtained at the market or by talking with people who have recently bought or sold such animals.

Homes are visited (if time permits, it is a good idea to actually go out and count the animals so people won't "forget" about some of them) and the owners asked how many of each type of animal they own at that time. The number of animals is multiplied by the value of the animal and the numbers totaled for the household. This gives you an estimate of the total assets the family has in animals.

Pros, Cons, and Other Uses

When combined with other information, this can be a very good measure of wealth in communities where animals are an important part of the local economy. Individual families may rate high on the WEALTH INDEX but low on the ANIMAL ASSET INDEX indicating something about their priorities. Some people like to keep a lot of their "savings" in animals, while others prefer to buy consumer goods. Where one group or the other is more successful in your projects, this may be information that is useful in your training or education programs.

Example of How it Was Used

In one case, the following values were assigned to animals. The values are the local currency divided by 10 to reduce the mathematics.

Grade cattle	250
Native cattle	80
Goats	15
Sheep	15
Grade chickens	3
Native chickens	2
Ducks	4
Rabbits	6
Donkey	150

Among the families interviewed, animal asset scores varied from 6 in very poor households to 3,358 in wealthier households. Scores may be multiplied by 10 to get the actual value of the assets but for this research it is the relative values that matter, and for this the smaller numbers are more easily understood.

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LAND ASSET INDEX

Definition

This is a way of measuring household wealth by looking at land and how it is used. It is useful only in rural areas and should be combined with other "indexes" to get a fuller picture of the total family assets.

How it Works

For each household, record the total amount of land they own and how many acres (or other unit) are used for what purposes.

From independent sources, determine the average sale value of each crop. Total the amount of sale value for each household.

If land is registered, go to the land registry office and find out how much land is registered to each family before you start this so you can verify the total holdings for each family.

Pros, Cons, and Other Uses

This method is applicable only to areas where crops are an important part of the local economy. It is most suitable for agriculture projects. However, families involved in nonfarm production (such as making shoes, handicrafts, baking, etc.) may change their horticultural patterns, which may affect their nutrition. Therefore, it is a good idea to keep track of changes in land use for both agricultural and nonagricultural projects in rural areas.

The system should be combined with the ANIMAL ASSET INVENTORY and the WEALTH INDEX for a truer picture of the farm assets.

The system does not take into account the labor or costs of production so that total scores are inflated.

Examples of How it Was Used

In the evaluation of a rural development project, the project planners wanted to know whether farmers were planting more corn and whether they were using more of the available land for production.

A sample form was as follows:

Family Name: Wilson Mboya

Crops:	Maize	1.5	Value @ 1,200 per acre	1,800
	Cassava . . . . .	.5	Value @ 950 per acre	475
	Greens . . . . .	.5	Value @ 300 per acre	150
	Wheat	—	Value @ 3,000 per acre	—
	Sorghum	1.0	Value @ 900 per acre	900
	Coffee	—	Value @ 3,500 per acre	—
	Tea	—	Value @ 3,000 per acre	—
	Pyrethrum	—	Value @ 2,500 per acre	—
	Fallow	1.5	Value @ 0 per acre	—
	Pasture . . . . .	.5	Value @ 0 per acre	—
	Scrub . . . . .	.5	Value @ 0 per acre	—

Total Acres	6.00	Total Value	3,325
-------------	------	-------------	-------



Using this method, and following up each year, it was determined that farmers were growing more corn but that they were allowing less land to fallow, raising issues of soil depletion. Farmers were also growing fewer greens, which are used mostly for home consumption, raising some questions about nutritional changes as a result of the project. There was no indication that scrub land was being converted to either pasture or crops.

Definition

This is an indirect way of measuring changes in income over a period of time. It is based on the assumption that when people have more income they will spend more on consumer goods.

How it Works

Make a list of typical consumer items in a household. Include things such as flashlights, pressure lamps, stereos, wrist watches, purchased (rather than locally made) furniture, bicycles, and so on.

Create an index for each item based on the cost of each item when new. The prices can be obtained by visits to local shops and interviews with some people who have recently purchased the item. You can use the actual cost of the item or you can reduce it by a factor of 10 or 100 depending on local currency rates. The idea is to keep the relative value of the items.

Go to each family home for the interview. They are more apt to be honest with the interviewer if the interviewer can see their home. Ask them how many of each item they have in the home or are owned by people who live there. Multiply the number of items by the index value and add the total for each household. This gives you a rough estimate of the family assets in consumer goods. Theoretically, if the family has more discretionary income, the next year when you follow up on this, they will have more consumer goods and more of the "big ticket" items.

Pros, Cons, and Other Uses

This method is most useful in fairly poor communities where people do not have a lot of consumer goods. In better off communities, however, it is possible, through interviews, to determine 10 or 12 "indicator items" (such as stereos, color t.v., cars, etc.), which are signs of affluence, and these indicators may be used.

Because the index is based on cost of items when new, it is only a rough estimate. Most people buy sewing machines, bicycles, and other items used and pay much less for them. However, the "cost when new" figure indicates something about the prestige value of the item.

In rural areas it is wise to combine this WEALTH INDEX with the ANIMAL ASSETS and LAND ASSET INDEX to get a true picture of total household assets.

THE WEALTH INDEX



Example of How it Was Used

In one women’s income-generating project, women in the project were interviewed and asked about the items they had in their homes. The following values were assigned for the items:

Large hoes	5
Small hoes	3
Flashlight	4
Bicycle	200
Wardrobe closet	80
Corn grinder	150
Record or cassette player	150
Kerosene lantern	8
Water tank	200
Charcoal stove	21
Iron bedstead	150
Wristwatch	150
Pressure lamp	50
Sofa set	200
Sewing machine	1100

The “asset score” for each family was ranked to show relative affluence of each family, and averages were produced for each group of women. In this case, household asset scores ranged from 6 to 3210.

The data were helpful in showing:

- relative affluence of households within the group;
- relative affluence of households between groups;
- average asset level for each group;
- how people spend their money;
- how much change there was over time in different groups.

**COMMUNITY
DEMAND
ANALYSIS†**

Definition

This exercise is to determine the goods and services available in a community. It is used primarily to help people think about what kind of small enterprise projects they may want to start. It can also be used, however, as a good baseline study, and when repeated in a year or two, may show the impact the projects have had on the community.

†Source: Partnership for Productivity/International, 2001 S Street, N.W., Suite 610, Washington, DC 20009

How it Works

Using the sample forms that follow, complete all the information requested. It is very useful to have two different groups working on the information independently to verify each other's findings. The forms can be filled out by program staff but they are an excellent learning device for potential project members. When community members are completing the forms themselves, it may be useful to give them only one or two pages at a time so as to make the task less intimidating.

Detailed instructions for analyzing the forms also are included in the following pages. A written report with the "answers" to the questions makes a good planning guide for your project.

If you repeat the study in a year or at some other point later in your project and compare the number of goods and services available over time, you can then determine how many of those changes can be attributed directly or indirectly to your project.

Pros, Cons, and Other Uses

This activity lends itself well to both planning and evaluation and can be an important learning device for both project participants and staff.

It does take time to gather the information and the analysis of the information best takes place in small discussion groups where priorities and constraints may be discussed.

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Community Demand/Resource Analysis

INSTRUCTIONS: Complete this form and refer to the instructions for analysis on page 131.

1. Name of community _____
2. Approximate population _____
3. Nearest town or city _____
4. Province _____
5. Type of settlement:
 - _____ (a) Strong central nucleus—homes and businesses concentrated in small central area
 - _____ (b) Small nucleus of homes and businesses with dispersed houses
 - _____ (c) No nucleus of homes and businesses
 - _____ (d) Linear—most homes and businesses on highway or near railroad tracks (station) but large center of shops and homes
 - _____ (e) Linear—small nucleus of homes and businesses
 - _____ (f) Linear—no nucleus of homes and businesses
6. Tribe: _____
7. Headman (men) name(s): _____
8. Languages/dialects: _____

Date _____
 Survey taken by _____

9. Are there any of the following:

	Yes	No
(a) Bank	Y	N
(b) Post Office	Y	N
(c) Telephone	Y	N
(d) Telegraph	Y	N
(e) Government primary school	Y	N
(f) Vocational trade school	Y	N
(g) Paved roads	Y	N
(h) Railroad access	Y	N
(i) Motorized bus service	Y	N
(j) Truck/transport service	Y	N
(k) Electricity	Y	N
(l) Water system	Y	N

Purchasing Power

10. How many people have moved here in the last five years?
 Many _____ Some _____ Few _____ None _____
11. Where have most of them come from?
 Around here _____
 From other parts of the country _____

12. Why have they moved here? _____

13. How many have left this community to live elsewhere in the last five years?
 Many _____ Some _____ Few _____ None _____
14. Where have most of them gone?
 Near here _____
 To other parts of the country _____

15. Why have they left? _____

16. How hard is it to find permanent employment here (not seasonal work)?
 Very hard _____ Hard _____ Fairly easy _____
17. Why? _____

18. How many people here are looking for work and cannot find it?
 Many _____ Some _____ Few _____ None _____
19. Compared to five years ago, is there more work, less work or the same amount of work?
 More _____ Less _____ Same _____
20. Why is there more/less work now? _____

21. Has self-employment increased in the last five years?
 More _____ Less _____ Same _____
22. Why? _____

23. How has salaried employment changed in the last five years?
 More _____ Less _____ Same _____
24. Why? _____

25. Is there much seasonal employment? _____

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Commerce

26. Do you have ...

Facility	Yes		No		Capacity		Condition		Most products sold		
	Yes	No	Excess	Adequate	Lacking	Good	Poor	Local	National	Export	
a. Municipal market											
b. Open market											
c. Meat packing plant											
d. Milk cooling/storage											
e. Grain storage/mill											
f. Food wholesaler											
g. Produce collecting station											
h. Transport dealer											

27. What retail stores do you have?

BUSINESS	NUMBER
a. General store	
b. Small grocery store	
c. Vegetable store	
d. Butcher shop	
e. Restaurant/eating establishment	
f. Charcoal dealer	
g. Hardware store	
h. Agricultural supply store	
i. Machine shop (agri. and indust.)	
j. Gas station	

BUSINESS	NUMBER
k. Construction/building materials	
l. Clinic/chemist	
m. Clothing/fabric store	
n. Furniture store	
o. Barber shop	
p. Shoe store (only shoes & leather)	
q. Jewlery store	
r. Beauty salon	
s. Jur.k/spare parts	
t. Bar/liquor store	

BUSINESS	NUMBER
u. Soda pop dealer	
v. Handicrafts store	
w. Book/stationery store	
x. Hotel	
y. Bicycle shop	
z. Funeral home	
aa. Photography studio	

28. What are examples of the kinds of businesses run by people with the lowest income: (e.g. selling salt, newspapers)

	Sources of Supply Local/National/Imports	Wholesale/Retail
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

29. Where do people generally go to buy things they can't buy here? What goods do people buy from neighboring communities? _____

30. What goods do consumers buy from the district headquarters? _____

31. What goods do people buy from the provincial headquarters? _____

32. What goods do consumers buy from other locations?

Location: _____

Goods: _____

Location: _____

Goods: _____

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RECORD SHEET

Industry

33. What natural resources do you have available in your community?

RESOURCE	Availability/Timeliness			Volume			Cost per Unit
	Season/All year	Small	Medium	Large			
<i>Mineral Resources</i> (includes clay, salt, limestone, etc.)							
<i>Forestry Resources</i>							
<i>Animals, plants and their by-products</i> (leather, jute)							
<i>Water Resources</i>							
<i>Energy</i> For home: cooking, lights For industry: processing, etc.							

Industry (Continued)

34. Are there the following types of manufacturers? Where do they get their materials (backward linkages) and who do they supply (forward linkages)?

<u>TYPE</u>	<u>NUMBER</u>	<u>BACKWARD LINKAGE</u>	<u>AVAILABILITY</u>	<u>FORWARD LINKAGE</u>	<u>AVAILABILITY</u>
a. Carpenter shop					
b. Machine shop					
c. Bicycle repair					
d. Brick/block factory					
e. Metal working shop					
f. Tailor					
g. Box factory, basket, sacks					
h. Sawmill					
i. Mechanic					
j. Tinsmith					
k. Blacksmith/ag. implements					
l. Miller					
m. Construction					
n. Food process					
o. Ceramics/pottery					
p. Cloth printing/dyeing					
q. Bakery					
r. Canning					
s. Printer					
t. Broom maker					
u. Charcoal maker					

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Agriculture

35. What size are most farms here? _____ How large are the largest? _____ The smallest? _____

36. What is the availability of:	<u>Access</u>	<u>Cost</u>	<u>Seasonality</u>
Land	_____	_____	_____
Water	_____	_____	_____
Transportation to market	_____	_____	_____
Farm machinery/animal traction	_____	_____	_____

37. What crops are grown to eat? _____, _____, _____

38. What crops are grown to sell?	<u>Market</u> Local, National	<u>Transport</u> Good, Medium, Poor	<u>Supplies</u> Available/Not Available
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

39. What animals are raised to eat or to sell?

40. What produce or meat do people eat that they do not produce locally? _____

41. What processed food is eaten here but not processed locally? _____

Facilities and Assistance

42. What financial institutions operate in the community and what services do they provide? What availability is there to people of modest means? Which of the following services are provided by each institution? Working capital loans, long-term loans, loans to purchase consumer goods, savings facilities, checking facilities.

<u>Financial Institution</u>	<u>Services</u>	<u>Availability</u>
Commercial Bank		
Development Bank		
Credit Union		
Special Credit Program		

43. Which of these agencies worked here last year; which provide training and/or technical assistance?

<u>Agency</u>	<u>Services</u>	<u>Availability</u>
1. Ag. extension		
2. Cooperative development		
3. Social welfare		
4. Public works		
5. Min. commerce/industry		
6. Training institute		
7. National purchasing agency		
8. Community development office		
9. Municipal development office		
10. Other?		

R E S O U R C E S

Market Questionnaire

Complete this form for any product you are considering growing or producing.

Surveyor: _____ Interviewee: _____

A. Product: _____

1. Do you purchase this product? Yes ____ No ____
2. Where and from whom do you currently purchase this? _____

3. How much do you buy and how often? Do you purchase the same amount all year or do you buy more at certain times? If so, when and how much?

4. Is there sufficient quantity and adequate quality available? When is there not?

5. How much do you spend purchasing? per unit _____ total _____?
6. Do you prefer particular styles or types of this product? _____

7. Would you purchase more if this was available at the right price?

B. Product: _____

1. Do you purchase this product? Yes ____ No ____
2. Where and from whom do you currently purchase this? _____

3. How much do you buy and how often? Do you buy the same amount all year or do you buy more at certain times? If so, when and how much?

4. Is there sufficient quantity and quality available? When is there not?

5. How much do you spend purchasing this? per unit _____ total _____?
6. Do you prefer particular styles or types of this product? _____

7. Would you purchase more if this was available at the right price?

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Guidelines for Analyzing Surveys

Community Demand/Resource Analysis

The objective of the community demand/resource analysis is to assist entrepreneurs and/or community groups to identify potential business opportunities with a higher likelihood of success. The analysis helps to determine what there is demand for, what goods and services are currently available and which are not, what resources and infrastructure are available to facilitate the business opportunity. This analysis is a *pre-feasibility* analysis in that it points the entrepreneur toward what might be possible. Once several potential ventures are identified, it is still necessary to complete a more thorough feasibility analysis for each option under consideration.

First: Community Demand/Resource Analysis Survey

The first step is to complete the Community Demand/Resource Analysis Survey. You will notice that it is not a survey to be completed in one setting or by one person alone. It is important that the survey be coordinated by one person (perhaps the community development worker) but with the assistance of the group members and/or potential entrepreneurs. What is important about the survey is that by completing it, the surveyors will gain a working understanding of their local community economy. Learning about the local community economy is equally as important as the end objective of identifying potentially successful ventures.

Here are some ground rules for completing the survey.

Those conducting the survey should include everyone who is anticipated to participate in the project once identified.

There are no shortcuts for collecting information. While in some cases you may be able to estimate the answers to the questions amongst yourselves, in other cases you will have to observe directly and/or solicit information from shopkeepers, farmers, or whomever may have the needed information.

Take your time! Allow yourselves several days if you are dedicated to completing this full time, or a couple of weeks if you are undertaking the study along with other activities.

Second: Community Demand/Resource Analysis— Analyzing Survey Results

The challenge to analyzing the survey results is that you have a lot of diverse pieces of information that have to be considered in relation to one another. Also, the accuracy or validity of the information you have used to complete the survey is varied so you can never be completely sure of your answer. More than anything else, it is important to realize that there is no one correct answer. It is important to identify, let's say, up to five options for potential ventures. Once you have determined this list, then a feasibility analysis for what appears to be the most promising activities should get you started in the right direction.

Here are some ground rules for analyzing the survey results.

- 1) The analysis should be conducted by more than one person, but it is not necessary to include everyone in the project. A committee of two to four people should be a good working number to analyze the information.



- 2) Once again, take your time! The analysis should take more than one sitting as you weigh your different options and potential ventures.

Third: Market Study

Once you have identified your potential products, it is then important to take the analysis one step further, to question the potential buyers of the proposed goods or service to further assess the demand. The Market Questionnaire will allow you to collect information on a systematic basis to assess the actual market for the proposed products. The information will serve as the basis for your market study of the feasibility studies, which is the next step in preparing for your income generating projects.

Here are some ground rules for the market study.

- 1) You can include all the members who would participate in the activity in the market survey.
- 2) In selecting households or potential buyers to administer the questionnaire, you should try to get a good cross section of buyers from your community. The exact number you should survey depends upon the number of potential buyers. What is important however, is that the number be sufficiently large so that you can begin to see trends or common responses to the question. You should consider 10 potential buyers to be an absolute minimum to interview. In some cases you may have to interview 20 or 30.
- 3) Be sure you prepared a sufficient number of questionnaire forms and that the surveyors understand the questions they are asking. Also, surveyors should be advised to complete the questionnaire as they are interviewing the potential buyer so that information is not forgotten or left out of the form.
- 4) Once you are done you will be able to tabulate the results. This will provide you with one last further confirmation of your product choices.

R E S O U R C E

Guidelines for Completing the Community Demand Analysis Form

- I. What are the business opportunities?
 - A. Line 27: What kind of commercial businesses is your community lacking? What kinds of commercial businesses do you not have in sufficient number? Is there a need for a wholesale supplier to the existing retail enterprises?
 - B. Line 28: Is there an opportunity to provide supplies or services to the activities conducted by the poorest sector?
 - C. Lines 29-32: What kinds of goods or services do people seek from outside the community that could possibly be provided locally?
 - D. Line 34: What kind of small manufacturers is your community lacking? What kinds of small manufacturers do you not have in sufficient number? Is there a need for a source of supply for any of the industries (e.g. lumber for carpenter shop, etc.)? Is the backward linkage offering sufficient supplies and at good availability?

- E. Lines 38-41: What produce or meat is not, but could be, produced locally? What processed food could be processed locally? Is there sufficient volume of crops produced for sale to meet local demand? What services or goods do agricultural producers need that are not currently available locally?
- II. What resources are available for business activities?
 - A. Line 33: What natural resources do you have in your community that could be directed toward an enterprise activity for which there is demand?
 - B. Lines 28-34: What raw materials, by-products or final products are produced by local manufacturers that could serve as a source of supply for businesses?
 - C. Lines 38-39: What agricultural products or animal husbandry products or by-products can serve as a source of supply for another business for which there is local demand?
- III. On the basis of your answers to questions number I and II you may want to establish a list of potential activities. As you proceed with the questions below, you should be assessing these potential projects.
- IV. What is the nature of demand for goods or services within the community?
 - A. Line 5: How does the housing pattern influence demands for goods and services? Would the proposed activity depend on heavy foot traffic to market the product? Can the proposed good or service reach the intended consumer?
 - B. Lines 10-25: Has there been an overall increase or decrease in the population? What preferences for goods and services do the newcomers bring with them? Will there be a reduction in demand for particular goods and services now that people have left the community? Has people's income increased or decreased in the community over the last five years? What kinds of goods and/or services are people likely to purchase now as a result of that trend? How do these trends influence the products or services you have selected above?
 - C. Line 26: Which facilities in your community create a potential demand for raw materials or goods? Which facilities are not operating at full capacity due to a lack of supply? For example, does a milk cooking facility have an adequate supply of fresh milk? Does a meat packing plant have an adequate supply of meat?
 - D. Lines 29-32: What goods or services are people willing to buy that are not available locally? What is the extent and regularity of this demand?
 - E. Lines 40-41: What produce or meat or processed food do people desire but which is not produced locally? Is there a sufficient supply of produce or animal products to meet demand?
- V. What is the availability of infrastructure and services needed to conduct the business activities?
 - A. Line 9: Which of the facilities listed here would influence your capacity to produce the goods or services identified? Which of these are available in your community and which are not? How does that influence your list of potential activities?
 - B. Line 26: Which of the facilities listed here would influence your capacity to produce the goods or services identified? Would you need to introduce a

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- new facility, or for it to be upgraded, to conduct your activity? Are there resources available, or could there be resources available to accomplish this? How does this influence your list of potential activities?
- C. Line 33: Is there sufficient access to energy and/or water at a reasonable cost to support the proposed activity?
 - D. Line 35-36: What is the impact of farm size on your proposed activity? What is the impact of availability of land, water, transportation to market, farm machinery/animal traction on the proposed activities?
 - E. Line 38: What is the impact of the availability of farm supplies and access to markets for agricultural and animal products?
 - F. Line 42: What is the impact of the availability of banking services? What impact would this have upon the list of potential economic activities? Is there a way to seek services not currently available locally?
 - G. Line 43: What services are available by different agencies and what impact does this have on the proposed list of potential economic activities? For example, which activities would require technical information? Which would require training? Which require the facilities of a national purchasing agency? How does the availability of these services, and the reliability and the quality of the services influence your selection of potential products?

FEASIBILITY STUDY

R E S O U R C E

Definition

A feasibility study is an overview of an intended business. It helps a potential business person decide whether a particular activity is financially feasible and whether or not it will be profitable.

How it Works

A feasibility study is a way of thinking through the various aspects of a business and the projected costs before the individual invests a lot of time or money in it. It can be used as the basis for making loans, as an educational tool in training sessions, or to help a potential entrepreneur decide which of two types of businesses would be more likely to succeed.

Following is a form you will want to adapt to the different types of businesses. You may want to ask slightly different questions on vendors, manufacturing, and agricultural business feasibility forms. The idea is that you make a careful list of all the resources you have, those you can get, all the costs involved, and an assessment of the market. See also INTAKE FORMS and the MARKET DEVELOPMENT WORKSHEET in this section.

A Sample Feasibility Study

Name of the business person _____

Age _____ Years of school _____ Marital status _____

Brief description of the business to be started _____

What experience does the business person have in this or a related line of work? _____

Is it an expansion of an existing business? YES NO

Is it a totally new activity for this person? YES NO

Who will manage the business? _____

Will it be part time or full time? _____

If the business person is a woman, who will care for her children and/or assist with her domestic chores? _____

Will there be any employees during the first year? _____

How many? _____

Will family members be expected to help with the business? _____

What will the product or service be? _____

Where will the products or services be sold? Give the names of specific places and/or individuals. _____

Who are the existing/prospective buyers? Describe their location, age, sex, and other characteristics. _____

Will the buyers be middlemen/wholesalers or users/retailers? _____

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How much will it cost you to make or purchase the item? List all the components that go into production and the unit price of each item. Be sure to include all overhead costs such as utilities, labor, equipment, transportation. _____

For how much will you sell it wholesale? _____

How much will it sell for retail? _____

How will you promote your product? _____

What volume of sales per week will you need to break even? _____

What volume of sales per week will you need to make a profit adequate for family needs and to save some? _____

Where will the business be located? _____

List the raw materials needed for the product:

Raw Materials	Amount needed per unit produced	Cost
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

From whom/where will you get raw materials? _____

If you plan to hire workers, how much will their salary be per day/month/piece?

Type of work	Number of workers	Capacity per day	Wage
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

If it is a manufacturing business, what will production capacity per day be? _____

What tools, equipment, and machines are needed? Indicate those you already have and those you need to get. _____

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What other expenses will be involved? Be specific. _____

How much working capital per week/month do you need for the business (refer back to the earlier questions).

Raw materials	_____
Labor costs	_____
Transportation	_____
Utilities	_____
Packaging expenses	_____
Rent	_____
Other	_____
TOTAL	_____

Total project cost:

Assets	To be borrowed	Owner's contribution	Loan from other source	Total
Existing				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
To be purchased				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total Costs				
_____	_____	_____	_____	_____

Definition

This is a worksheet, to be completed by the business owner or manager, which will assist the n in thinking through a marketing strategy.

How it Works

If a business is in the planning stage, the worksheet can be used to help define the initial market for goods or services. The same sheet can be used to consider expansion of markets or for businesses having problems with markets.

MARKET DEVELOPMENT WORKSHEET

The sheet can be used as a basis for discussion for a group of people who are running a business.

Feel free to modify the form to fit the special situation in your community. Add relevant questions, omit those which do not apply.

Creating a worksheet for your clients can be an educational activity for your staff to help them think more about markets.

Worksheet

1. Name of business _____
2. Location _____
3. Product _____
4. Over what geographic areas is the product sold? Name towns or districts.

5. Are sales increasing? YES NO
By how much per month _____ per year _____
6. Has there been any change made in the product to improve its marketability? Were changes in quality or packaging made? Any changes in product presentation or in location of enterprise (if retail)?

Was it needed? _____

Describe _____

Did it increase sales? _____
7. If sales are increasing, is it because:
 _____the product is winning over the competition
 _____the size of the market is expanding
 _____other reason _____
8. If sales are not increasing, is it because
 _____the market for the product is saturated
 _____there is no way to transport the product to new markets
 _____another manufacturer is producing a better product
 _____prices are too high
 _____other reason _____
9. Are prices competitive with the competition? YES NO

Who are the main competitors _____
What are their prices _____
10. What services does the competition offer customers? Which are offered by your business?

Competition	My business
_____	_____ Liberal return policy
_____	_____ Credit

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- _____ Guarantees of quality
- _____ Free delivery
- _____ Guaranteed delivery within a specified time
- _____ Other _____

11. Who are your customers?

- _____ men
- _____ women
- _____ young people
- _____ children
- _____ local community
- _____ same town, other communities
- _____ all over region
- _____ nationwide
- _____ export/international
- _____ tourists
- _____ very poor
- _____ poor
- _____ low income
- _____ middle income
- _____ high income
- _____ age group
- _____ -15 yrs.
- _____ 15-25 yrs.
- _____ 26-35 yrs.
- _____ 36-45 yrs.
- _____ 45 + yrs.

12. Are you reaching new types of customers as your business expands?

YES NO

Which customers would you like to reach?

Is it feasible to reach them?

13. Do you advertise?

- radio
- handbills
- posters
- newspapers
- other _____

14. Would advertising be effective for your business? YES NO

15. If you do advertise, do you calculate the additional business that results? _____

How much additional income is there per (dollar) of advertising? _____

Which form of advertising has the greatest return? Why? _____

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ACCOUNTING FOR NON- LITERATES

Definition

Many people do not keep written records because they are unable to write numbers. These are some simple methods that you can help some people use.

How it Works

People may not keep written records because they are unable to write numbers, or they may not keep them just because it is too much trouble and they can remember all they need to know. Sometimes, people do not want to keep things in writing for fear of taxation or members of their family finding out how much they are making. Therefore first find out what kind of system is being used now.

First: With any economic activity, there is some kind of accounting taking place. Talk with some people and find out whether they can write numbers or whether they do not like to write things down for other reasons. Many people who cannot read and write words can at least read numbers. Maybe, with a little help, you can teach them to read and write numbers and keep a simple written account of their business.

Second: If some sort of system is being used now (a man may keep business money in one pocket and household money in the other, for example) see if it is one you can improve or build on.

Third: Find out what improvements an accounting system will have for the business person. If they do not see that it will help their business, they will not be interested in learning what you have to teach.

Will it make the business more profitable?

Will it enable goods to be ordered on time?

Will the business person learn more about business concepts?

Is an accounting system required for a loan?

Fourth: Decide (with the business person) how much time it will take before they will be able to keep accounts without outside help. If they have no experience, it may take a while before they are able to keep and use an accounting system.

Fifth: Decide on a training program that will build on the skills and needs of the business people and estimate how much staff time it will take to do the training and follow-up assistance.

What follows are three very simple systems that can be used by nonliterate. Accounting is basically a way of keeping money for some purposes separate from money for other purposes. In a regular accounting system, money is kept in separate accounts on paper but not literally in separate places. For a simple system, the money is literally kept in separate places such as envelopes or boxes.

System One: The Envelope System of Accounting

In this system, the business person has separate envelopes for each of the bills he will need to pay that month. One for rent, one for his loan payment, one for raw materials, one for savings, and so on. Each envelope has a picture or symbol that enables him to tell which is which.

As money comes in each month, he begins filling the envelopes, either one at a time or a little in each every day. When all the expenses for that month are covered, the money coming in is put into a "profit" envelope. At the end of the month, he decides

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what portion of the profit he wants to put into the business and what portion he will use for his family needs. If the business has a fairly regular income, you can encourage the business owner to pay himself a regular "salary" from the profits with the amount over the salary going back into the business to expand supplies, repair the roof, or reach a wider market.

The number of envelopes an individual uses will vary. Some people may want to use one envelope for all their expenses. If they can keep track of how much is in the "profit" envelope each month, they should see if their business is growing or not. How they use the money in the "profit" envelope may determine whether the business succeeds or fails.

System Two: The Symbol System

The symbol system uses two sheets of paper. One for cash received and one for cash paid out. Each sheet has symbols or pictures of all the types of transactions the business person will have to make.

Across the top are symbols for all the different types of currency. Down the left margin are pictures or symbols for each of the activities. The business person makes hatch marks in each column for each type of currency he takes in or pays out each day.

On pages 143 and 144 are examples of cash sheets for a furniture manufacturing business. The cash sheet for each business will be different but at the end of the day, week, or month, they should be able to tally up how much they took in (and for which products), how much they paid out for supplies and other expenses. The difference, if they keep track of everything, is the profit.

System Three: The Two Box System

The two box system of accounting uses one box for operational expenses and one for surplus. As money comes in each month, the money goes into the operational expense box up until all expenses for the month are covered. That money should not be used for any personal expenses no matter how serious. After all expenses for the month are covered, the money goes into the other box.

This system (or the envelope system) is particularly good for businesses that have seasonal variations in costs or income. For example, if a blacksmith sells lots of plows at the beginning of the planting season, he needs to purchase materials to make them several months in advance but will not see the income until a month or two after planting. By planning ahead for the amount of money he will need to buy materials, he can save from the profits of the sale for the purchase of materials for next season.

Pros, Cons, and Other Uses

There are many ways of accounting using boxes or envelopes. If your clients cannot write and have no interest in learning, then you should adapt one of these methods to the business (and the NGOs need for records). However, it is preferable for the business to keep written records and keep money in the bank.

It may not take much more time to teach numeracy (the ability to read and write numbers) than it does to teach someone to use one of these systems. Although some businesses get fairly large without a written accounting system, most need to keep written accounts to see how to increase their profits.

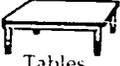
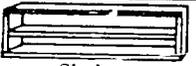
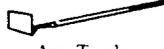
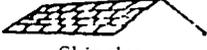


Keeping money in the bank (or some other savings system such as postal accounts) keeps it safer and makes it a little less tempting to spend. If business people can keep a separate account for their business and their household expenses, that makes it easier to assist the business. However, most very poor people make so little they have to spend their income immediately for food and other needs.

Many people do not think of what they do as a business. A woman who sells a few vegetables at the market, or a family that weaves mats in their spare time, for example, may not think of that as a business. One advantage of keeping accounts, written or by some other system, is that it reminds the individual or family that it is a business and that it has the potential to expand and make a greater profit.

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Items Sold at a Woodworking Business

									TOTAL
 Window Sashes 									
 Tables									
 Shelves									
 Chairs									
 Cart									
 Ag. Tools									
 Wagon									
 Shingles									
TOTAL									

BALANCE SHEET

Definition

A balance sheet is a snapshot of a business' financial situation at a point in time. It is an inventory of *assets* (what the business has such as equipment, supplies, cash) and a listing of claims against those assets. The claims may be *liabilities* (what the business owes) or *owner's equity* (the amount the owners have invested in the business). Total assets always equals liabilities plus owner's equity.

How it Works

Here is a sample of the items commonly included on a balance sheet; with figures filled in for a business as of December 31.

Balance Sheet December 31, 1987

Assets		
Current assets:		
Cash on hand		500
Savings account		2,500
Accounts receivable		1,800
Inventory:		
Raw materials		1,500
Finished products		3,500
Property, Plant and Equipment:		
Office equipment	1,100	
(less depreciation)	(550)	550
Plant equipment	2,400	
(less depreciation)	(1,200)	1,200
Land and buildings	15,000	
(less depreciation)	(1,500)	13,500
TOTAL ASSETS		\$ 25,050
Liabilities		
Current Liabilities:		
Accounts payable		1,500
Wages payable		750
Noncurrent Liabilities:		
Loans payable		8,000
TOTAL LIABILITIES		\$ 10,250
Owners' Equity		
Reserves for bad debts		1,200
Owners' capital		11,100
Retained Earnings		2,500
TOTAL OWNERS' EQUITY		\$ 14,800
TOTAL LIABILITIES AND OWNERS' EQUITY		\$ 25,050

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The assets are shown at the top with property, plant and equipment depreciated according to their original cost and how long they are expected to last. Fixed assets are always valued at purchase price less accumulated depreciation. (See PROFIT-AND-LOSS STATEMENTS for more on depreciation). On the bottom half of the table are listed liabilities and owner's equity. The total of these two items is exactly the same as assets.

It can be difficult to place value on some assets. For example, raw material is usually valued at its original price. But if it has deteriorated, you will have to value it at less than the original cost. If inflation is high, the value of the raw material stock will increase. Finished products would be valued at their cost of production, plus storage cost, not their sale price.

For analysis, separate assets into two types, current assets and fixed assets.

Current assets are cash and those that can readily be turned into cash such as checking accounts, savings accounts, accounts receivable and inventory.

Fixed assets would include plant equipment, office equipment, vehicles, buildings, and land.

Separate liabilities into two types, current and noncurrent liabilities.

Current liabilities are those expenses which will need to be paid in the next 12 months. This would include accounts payable, wages payable, and short term loans.

Noncurrent liabilities are loans and mortgages.

Working capital is current assets minus current liabilities.

Analyzing Balance Sheets

You can analyze balance sheets in two ways: look at trends within the business, or compare the business with other businesses producing the same product or providing the same service.

To look at trends within the business, it is usual to make a comparison on an annual basis—for example, at the end of each fiscal year or each calendar year. By looking at changes in the assets, liabilities, and owner's equity over time, you get a good indication of the growth of the enterprise. For example, increases in property and equipment can indicate growth in the business. By comparing liabilities and owner's equity, you can see if the increase in assets is from additional debt (loans) or from an increase in owner's equity. An increase in owner's equity is a good indicator of growth.

To compare the business with other businesses, you will need to be sure all the balance sheets are in comparable terms. You do this by computing a ratio. There are many ways to do this but for our purposes, we will look at three:

current ratio

quick asset ratio

long-term debt to equity ratio

Calculating Current Ratio

DEFINITION

The current ratio measures the proportion of current assets to current liabilities. It is an indicator of how well a business is able to meet immediate obligations or expenses.

HOW IT IS CALCULATED

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

WHAT IT MEANS

The current ratio is also called the working capital ratio. There should be about twice as many current assets as current liabilities, therefore the current ratio should be higher than 2. If the current ratio of the business you are looking at is higher than that of other similar businesses, then your business is probably doing well. If it is lower than that of other businesses, there may be problems needing attention, and there may be cash flow problems.

Calculating Quick Asset Ratio**DEFINITION**

The quick asset ratio measures whether the business can meet its financial obligations over the next few months.

HOW IT IS CALCULATED

$$\text{Quick Asset Ratio} = \frac{\text{Cash, bank balances, and accounts receivable}}{\text{Current Liabilities}}$$

WHAT IT MEANS

The quick asset ratio should be at least 1. If it is lower, it may be difficult to meet current obligations, especially if sales are slow for a while. If, on the other hand, it is higher, this means a strong financial position and that the company could withstand a temporary slow-down in sales without undue hardship unless there are accounts receivable that are difficult to collect.

Calculating Long-term Debt to Equity Ratio**DEFINITION**

The long-term debt to equity ratio shows the amount of long-term investment in the business by creditors as it relates to the long-term investment by the owners. In other words, it shows how much of the business is due to the owners' investment and how much is due to credit investments.

HOW IT IS CALCULATED

$$\text{Long-term debt to equity ratio} = \frac{\text{Long-term debt}}{\text{Owner's Equity}}$$

Owner's equity was explained earlier. Long-term debt is calculated by summing all the loans, both interest and principal, and other commitments due in after the next six months. That may include membership savings in credit unions or payments to savings and loan institutions.

WHAT IT MEANS

A new business may have to borrow heavily to get started so that, at first, the long-term debt may be greater than the owner's equity. This type of ratio would indicate a high risk, especially from the creditor's view. Ideally long-term debt should be less than 50 percent of owner's equity. After a major investment or expansion, the long-term debt would go up and it may fall to less than 50 percent just before an investment or expansion.

Pros, Cons, and Other Uses

A balance sheet can provide an accurate assessment of business growth and potential for sustainability. It offers a quantifiable measurement for many of the indicators of economic impact: investment in plant and equipment, changes in production and credit, reinvested profits, etc. It is essential for larger businesses and cooperative ventures.

But balance sheets will not be found among the tiniest businesses, and even small business may maintain a very partial record of this type. Projects that provide assistance to a large number of these businesses will not be able to depend on the availability of these records for monitoring purposes. In some instances, field workers can create them with clients at the time of loan application. In other instances, owners' perceptions and staff observation of physical evidence may be a more economical and time-effective way to understand the growth businesses have undergone.

**BREAK-EVEN
ANALYSIS****Definition**

A break-even point is the price you need to charge or the level of production you need to maintain in order to cover all fixed and variable costs.

How it Works

The break-even point is one good indication of the risk at which the firm is operating. If products are being marketed at close to the break-even point, the business is operating at a high level of risk. If the products are being sold at substantially above the break-even point, and if the market continues to expand, then the business is probably operating at a low risk. If the break-even point is a low fraction of the capacity of the business to produce, but this level of production is a large share of the market demand, risk may also be high.

Risk analysis works best when the business has only a few products and/or where the cost of each product can be calculated into a cost-per-item.

Risk may be reduced by diversifying into many products, some of which have joint production costs. For example, a baker may make several types of cakes, breads, and snacks, each with different profit levels and demand. Since production costs (for equipment, ingredients) are the same for all, the risk is reduced.

There are two types of break-even points:

If prices are fluctuating widely but production costs are predictable, then divide the cost of production by the number of units produced and you will know the break-even price.

If prices are fixed, divide the costs by the price and you will have the break-even production level.

The break-even price is calculated this way:

$$\frac{\$34,305 \text{ (Total Cost of Production)}}{4,150 \text{ (Units Produced)}} = \$8.27 \text{ per unit}$$

In this case, the business must sell each item for over \$8.27 to cover the costs of production.

The break-even level of production is calculated this way:

$$\frac{\$34,305 \text{ (Total Costs of Production)}}{10 \text{ (Price per Unit)}} = 3,430 \text{ units}$$

In this case, the business must produce 3,430 units per month in order to sell enough to turn a profit.

Break-even analysis is best applied before a business is started, as it can provide good insight into its commercial feasibility. The information can be used to determine at what level of production the business will be able to cover all its expenses. It can also help decide the minimum price needed for the business to be viable at different levels of production. Financial assumptions about costs and prices can be manipulated to predict best, worst, and probable scenarios for the business.

Once a business is functioning, break-even analysis can be undertaken again to test planning assumptions against reality. An accurate picture of how long a business may require project subsidy can be determined in this way.†

Definition

Cash flow charts are a summary of money coming into and going out of a business. They are usually done monthly and include actual receipts and disbursements.

How it Works

A sample of the items included in a cash flow chart can be found on page 151. All figures in the cash flow chart are *amounts actually paid out or received*. They exclude depreciation. Capital costs are listed in full where they occur.

†For more on break-even analysis see, Henry R. Jackelen, *Manual for Commercial Analysis of Small Scale Projects* (Washington, D.C.: Appropriate Technology International, 1983).

CASH FLOW STATEMENTS

In completing a cash flow chart for a very small business where the owner does not receive a regular salary but uses money from the business for his living expenses, include an estimated amount in the cash outlays section.

If an investment was made but only the down payment paid in a particular month, then only the down payment would be registered in the cash flow statement. For example, a sewing machine that costs \$120 was purchased in July with \$50 down and \$10 paid each month for the next seven months. In the cash flow chart, \$50 would be indicated as an investment for July, and \$10 for August and so on for the next six months.

Similarly the sales figures are those *actually received*. The net balance on the bottom line for each month is carried forward to the following month and written in the line marked "amount brought forward." This amount is treated as cash received that month.

Analyzing the cash flow charts of a business can be very helpful in identifying problems the business may be having. If the net balance at the end of a month is quite low, it can be an indicator that production is being limited by a lack of capital to purchase sufficient raw materials. For example, the stock of raw materials may be so low that the business has to wait for income from sales to purchase more materials. Or, it may mean that too much was already spent on an inventory of raw materials.

If the balance is low, it may also mean that raw materials cannot be purchased in quantity. Costs are higher because of numerous small purchases of raw materials rather than receiving quantity discounts.

When there is a large net balance at the end of each month, larger purchases or general expansion could be considered assuming there is a market for the product.

By developing and analyzing cash flow projections for businesses, the owner and the credit institution can get a clearer idea as to when and how much credit may be needed (during months when the net balance is negative) or when it can be repaid (months when there is a positive net balance).

Pros, Cons, and Other Uses

Cash flow statements will never be found at the smallest end of the business scale—except in the mental calculations these people make on a daily basis. This is practically all they need. As businesses grow, however, such a tool can be a helpful planning device between field worker and client.

Cash flow analysis becomes helpful with larger businesses, especially those of a cooperative nature. It serves a purpose not just in monitoring, but also design. When an NGO helps start these ventures, it is important to know how long it will take to get the business operational, and once in operation, the time required to reach its break-even point. (See BREAK-EVEN ANALYSIS.) Prior to self-sufficiency, external support will be required at varied rates to cover expenses. A cash flow chart can help plan out the transfer and phase out of this assistance.

Cash Flow Summary

Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Cash Outlays												
Investments												
Business expenses												
Interest paid												
Household expenses												
Savings												
Total Outlays												
Cash Received												
Amount brought forward												
Sales												
Other income												
Total Received												
Surplus												
Deficit												
Loans Received												
Loans paid												
Net Balance												

Definition

A profit-and-loss statement depicts the financial results of a business over a given period of time. $\text{Income (revenue)} - \text{Expenses} = \text{Profits (net income)}$.

How it Works

Profit-and-loss statements can be used in a variety of ways to evaluate the financial performance of a business. They can answer these questions:

- Have profits increased over time?
- Have sales increased since last year?
- Have costs of production been reduced?
- How does this business compare with other businesses?
- How does this business compare with other industry averages?
- How does this product compare with one in a completely different line of production?

PROFIT-AND-LOSS STATEMENTS

Profit is the return the business owner receives on his money, management skills, and the risk he takes in starting the business. Any other factors that went into the success of the business should be included as expenses. Profit is the "bottom line" of the statement. It tells whether the business made or lost money, and is a very important indication of whether the business will survive.

A typical statement includes these items:

Profit-and-Loss Statements
January 1, 1987 to December 31, 1987

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Income:												
Sales												
Wages received												
Interest received												
Value of products consumed												
Total Income												
Expenses:												
Raw materials purchased												
Salaries and benefits												
Wages and benefits												
Family labor												
Rent												
Electricity												
Telephone												
Office supplies												
Transportation												
Interest paid												
Equipment and building repairs												
Taxes												
Depreciation												
Total Expenses												
Net Profit or (Loss)												

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Key terms on the statement include:

raw material—any supplies used in producing the final product

salaries—fixed amounts paid to managerial personnel, usually quoted monthly or annually

wages—amounts paid to workers per hour, day, or per piece produced

benefits—13th month of salary, retirement, separation pay, health care, insurance

depreciation—an accounting device that allows you to include durable purchases by prorating them over time. It is used for large expenses such as land, building, or equipment. Straight line depreciation is calculated by estimating how long the item will be useful and dividing the full purchase price by that amount. A building that cost \$15,000 might be expected to last 20 years. That means the building would cost \$750 per year. (See the sample depreciation schedule included here for more examples). Divide that price by 12 to include the correct amount in a monthly profit and loss statement.

Other items are self-explanatory.

Three completed profit-and-loss statements are included here as examples. They demonstrate the importance of cash and noncash expenses.

Pros, Cons, and Other Uses

Clearly an understanding of profit and loss is essential to evaluating project impact on assisted businesses. And, profit-and-loss statements provide the simplest way to track that information. The problem is that not all businesses keep these records. Some owners are illiterate. Many feel they can maintain a sufficiently accurate understanding in their heads. Others are fearful of tax collectors and government interference.

One advantage of keeping records with small businesses is that it teaches business people to keep business finances separate from household finances. This, in turn, enables them to invest more in the growth of their business. They can also compare profits according to different marketing techniques or with alternative sources of supply. For these reasons, many projects provide training in record keeping as part of their package of assistance. Symbol systems for nonliterates have also been devised. (See ACCOUNTING FOR NONLITERATES).

There are also more sophisticated ways to interpret profit-and-loss statements. Some ratios to calculate include return on equity, return on assets, return on interest-earning assets, and return on total income.

Example I

In this business, income and expenses are divided into two columns: cash and noncash. Noncash items include products consumed by the family, the opportunity costs (family labor and rent), and depreciation. It is important to include a fair wage for the business owner and his family to obtain an accurate picture of an enterprise's financial viability. It also makes it easier to compare one small business with another. Estimate the fair wage for each individual. Multiply it by an estimate of how many hours each works.



Profit-and-Loss Statement
January 1, 1987 to December 31, 1987

<i>Detail</i>	<i>Cash</i>	<i>Noncash</i>
Income		
Sales (4120 units × 10.)	\$41,200.00	
Interest received	150.00	
Value of products consumed (30 units × \$10.)		300.00
Total Income	\$41,350.00	\$ 300.00
Expenses		
Raw materials purchased	\$14,800.00	
Salaries and benefits	4,800.00	
Wages and benefits	6,400.00	
Family labor		2,300.00
Rent		1,500.00
Electricity	360.00	
Office supplies	550.00	
Transportation	500.00	
Interest paid	1,340.00	
Equipment and building repairs	130.00	
Taxes	300.00	
Depreciation		1,325.00
Total Expenses	\$29,180.00	\$5,125.00
Net Profit	\$ 7,345.00	

Example II

Where much of the labor and other resources are provided by the family, it is important that the business distinguish between cash and noncash expenses. The reason for this is that some development projects, such as agricultural mechanization projects, can increase the profits for the business while actually decreasing the amount of cash available for the household.

Compare the two statements below. In both cases, the gross income is the same \$340. In the slash-and-burn method, the net cash income is greater (\$234 compared with \$172). That is because the farmer has additional cash costs from hiring the tractors to do the work he previously did with his own labor. Unless the farmer can increase the number of hectares farmed, or increase the yield per hectare, to compensate for the lower net cash income, he will have less money available for household expenses.

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Corn Budget
Slash-and-Burn Method
1 Hectare

<i>Activity</i>	<i>Man Units Labor</i>	<i>Opportunity Cost of labor†</i>	<i>Expenses</i>	<i>Cash Fixed Costs</i>
Land clearing	18	\$ 36.00	\$	\$
Seed			2.00	
Planting	1	2.00		
Hoeing	15	30.00		
Harvesting	10	20.00		
Shelling	1	2.00	32.00	
Transportation			60.00	
Marketing	1	2.00	12.00	18.00
Depreciation				
	<u>46</u>	<u>\$ 92.00</u>	<u>\$106.00</u>	<u>\$ 18.00</u>

Total costs	\$ 216.00
Income: 5000 lbs. x 6.8 cents/lb.	340.00
Net cash income (Income – cash expenses)	234.00
Net benefit (Net cash income – fixed costs)	216.00
Profit (Income – total costs)	124.00

†Assumes all labor is supplied by the family.

Corn Budget
Semimechanized Method
1 Hectare

<i>Activity</i>	<i>Man Units of Labor</i>	<i>Opportunity Cost of Labor</i>	<i>Expenses</i>	<i>Cash Fixed Costs</i>
Plowing†		\$	\$ 19.00	
Disking†			9.00	
Planting†			9.00	
Seed			2.00	
Weeding†			20.00	
Harvesting	10	20.00		
Shelling	1	2.00	32.00	
Transportation			60.00	
Marketing	1	2.00	12.00	
Interest			5.00	
Depreciation				\$ 18.00
	<u>12</u>	<u>\$ 24.00</u>	<u>\$168.00</u>	<u>\$ 18.00</u>

Total costs	\$ 210.00
Income: 5000 lbs. corn x 6.8 cents/lb.	340.00
Net cash income (Income – cash expenses)	172.00
Net benefit (Net cash income – fixed costs)	154.00
Profit (Income – total costs)	130.00

†Assumes all tractor work is hired from a machinery pool.

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**Sample
Depreciation Schedule**

<i>Depreciation</i>	<i>Original Cost</i>	<i>Useful Life</i>	<i>Depreciation</i>
Buildir.g 20' x 40'	\$ 15,000	20 years	\$ 750 per year
Sewing machine	1,200	4 years	300 per year
Cash register	800	4 years	200 per year
Desk and chair	300	4 years	75 per year
TOTAL DEPRECIATION			<u>\$1,325 per year</u>

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THE BELCHER SCALE¹

<input type="checkbox"/>	ECONOMIC
<input checked="" type="checkbox"/>	SOCIAL
<input type="checkbox"/>	INSTITUTIONAL
<input type="checkbox"/>	MULTIPLE USE
TOOLS	

Definition

This scale measures the level of "development" based on assets and consumption at the household level. It is a means of measuring socioeconomic status at the household level across cultures.

How it Works

This scale is based on the reasoning that technological complexity is a good indicator of other kinds of development. It uses 14 items as follows:

		Score
Function 1.	Shelter: Construction of exterior walls	
	Brick, concrete block masonry, painted frame	5
	Asbestos or asphalt siding	4
	Unpainted frame	3
	Scrapwood, Coca-cola signs	2
	Grass, leaves, none	1
Function 2.	Shelter: Construction of living room floor	
	Finished hardwood, tile, terrazo	5
	Finished or painted softwood, bare concrete	4
	Unfinished hardwoods or softwood with tongue and groove	3
	Wood with cracks	1
	Earth	1
Function 3.	Shelter: Construction of roof	
	Concrete, tile, good shingles	5
	Corrugated or sheet metal, warped shingles	4
	Roll roofing, thatch	3
	Straw, Coca-cola sign	2
	None, roof with large holes	1
Function 4.	Storage of water	
	Automatic: piped to house	5
	Cistern	4
	Clay barrel designed solely for water storage	3
	Large clay jar	2
	Buckets, tin pails	1
Function 5.	Transportation of water to home	
	Automatic, faucet in home	5
	Hand pump, faucet in yard	4
	Bucket with pulley in yard	3
	Bucket from well or stream in own yard	2
	Carry over 100 yards	1



¹See also: John C. Belcher, "Evaluation and Restandardization of Sewell's Socioeconomic Status Scale," *Rural Sociology* 16(1951):246-255; and "A Cross-Cultural Household Level of Living Scale," *Rural Sociology* 37(1972):208-220.

Function 6.	Lighting	
	Electric fixture, lamps	5
	Electric bare bulb	4
	Carbide or gasoline lantern	3
	Kerosene lamp	2
	Candle, open fireplace	1
Function 7.	Preservation of perishable food	
	Electric or gas refrigerator	5
	Ice box	4
	Spring house, cellar	3
	Window box, clay jar	2
	None	1
Function 8.	Eating: Place settings of flatware	
	Over two per person (a set is a knife, fork, and spoon)	5
	One to 1.9 per person	4
	One utensil or more per person but not a full setting for each person	3
	Partial for entire household; fewer utensils than people	2
	None; use hands	1
Function 9.	Disposal of human wastes	
	Flush toilets	5
	Modern pit toilet	4
	Privy	3
	Trench and stick in fence corner	2
	None	1
Function 10.	Transportation	
	Owned or leased automobile; in some situations, a motor boat or airplane	5
	Motorcycle or other small motorized vehicle	4
	Horse with wagon or buggy	3
	Bicycle, horse, or mule	2
	Foot only or public facilities	1
Function 11.	Cooking food: Equipment	
	Electric or gas range	5
	Hot plate, kerosene or oil stove	4
	Manufactured wood stove	3
	Clay stove, mud table, hibachi	2
	Three rocks, bare ground	1
Function 12.	Fuel for cooking	
	Electricity or gas	5
	Oil	4
	Wood or charcoal	3
	Small sticks, scrap wood	2
	Weeds, leaves, dung	1

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Function 13.	Cleaning floors of home	
	Vacuum cleaner	5
	Electric broom or sweeper	4
	Purchased dust mop or good grade broom	3
	Native broom or mop	2
	None	1
Function 14.	Washing dishes	
	Automatic dishwasher	5
	Sink with drain	4
	Dishpan, no sink	3
	Multipurpose pan, kettle or washpan	2
	Wash in stream or at pump	1

The scale consists of 14 item scores. A person with a score of 1 on each item would receive the lowest possible level of living rating of 14, and it would be known from the scale that this individual had the least advanced technology. A household with a score of 70 is at the highest standard of living.

It has been suggested that the bottom items on the scale cost very little in terms of money or time of manufacture. By contrast, items at the top of the scale cost hundreds or thousands of times as much. The items can be weighted with a factor of .1, 1, 10, 100, 1000. That means the various levels of household development reflect a geometric increase in costs. It costs 1000 times as much to maintain a household at level 70 as it does to maintain one at level 14.

In less developed countries, most households will fall at level 1 for each function. The actual cost of moving them up the scale to level 2 is relatively modest compared with what it costs to move a household from level 4 to level 5. The scale measures dimensions of the quality of life such as health, nutrition, infant mortality, and the amount of physical labor required to maintain life.

Different levels of living may be related to class structure. If the poor progress from level 1 to 2 while the rich advance from level 4 to level 5, it will be known that the gap is actually widening between the rich and poor.

Pros, Cons, and Other Uses

This scale proposes to be cross cultural but in fact certain items may be biased. (Flatware may not be used even in wealthy households in Asia, for example.).

The scale does not distinguish enough among the lower levels so that, in the type of communities most NGOs work with, everyone would score so low that the scale would be of little use.

It could be used for cross-cultural comparison of communities for overall standard of living and, since the costs of changing to higher levels are greater, that may be important for budget considerations for project planning.

Source

The scale was developed by John C. Belcher and has been adapted for use in Guatemala by Frederick L. Bates, Professor of Sociology, University of Georgia. Much of this text is adapted from a paper by Dr. Bates titled "An Impact Study of External Aid in Guatemala after the 1976 Earthquake and its Lessons for Cross-culturally Relevant Measuring Instruments."



CRITICAL INCIDENT ANALYSIS

Definition

This is a way to structure group discussions around an in-depth analysis of an individual event or a few specific events.

How it Works

The first thing is to look for “critical incidents” or specific events that changed the course of the business or the project. The incident can be positive or negative. For example, it could be the attendance of several group members at a training session, the dropping out of an uncooperative group member, successful repayment of a loan, or a decision about the business. The incident may not be recognized as “critical” until some time after it happens so think back about events that affected how it worked.

Then, analyze the incident in depth.

- Recreate in as much detail as possible exactly what happened. Who was involved, why, when, and where?
- Why was the incident “critical”? What changes in the business or the individuals occurred? Why?
- List all the individuals affected by the incident either directly or indirectly. Why was each affected and in what way?
- Is the incident likely to occur again? If so, what effect will it have? If not, why not?
- How did people feel about the incident at the time it happened? How do they feel about it now?
- Did they recognize the importance of the event at the time it happened or only after some time had passed? Why?
- What was learned from the incident? What changes were made in the business as a result?

Pros, Cons, and Other Uses

Critical incident analysis is a good way to structure a self-evaluation or to discuss some special event that affected the business or the working relations among a group involved in a business.

Because it is unstructured, it is sometimes hard for people to look at one incident. There may not be a consensus about what happened or why. This, too, is an interesting point of discussion, but not all people will have the same opinion.

It requires a group of people who have a common history, who all recall the event, and who know something about it.

Critical incident analysis is sometimes useful if you have a group of people who are not able to progress with plans. You can treat the lack of progress as the critical incident and have the group decide what the obstacles are.



PROCESS DOCUMENTATION†

Definition

Process documentation is a way of objectively describing and recording information about how individuals and groups change as they gain more skills in problem solving.

How it Works

Process documentation can be fancy and complex or it can be very simple. The complexity depends on two factors—who records the information and how much information they record.

Process documentation is the routine collection of information about project implementation and impact. Someone (a group member, someone from your staff, or an outsider) takes regular notes over predetermined topics. Periodically (quarterly? every six months?) you stop to assess what changes have occurred, whether those changes are what you want to happen, and any progress or setbacks you may have experienced.

One organization hired students from the local university to spend 11 days per quarter observing the project and its participants. Based on interviews and observation, each made comments on the project's impact, the impact on the community, on the project participants' perceptions of themselves, and other aspects of the project of interest to the NGO.

Meetings with process documentors enabled management to assess strengths and weaknesses of the program as well as to improve the documentation process.

You may not have the resources to hire outside documentors but literate group members can take notes over their meetings, and those can become a useful chronicle of group interaction.

It is essential that you decide before you start on what types of behavior or interactions you want to focus on so that your documentor knows what to look for and record. It is also essential that the facts be set down as objectively and in as much detail as possible.

For example, a group of women aim to form a poultry-raising cooperative and the NGO hopes, not only to help with a profitable poultry project but to increase the women's ability to approach banks and government offices for the assistance they need. The process documentor might record the following information:

Sources

Romana P. de los Reyes, "Process Documentation: Social Science Research in Learning Process Approach to Program Development." Paper prepared for Social Development Network Meeting, New York, 1983.

Libbet Candon, and Bonnie Shepard, *Women, Enterprise, and Development: The Pathfinder Fund's Women in Development Projects, Evaluation, and Documentation (WID/PED Program, 1984)*.

This study of five women's projects used process documentation as its primary method. The report is available from:

The Pathfinder Fund
9 Galen St. Suite 217
Watertown, MA 02172

The term *process documentation* was coined by Frances Korten of the Ford Foundation during her work in the Philippines with the National Irrigation Administration.



Impact on the individual

- changed perception of herself
- changed role in family
- changes in self-confidence
- changes in use of time
- changes in decision-making ability

Impact on the family

- effect of absence from home
- changes in income
- changed dependence relationships
- changed division of labor within family
- family opposition or support
- attitudes of family members

Impact on community

- increased participation of women in community affairs
- increased availability of goods (meat, eggs)
- changed prices of goods
- effect of project on other institutions such as other businesses, schools, social organizations.

The documentor would provide detailed examples of specific events that illustrate the point. For example, rather than just saying that there has been a changed division of labor in the family, the documentor would describe how an older child now takes more responsibility for child care and the father now does some of the family shopping on his way home from work. Specific dates and events make it more useful.

Process documentation has the following advantages:

- It provides an in-depth, on-going view of social and economic processes, making it possible to see change as it occurs and to understand its causes. Because it collects information as it happens, it produces data that cannot be collected by retrospective interviews.
- Because it makes the views of participants available and clarifies the impact of the project on the individuals, their families, and their communities, it gives a qualitative dimension to evaluation not obtainable in other ways.
- The process may bring to light issues not expected to be important and that might have been overlooked in other types of research.

It works best under these circumstances:

- When you are interested in group processes; for example, with a group of people who are starting a small business.

- When you have individuals who can serve as documentors—i.e., people who are literate and who can be fairly objective about what they see and hear. Documentors have to be trusted to maintain confidentiality.
- When combined with other sources of information to confirm the trends process documentation suggests.

Definition

The role analysis worksheet is a mechanism for stimulating discussion about the changes that may occur in an individual as a result of the project. (It can also be used by an organization to determine, from local feedback, what are the constraints holding back progress. This will help in program design—i.e., whom to assist, the need to organize, what to advocate, etc.).

How it Works

The worksheet can be used in several ways:

- Use it as basis for discussion in your staff meetings, discussing each question in succession. When the individual questions have been answered, then discuss what you have learned from the exercise.
- Ask some of your project participants to use the worksheet as a basis for their discussions about what they hope to get out of the project. Ask them to report to you on what they want to accomplish as individuals.
- You can rewrite the worksheet as a series of open ended questions and ask a number of individuals to write their answers in the blanks. Include some of your staff at all levels and a sample of all types of participants. Tabulate the answers and see what problems are most often mentioned. Is there a difference between what the staff see and what the participants see?

Role Analysis Worksheet

1. Who are direct participants in your small business project?
 What portion are men? _____ Women? _____
 What ethnic groups are represented? _____
 What language groups are represented? _____
 Are there social classes or castes? _____
 (Even in very poor communities there are differences in social class.)
2. What are the constraints they face? _____

 Are women trying to do something women don't traditionally do? _____

 Are people afraid to cooperate with each other for some reason? _____

**ROLE
ANALYSIS
WORKSHEET**



Are the people looked down on by others?_____

Do husbands not approve of their wives or daughters working?_____

Is there a powerful elite who are feared by the poor?_____

Do most people own their land? Their homes?_____

3. What roles need to change for them to take more control over their lives?_____

Do people need to be less constrained by their caste, class, or ethnic affiliations?_____

Do people need to learn and assume leadership positions?_____

Do people need to be less fearful of some authority such as the elite, the police, or government officials?_____

Are there religious beliefs that hamper economic improvement?_____

4. List below some specific activities the group members would like to be able to undertake at some time in the future, but which they cannot do now.

- a) _____
- b) _____
- c) _____
- d) _____

5. For each of the above activities, discuss briefly the barriers to achieving them, the specific steps that might be involved, and decide on a time frame within which you hope the change will occur. Keep in mind that deeply ingrained traditional beliefs take a long time to change.

6. Are there any role models for this new behavior in the community?
Men or women who are engaged in work not traditionally done by that sex?

Individuals who have made more progress economically than others?

7. If so, try to analyze what they did to overcome the barriers to change. If possible, interview them and ask what motivated them to be "different." What social pressure did they experience along the way? What social pressure do they feel now? Try to learn from their experiences.

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8. Describe your plan of action for which changes you want to occur first and which will take longer. Explain how you will bring this change about and how you will measure it.

Pros, Cons, and Other Uses

This worksheet is intended to stimulate discussion and help people focus on existing roles, the constraints those roles impose on individuals, and why people would like for them to change.

There are no "answers." The exercise is not intended to give quantitative results.

Discussions on roles can be very enlightening among a group of people. A useful exercise is to make a list of the various roles in the community and then list all the behaviors that are appropriate and inappropriate for that role. Start with the roles for men and women. Then talk about other roles (child, brother, sister, mother, father, business person, religious leader, loan shark . . .).

Another useful participatory activity is to role-play some new roles. Have the participants "act like" a man (if they are women) or a "wife" if they are men. How does the role of "businessman" differ from the role of "businesswoman"? How does the role of business owner differ from that of employee? This exercise can be used to put on skits, puppet shows, and other expressive activities.

Definition

This is a way of measuring changes in use of time.

How it Works

There are three ways of collecting information on how people spend their time. Since people often have different schedules on different days, it is important to collect the information on many days to have a good sample. Data collection can be at random (What did you do yesterday?), structured (diaries), or semistructured (daily activities schedules). Choose the one that seems best for you. Diaries should be kept for at least two full weeks each six months.

DIARIES

Ask a random sample of project participants to keep a diary for all the things they do over a two-week (or longer) period. Urge them to write their activities in the diary two or three times a day as people often forget what they did or how long it took. In one project, participants were given wristwatches with alarms that "beeped" every hour. Participants were asked to carry a small notebook and jot down what they were doing every hour on the hour. They were given the wristwatch for their efforts. It is a good idea to ask them to indicate their activities in units of 30 minutes if possible.

WHAT DID YOU DO YESTERDAY?

This system is similar to the 24-hour dietary recall. Interviewers call on homes (or businesses) at random and interview people about what they did yesterday by going through the day in hourly intervals. (What time did you get up? What did you do first

**TIME-USE
STUDY**



and how long did that take? What were you doing an hour later, etc.). Try to reconstruct the person's day in as much detail as possible.

SEMISTRUCTURED FORMS

Give forms with the hours and half-hours written on the left side to a sample of people. Ask people to complete the forms with their activity for the day.

In all cases it is best if you ask respondents to indicate their activities in certain predetermined categories. This makes it easier to tabulate the results. Sometimes they will respond with two activities at the same time (visiting with friends while preparing a meal).

Tabulations are made by assigning codes to the different activities and then determining as closely as possible how many minutes were spent in each activity. Because they may perform more than one activity at a time, they may use more than 24 hours a day. Instead of counting minutes, it is easier to count some large unit such as half-hours or quarter-hours.

Sample form

Name Maria Otieno
 Date 6 July, 1986

ACTIVITY	UNITS OF ½ HOUR
shopping for food	3
shopping for household goods/clothes	0
visiting with friends in the home	0
visiting friends outside the home	1
preparing a meal at home	6
cleaning house	6
working for wage employment outside the home	16
traveling to and from work	2
working on income activity within the home	3
church or social activity outside the home	0
sick in bed	0
resting	1
eating	3
gardening	4
home construction or repair	1
organized community activity	0
sleeping	16
TOTAL UNITS	62

Pros, Cons, and Other Uses

Time studies are very good ways to assess one component of the quality of life. Some kinds of projects may show little profit but they give people more leisure time to use in community activities. Other projects may require long hours causing men to neglect their families or women to be severely overburdened.

It is important to have a substantial sample of data to make generalizations from. For diaries, two weeks every six months; for the other forms, at least 14 days for each individual every six months.

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TWENTY- FOUR HOUR DIETARY RECALL

Definition

This exercise is an indirect measure of increased income. It is based on the assumption that people who have more income eat better. It also assumes that those with more income will purchase more manufactured products such as sweets, soda, beer, etc.

How it Works

A form listing all the foods a person is likely to eat in that community is made up. If the list is long, some foods may be combined into general categories such as fruit, green vegetables, and so on. The forms should contain two columns for recording with one labeled "food grown" and the other "food purchased." On the left of the form, the times of the day should be listed (morning, midday, evening) in whatever way people normally refer to them in that community. A sample form is shown on page 168.

The interviewer (the forms can be self-administered if the people are literate) asks the person to remember what he or she had to eat yesterday starting with what they had when they first got up. Then go on to any midmorning snack, lunch, afternoon snack, etc. up until bedtime. It is not necessary to record the size of the portion.

After you have gone through the day, go back and ask the person if there is anything they forgot by reading off the list of possible foods and double checking ("Is the orange you had for breakfast the only fruit you had all day?" "You didn't eat any meat or fish?" etc.).

It is good to repeat the survey every month (or every two weeks) on random days, since you asked what they ate yesterday, you want to avoid always collecting the information on Monday as people may eat slightly differently on holidays, weekends, etc. Vary the collection time so you have a good sample of all the days of the week.

Generally you will have to collect this data over six months or so before trends will begin to show. The data are analyzed by making hatch marks for the number of times a person ate a type of food and whether it was purchased or grown. Over time, you may note an increase in the consumption of meats and fish, the consumption of purchased candies or sweets, soft drinks, beer, etc.

Pros, Cons, and Other Uses

This method of collecting information comes from the field of health and is generally not considered a good way to collect detailed dietary information for nutritional studies because people may not remember everything they had to eat and because it is difficult to know the nutritional value of a portion of food. However, the method can yield some very good general information on changes in dietary habits for a community.

The data collection forms should be carefully pretested so you can be sure they are correctly designed and that people are filling them out correctly.

Summary data forms may vary depending on the needs of the project. For example, if you have done a poultry project with the objective of making more protein available in the community, then you may only want to tabulate the "protein" column and find out how much of that was chickens or eggs.

The forms can lead to some interesting information on dietary taboos (why don't older women eat eggs?), on consumption patterns over time and across groups, food preferences, seasonal changes in the diet, and may give some ideas for small businesses (bakery, fruit import, poultry project, etc.).

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Little reliance should be placed on individual nutritional status since this method is probably not precise enough for that. However, in the example, none of the women were eating fruit. Was this due to seasonal variation, cost of the items, or food preferences? Interviews would answer that question.

Example of a Way it Was Used

In a women's income-generating project, it was important to know what effect the income was having on quality of living. In this situation, women usually eat last (and least). Therefore, information on what they were eating probably indicated that the family was eating better.

**24 Hour Dietary Recall
Sample Form**

Name Alicia Mburugu Date of Interview 13 January 1985

	FOOD GROWN	FOOD PURCHASED
Morning		tea with milk bread margarine
Midmorning	maize on cob	tea with milk and sugar
Lunch	green vegetables maize meal mush	
Afternoon	peanuts	soda
Dinner	green vegetables maize meal mush	goat meat
Evening		2 beers

Did you forget any fruit? Vegetables? Meat?
 Fish? Sweets or cookies? Softdrinks? Beer?
 Rice, bread or other starch? Between meal snacks?
 If so, go back and write them in.

Summary form

Month January, 1985 Group Mwea Women's Group

Name	Protein gr/pur	Fruit gr/pur	Veg. gr/pur	Starch gr/pur	Drinks or sweets	Beer gr/pur
Alice	- 1	--	2 -	3 -	- 2	--
Mary	1 1	--	2 -	3 -	--	- 1
Jane	2 -	--	- 1	3 -	- 1	1 -
Sue	1 1	--	- 1	2 1	--	--
Alicia	1 1	--	2 1	2 -	- 2	- 2
Total	5/4	0/0	6/3	13/1	0/5	1/3

24 Hour Dietary Recall

Total items grown: 25
 Total items purchased: 16

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INSTITUTIONAL DEVELOPMENT WORKSHEET

<input type="checkbox"/> ECONOMIC
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<input checked="" type="checkbox"/> INSTITUTIONAL
<input type="checkbox"/> MULTIPLE USE
TOOLS

Instructions for Using This Worksheet

As you read through **Step 6** you will find a discussion of various aspects of the development of your institution. Because many of the methods used to assess your effectiveness in one area are the same as those used in another area, we have designed this worksheet as a companion to the chapter. Use those sections which apply to your situation. Create new ones if we have overlooked something of importance to your organization.

For each question, we suggest you use specific incidents to illustrate your strengths and weaknesses in the area. Some methods for arriving at an answer to the question are given.

I. Organizational Growth

A. Ability to think critically

1. Describe the process for resolving problems in your organization (both formal and informal).
2. Give three or more examples of problems that have come up in the past few months and discuss how they were handled and why. (CRITICAL INCIDENT ANALYSIS; Brainstorming.)
3. For each example above, answer the following questions.

Who first noticed the problem? When?

When did he/she first call the attention of others to the problem?

How many alternative solutions were considered?

Who was involved and when?

Who eventually made the final decision?

How were participants' opinions included?

B. Shared values and objectives

1. Do the PROJECT PRIORITIES EXERCISE with your staff and with a group of project participants.

Are your objectives the same?

Do they need to be?

How can you reconcile the differences?

2. What do project participants contribute to the project (in addition to their efforts in the business)?

time for meetings

labor for construction of offices

"earnest" money for loans

other

Do they make the contribution freely or is it considered a "payment" they must make to be in the project?

Do people ever contribute more than the minimum required? If so, give some examples.

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3. Who "owns" the project, the participants or the NGO?

Do participants feel free to come to your offices?

Are your office and work hours at participants' convenience or the convenience of the staff?

Give some examples of decisions made entirely by project participants.

Give some examples of decisions where project participants were included as equals.

Give some examples of decisions made without participants included in the discussion.

C. Ability to learn from successes and failures

1. Do you write "case studies" of particular successes or failure for your own use and that of other NGOs?

2. Do you receive reports, newsletters, and journals from other development organizations so you can keep informed about what other agencies are trying?

3. What has been your biggest failure in the last year? (Brainstorming, group discussion)

Why do you consider it a failure?

Did you see it coming?

What did you learn from it?

What changes resulted?

Is it likely to happen again?

4. What was your biggest success in the past year?

Why do you consider it a success?

What part of it can you take credit for?

Who else shares the credit?

What have you learned from it?

Have you made changes because of it?

D. Increased ability to leverage resources

1. Prior to your project, what access did nonformal businesses have to credit? What were the usual terms of repayment? How long did it take?

bank programs

loan sharks

credit co-operatives

2. As a result of your efforts, has this changed? Explain what happened and why.

3. Give three or four examples of individuals who got loans from credit institutions and tell how that affected their business. What are the terms of their repayments and how long did it take between application and approval?

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E. How does your organization resolve conflict?

1. Give an example of each of the following conflicts:

- between field staff and local management
- between different branches of the NGO
- between project participants and the NGO
- among project participants

2. For each example, answer the following questions:

How long did the conflict last before it was resolved?
 Was the conflict resolved at the lowest possible level or did it go up several management levels?
 Were those in conflict included in discussions of the resolutions?

3. Over all:

Which type of conflict generated the most disruption in the office?
 Which took the longest to resolve?
 Could they have been avoided? How?
 Will they be repeated?
 Have there been changes in the flow of information or in the organizational structure to prevent such conflict in the future?

II. Human Qualities

A. Below is a scale of participation. Distribute it to several people in your office and ask them to indicate which is your level of participation. Give it to some project participants and ask them to indicate how they perceive the project. If your staff disagreed among themselves or if they disagree with the participants, you may need to discuss what you mean by participation.

Scale of Participation†

- Level One: Unofficial representation by a "solid citizen" group which endorses outside-planned programs.
- Level Two: Appointment of local leaders to positions on committees.
- Level Three: Community members choose final plan from among predetermined options.
- Level Four: Ongoing consultation with community members as the project is planned.
- Level Five: Average people are represented on decision-making boards, committees, or management teams.
- Level Six: Community control over expenditures of funds.

†Mary R. Hollnsteiner "People Power: Community Participation in the Planning of Human Settlements." *Contact* (June, 1980) pp. 43-52.



- B. Do you have trouble getting people to contribute time to working on committees or with community groups? Why?

Do they contribute time to other activities they consider more important? What activities do they willingly participate in?

- C. Can you name some individuals who formerly never took a leadership role or spoke out on issues who now could be called "community leaders"? What caused them to change? How do people treat them now? Interview them and ask how their lives have changed since they began getting involved in the community. What motivated them to become active? How does their family feel about it?

- D. Do you have model entrepreneurs or model farms?

If not, was it a decision you made deliberately or did you just not think of doing it?

If so, how effective has it been? List some examples of people who made changes in their businesses or techniques as a result of their visit to the model business.

How many people visit the model project each month? From how far do they come?

Ask the model business managers what aspects of the business seem to spark the most interest among visitors. What questions do they ask?

Overall, do you think the model business has been effective?

III. Project Management Systems

- A. Does your organization have an effective system of communication among your staff?

Do staff have enough information to do their jobs?

Are they burdened with paper work?

Do staff report potential problems to others when they are identified?

Do people document, act upon, and learn from these problems as identified?

Are people promoted or given merit pay for good work?

Is the atmosphere in the office pleasant?

Do staff have the office equipment, vehicles, and supplies they need to do their jobs?

Is there a well-understood system for filling vacancies, giving promotions, and bonuses?

Does each position have a clear, accurate job description which is reviewed regularly?

Are salaries competitive with those of other similar organizations?

Do staff arrive the moment the office opens and leave the minute it closes or do they often come early and leave late to finish their work?

Are decisions made and action taken in a timely and coordinated manner?

- B. Does your finance department work well with the rest of the staff?

Do staff know what funds are available for projects?

Do staff participate in budgeting decisions?

Are staff kept informed about expenditures?

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Do you have confidence that the account staff are honest and reliable?
Are project cost break-downs used in evaluating alternative program approaches?

- C. What portion of your staff attended some type of training session or workshop in the past 12 months?

Has that training been equally distributed according to sex, type of position, and length of time with the organization?

Do staff need more training?

In what areas?

What limits the amount of training they receive?

money?

time?

interest?

lack of training sessions?

Do you have a staff training line in your budget?

- D. Is your NGO broadening its financial support base to increase the local involvement?

- 1. For each of the past five years, answer these questions.

What was your total program budget?

What portion (percentage) came from each of the following categories:

Multinational (UN; World Bank)

Governments (AID, DANIDA, CIDA)

National (gov't grants, social services agencies)

Local (charities, churches, business associations)

- 2. What trends have there been over the past five years?

Does your agency have an aggressive fund-raising program in the country where you work?

Does your NGO have any goals or targets for withdrawal from the communities in which you now work?

Who will pay for the programs when you withdraw or move on to other communities?

IV. Project Activities

- A. Which of the following services does the NGO assist with?

Administration	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Credit Program	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Technical Assistance	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Training	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Other		

- B. In the view of your staff, which is the most important part of your small enterprise program?



Devise some SCALES for measuring the effectiveness of the service component of your program. Working in groups, decide how you would define the terms Poor, Fair, Good, Very Good, and Excellent in each case. Do not rush this exercise. Have as many brainstorming sessions, group meetings, or other types of discussions as you need to decide how you would rate yourselves. Include project participants' opinions, financial records (of the credit program), and any other information to justify your rating of yourselves.

Scale Rating Our Effectiveness

Our Administration is:

Poor Fair Good Very good Excellent

It is getting better getting worse

Our credit administration is:

Poor Fair Good Very good Excellent

It is getting better getting worse

Our technical assistance is:

Poor Fair Good Very good Excellent

It is getting better getting worse

Our training programs are:

Poor Fair Good Very good Excellent

It is getting better getting worse

After you have agreed on a rating for your organization, what are your strengths and weaknesses in each area? Why are you weak or strong?

What is your plan for improving the weak areas? Which are very high priority?

V. Political Linkages and Policy Impact

- A. During the past 12 months, has your agency been called on for information or advice by any government agency? If yes, tell how often, and give some examples of typical collaboration.

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During the past 12 months, has any member of your staff been invited to make a presentation at a conference, workshop, or other meeting with other organizations? Who? Why were they asked?

Have the groups with which you work successfully pressured local government or others to make meaningful policy changes or provide necessary resources?

During the past 12 months, how many visitors did you have in the following categories?

- representatives from current donor agencies
- representatives from potential donors
- representatives from other NGOs in the area
- governmental officials at the provincial level or lower
- governmental officials at the national level

Do representatives from your NGO attend meetings of organizations which coordinate the work of the NGOs?

Based on this information, do you feel that your organization is making enough progress in establishing itself with the national or provincial government to make a difference, or is this an area in which you need to work?

B. Does your organization provide services at the convenience of the clients?

How much time does it take to drive from your office to the farthest business you are working with?

How much time does it take the business owner to reach your office by public transportation or on foot?

What are your normal work hours?

At what time are most business people available to talk with you?

How often do your suboffice staff have to go to the main office for meetings, materials, equipment, and to get information? How much of their time does this take?

Do you have telephone or radio communications between your offices? Are all routine matters handled by suboffices with the main office dealing only with unusual matters and administration?

C. Have any of the models you are using for credit, training, or technical assistance been used elsewhere?

- in other communities by your organization?
- in other communities by other organizations?
- by the government in a pilot program?

D. Has the model proved to be transferable? What changes had to be made to make it work in another place? How did other agencies hear about it?

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PROJECT PRIORITIES EXERCISE

Definition

This exercise is helpful in project planning, identifying management problems, and in making midcourse corrections in program policy. It can also be used as an evaluation tool if a project is in process and you need to consider what you have done so far.

How it Works

This tool can be used in several ways. It is used by program implementation staff at all levels.

1. Ask each person on the staff to rate each attribute of a small business project (page 177) on a scale of 1 to 5 (one is high, five is low) according to what priority they think their project places on each element of the project. Tally the scores and discuss what your priorities should be. If there are serious variations in how your staff perceive the program goals, you need to have some planning sessions to be sure priorities are clear and that programs address those of highest priority.
2. Ask each level of staff members to meet as a group (senior staff, program management, field staff), and choose those attributes they think are the highest priority (ranked 1, 2, and 3) and those with lowest priority. Do all levels of staff agree about the project priorities? Discuss how your programs address each issue. Is most of your effort in the areas where you have the highest priorities?
3. For each of the aspects of the project, ask your staff to rate the project on how well you are doing in each area. Ask them to give some specific examples of people or projects that demonstrate success or failure in each area. In which areas is your program strongest? In which areas is it weakest?

Pros, Cons, and Other Uses

This is a useful way for the program to define its priorities and assess progress in the program. It is more useful as a planning and management tool than as an evaluation tool. However, you cannot evaluate a project where the priorities are not clear, so defining priorities may be the first step in an evaluation.

Our list of ten attributes can be modified if you think there are other attributes of a good project.

Project priorities may change over time, and it is good to reassess goals and objectives occasionally to see if you are still doing what you thought you were doing.

Example of How it Was Used

This instrument has been used in training and planning workshops to help program staff define their objectives. Representatives of different projects worked together in small groups to choose their highest and lowest priorities. It was determined that even in very similar circumstances, programs may have very different objectives. The way a project is carried out and evaluated depends on how priorities are perceived by those who implement the project.

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Project Priority Exercise

The following are some attributes of an ideal small business project. Which three are your top priorities? Which are your lowest priorities?

1. Individual small enterprises should show a *profit*.
2. The project should stimulate other economic activity with *forward and backward linkages*.
3. The businesses should increase *employment opportunities*.
4. The businesses should *contribute to the community* by making available good quality, culturally appropriate goods and services, and they should follow fair business practices.
5. The project should promote *social equity* between men and women, rich and poor, the powerful and powerless.
6. The project should have a *multiplier effect* and stimulate people who are not in the project to start their own businesses.
7. The businesses should be *sustainable* over the long run without outside technical assistance from the sponsoring agency.
8. The program creates a sound *infrastructure* of credit, training, and technical assistance.
9. The program helps businesses be aware of, and expand their *markets*.
10. The program emphasizes *quality* both in products and in training and technical assistance.

Definition

Cost-benefit analysis is a way of looking at a project's costs and comparing them with the benefits so that you can make management decisions about which type of intervention is appropriate or about the most effective way to deliver services.

How it Works

Cost-benefit analysis and cost-effectiveness analysis are ways to help make practical decisions about a project. It can help answer such questions as these:

- How much does it cost to provide training in record keeping for 400 market-women in Togo?

¹Source: This material is adapted from the Robert R. Nathan Associates' *The Cost-Effectiveness Analysis Field Manual*. (New York: PACT, 1986).

COST-BENEFIT ANALYSIS¹

- Can the same number of farmers in Kenya be reached with new information on farming techniques more cheaply by hiring an extension agent, or by broadcasting on the radio?
- Is it cheaper to start a central training program and invite trainees to come and stay for two weeks, or send trainers to the nearby communities to carry out the training?
- Is the cost of establishing a small rural factory to produce women's garments greater than the amount of funds available?
- Will women in a rural village be able to afford to maintain bee hives and produce honey for sale in the local market after the honey production project ends?

Cost-benefit analysis can be used in project design to find ways to keep costs low, to know how much funding you will need over the life of the project, and to measure the probability that the project will be a success.

It can also be used as a monitoring tool to see if the project is costing more or less than originally planned, to see where costs can be cut, and to determine when the community can take on financial responsibility for a project.

NOTE: For our discussion here, we will be talking about using cost-benefit analysis in project monitoring but you should be aware that it is a versatile tool. The same principles and the same worksheets can be used to monitor the feasibility of a business.

To complete this section you will have to refer to other forms in this section for some of the work sheets. Because cost-benefit analysis can seem to be difficult the first few times you use it, we will take it here a step at a time.

First: Determine all sources of funding for the project, including all national and international sources. Break it down by year.

Our total funding for this project for the following years is

_____ 1987
 _____ 1988
 _____ 1989
 _____ 1990
 _____ 1991

Second: Determine the annual value of your investment costs. Be sure to break them down by the number of years you will use the item. If you do not know how to do this, turn to the tool PROFIT-AND-LOSS and read the section on depreciation.

The annualized investment costs of our project are:

_____ 1987
 _____ 1988
 _____ 1989
 _____ 1990
 _____ 1991

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Third: Determine the annual operating costs of your project. That is the total of your fixed and variable costs for a year. To determine this figure, turn to the PROFIT-AND-LOSS STATEMENT, elsewhere in the Tools Section. Complete the section called "expenses." This would include both your fixed and variable costs. The total project expenses for the year should be put in the following blanks.

_____	1987
_____	1988
_____	1989
_____	1990
_____	1991

Fourth: When you have collected the information on your project's investment costs, fixed costs, and variable costs, you can make up an annual budget such as this. Remember to use annualized values.

Annual Project Budget

Investment costs		
Land		
Buildings	_____	
Vehicles	_____	
Labor	_____	
Training	_____	
Subtotal		_____
Annual operating costs		
Fixed Costs		
Administrative salaries	_____	
Other labor	_____	
Supplies	_____	
Utilities	_____	
Subtotal		_____
Variable Costs		
Raw materials	_____	
Transportation	_____	
Labor	_____	
Maintenance	_____	
Subtotal		_____
Total annual budget		_____

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Fifth: Now that you know the project costs, you need to calculate the project benefits. Costs are usually relatively easy to obtain. Benefits are sometimes more difficult to identify and put into numbers.

Benefits can be divided into *monetary* and *nonmonetary* benefits.

Monetary benefits are those project products that can be sold or traded in the market. For example, if your project trains and employs people to make earthen cooking stoves, the product is the stoves. We can measure the annual value of the monetary benefits by multiplying the number of stoves sold each year by the price at which they were sold:

Annual project output	×	Per unit sales price	=	Value of annual output
20 stoves	×	\$3.50	=	\$70.00

The same formula can be used for any project (or business) where a monetary value of the product is easy to obtain. For example:

- agricultural products, whether they are sold or consumed by the farm family (this might include grain, honey, eggs, meat, or fish)
- products from small industry such as handicrafts, clothing, furniture, leather goods, tools, or carpets

Nonmonetary benefits are more difficult to measure because there is no money value associated with the product. The usual way of measuring nonmonetary benefits is to use some other unit of measure besides money. For example:

- the number of training sessions held
- the number of individuals assisted with technical problems
- the number of small businesses that set up and used an accounting system this year
- the number of loans given to women

NOTE: One of the problems with cost-benefit analysis is that it does not take into consideration social benefits such as improved status, stronger community organization, or changes in policy toward the informal sector. For that reason, you will need to monitor social indicators in other ways. This is discussed in detail in **Step 5** of this book.

Sixth: Now that you have some basic figures to work with, you can begin to use them to make some estimates of feasibility and sustainability. First, we can look at the costs of the project compared with community resources. This helps you decide if the project will cost more than the community can afford to maintain.

To calculate sustainability, find the worksheet called PREDICTING SUSTAINABILITY. This tells you how to interpret your results. You should keep this note in mind.

NOTE: If you are doing integrated projects in small enterprise, health, education, and other sectors, remember that the community will have certain costs connected with other projects. A per capita income indicator for one sector is not useful. You need to see *all* the costs the community is expected to pay such as health workers' salaries, and school building funds.

Seventh: Calculating the ratio of net benefits to costs allows you to measure the profitability of a small business and answer such questions as:

- Does the money farmers earn from planting cotton instead of maize cover the extra cost of growing cotton plus earn the family enough profit to buy food?
- Will the sales of stuffed mattresses made by the women's group be large enough to allow them to save for a new sewing machine when the old one wears out?
- Will the blacksmith make enough money to buy new tools next year and pay his assistant?

To calculate this ratio, you will need the NET BENEFITS TO COST RATIO worksheet, which also follows. The directions and method of interpretation are given with the worksheets.

In summary, cost-benefit analysis can be a useful way of making decisions about the following.

- whether to start a business
- which direction to expand a business
- which of the alternatives is more profitable
- whether the community can pay for the project

Cost-benefit analysis is limited to benefits that can be measured in money or some other unit. It does not measure "quality" factors. And, cost-benefit ratios can be a very useful way for monitoring the progress of your small business project. You can monitor the net benefits to cost ratio of the whole project, or you can look at the total monetary (or nonmonetary) benefits of the businesses you assist to see how much they have benefited the community.

Remember that you can only take credit for the increased benefits resulting from your intervention. So, baseline data or some comparison sample will help you see what effects you have had.

Definition

This indicator is used to measure projects that have monetary outputs such as cotton, mattresses, baskets, or honey. In other words, products that are sold in the market or consumed.

How it Works

Before you start, you need to collect the following information:

- the number of project participants
- all outside funds budgeted to the project from both foreign, national, and local institutions

¹Source: *The Cost-Effectiveness Analysis Field Manual* by Robert R. Nathan Associates. (New York: PACT, 1986)

NET BENEFITS TO COST RATIO¹

- the project's annual variable costs. This includes raw materials, transportation, labor, maintenance, and any other costs which do not vary with output. (Fixed costs such as administrative cost, utilities, office space, and salaries are not included if they relate to the running of the project office since these costs will not be incurred by project participants when the project is finished). If you are looking at an actual business, then all costs would be included.
- the annual value of the benefits. This is calculated by multiplying the number of units of output (bags of cotton, mattresses, gallons of honey) times the price of the item when sold. Even if some of the product is used by project participants, it should be valued in this way.

When you have this information, fill in the following form:

Line 1: Number of project participants _____

Line 2: Annual revenues: quantity of output times
the price of the item _____

Line 3: Annual operating costs for the project _____

Line 4: Total outside funding _____

Line 5: Annual revenues per participant
(Line 2 divided by Line 1) _____

Line 6: Annual operating costs per participant
(Line 3 divided by Line 1) _____

Line 7: Net annual benefits
(Line 5 minus Line 6) _____

Line 8: Total outside funding per participant
(Line 4 divided by Line 1) _____

Line 9: Ratio of net benefits to costs
(Line 7 divided by Line 8) _____

Interpretation

RATIO EQUAL TO OR GREATER THAN 1.0

The project is excellent. It pays back outside funds during one year of operation. The participants can afford to continue the project without outside funding.

RATIO FROM .30 TO .99

The project may be cost-effective. All outside funding could be repaid in three years. Participants earn a value of benefits sufficient to continue the project after outside funding is withdrawn.

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RATIO FROM .29 TO .0

The project may not be cost-effective. It will take more than three years to repay outside funding. Participants may not earn enough benefits to continue the project in the absence of outside funds. While projects in this category are not necessarily inefficient, they should be examined closely.

RATIO LESS THAN .0

The project is not profitable. The benefits do not even cover annual operating costs. Participants do not earn enough to be able to continue the project without outside funding.

Line 7 tells how much cash and profit remains after the project participant pays the annual operating costs of the project. If this number is negative, it means the annual cost of running the project is larger than the inflow of benefits. Line 9 is the amount of money participants receive after paying all of the project costs as a percent of the outside funding used to implement the project. Its size tells us whether or not the project is making enough money for the participants to be able to continue the project on their own. We can better tell if the project is sustainable by looking at the different categories of ratios above.

Definition

This is a way of estimating whether the cost of a project is within the reach of the community over the long run. It is an indicator of whether a project can eventually be sustained by the community and how long that independence from the implementing organization may take.

How it Works

Complete this form:

Line 1: Number of participants who will be, or are, directly served by the project.

Line 2: Number of beneficiaries who will be indirectly served by the project.

Line 3: Total number of project recipients (Add Line 1 and Line 2)

¹Source: *The Cost Effectiveness Analysis Field Manual* by Robert R. Nathan Associates. (New York: PACT, 1986)

**PREDICTING
SUSTAIN-
ABILITY¹**



Line 4: Annual budget of the project††	_____
Line 5: Annual per participant cost of the project. (Divide Line 4 by Line 3)	_____
Line 6: Average per capita income of participants†††	_____
Line 7: Per capita income indicator (Line 5 divided by Line 6)	_____

Interpretation

If Line 7 is less than one, the community probably has the resources to sustain the project after outside funding is completed if they perceive the benefits to be worthwhile.

Pros, Cons, and Other Uses

This can be a useful indicator of whether the project has long-range sustainability. It measures whether the community has the resources to sustain the project, not whether it will be considered worth sustaining.

The measure is usually used with one type of project, such as a small enterprise project. It does not measure the total costs of an integrated project, which includes health, education, and other programs.

It could be used to estimate which of a variety of programs are most likely to be sustained.

MONITORING YOUR CREDIT PROGRAM

Definition

This is an overview of some of the things you need to think about if you are planning to start a credit program. It also gives some ideas about what to watch for if you already have a credit program.

This material can be useful to you if you are interested in knowing whether the loan programs of other institutions (credit co-ops, for example) are viable before you assist your clients in getting loans from them.

Also, if you are working with larger businesses, much of the discussion may be applicable to firms with considerable accounts receivable. But, for our discussion we will assume your NGO has created a credit program for small businesses.

††The annual budget covers both fixed (salary, office space, etc.) and variable costs (fuel for vehicles, supplies, etc.). For items that will last more than one year, the annual cost is the total item cost divided by the number of years you expect it to last. A vehicle, for example may cost \$15,000 and be expected to last five years. The annual cost is \$3,000.

†††Use the actual per capita income if known. If not, use World Bank or local government estimates.

How it Works

A credit institution is a business. Its product is loans. It must “sell” the loans at a rate that breaks even or shows a profit for the credit institution. The cost of “arranging” the loan includes reviewing credit applications, monitoring payment schedules, recovering late loans, and covering a reasonable default rate.

For that reason, the principles discussed in **Step 4** also apply to the credit program. It should prepare a PROFIT-AND-LOSS STATEMENTS and BALANCE SHEETS. But, a credit program must also maintain other records on the viability and sustainability of the program.

CASH FLOW STATEMENTS are an important tool in monitoring credit programs. When loans are being considered for approval, the cash flow statement can help tell when the loan should be paid out and when the payments should be due.

Credit programs must also think about their *market development*. If the credit program was developed to meet the needs of small businesses, women, or another target population, you need to know whether it is reaching that market.

The *administrative development* of the loan program would include how many loans each credit officer manages and how effective each is at providing support to the creditor so that loans are made on time.

All these accounting tools are discussed in this section in more detail. Now, let’s move on to a discussion of *loan portfolio management*. In a credit program the term *loan portfolio* is used to refer to all the loans that institution has out at that time.

There are three indicators to show the health of a loan portfolio: (1) portfolio quality, (2) collection performance, (3) portfolio yield. We will discuss these individually and then look at some ways NGOs use these indicators in monitoring their credit programs.

Portfolio Quality

Portfolio quality refers to a description of the financial status of the credit program. The credit institution should collect the following information routinely.

- number of applications received
- number of loans granted
- size of average loan granted
- average length of time until loan must be repaid
- loans repaid
- number of loans being paid but behind schedule
- number of loans in default

The Notes Receivable Table shows a typical way of summarizing this information. The “funds invested” column shows the original amount of the loan. “Previous principal balance” means the amount of the loan left to pay at the end of the period included in the notes receivable sheet. Payments on principal and interest include those made since the last notes receivable sheet or during the period under consideration. “Current” means the amount of the loan that is not yet due.

The "Loan Status" columns can be broken down in such a way that they show how many loans, and how much money, are late and by how many days.

By looking at the Notes Receivable Table, we can see that this credit program needs attention. In looking at a statement of portfolio quality, the main thing you need to look at is the loan status. A high percentage of loans overdue for more than 90 days (17 percent) can be very serious. A sharp increase in those overdue for 30 days could indicate some collection problems. A continuous high overdue rate would indicate a serious danger of bad debts.

Some credit institutions place penalties on late payments to encourage people to repay their loans on time.

Collection Performance

Collection performance is the percent of the loan portfolio that is overdue. A credit institution should monitor this closely, probably on a monthly basis, so that it does not get out of control.

One way to reduce collection performance to a single number is by calculating the loan collection performance ratio:

$$\text{Loan collection performance} = \frac{\text{Total principal payments made on loans due during the period or overdue at the start of the period.}}{\text{Total principal payments due + overdue at start of the period.}}$$

A good loan program would have a ratio of 85 percent or higher.

Portfolio Yield

Another measure of the sustainability of the loan program is portfolio yield. Portfolio yield measures the income generated by the loans, including interest and other fees. This is an important measure but it is a little more difficult to calculate than the others. Let's start with three definitions:

Nominal rate: The rate of interest quoted by the loan institution. For example, 12 percent per year or 1.5 percent per month.

Since the nominal rate is not the amount we will actually collect we need to calculate the effective rate.

Effective rate: The rate the institution actually collects. The effective rate is what the borrower really pays. It is calculated this way:

$$\text{Effective rate} = \frac{\text{Amount of interest actually paid}}{\text{Amount client actually receives}}$$

or

$$\text{Effective rate} = \frac{100 + 30 \text{ processing fee}}{900} = 14.4\%$$



For example, a \$1,000 discounted loan is made for one year at the nominal rate of 10 percent. Because the loan is discounted, the borrower only receives \$900 although he must pay back \$1,000. In this case the effective rate would be 11.1 percent. This is pre-paid interest.

$$\frac{\$100 \text{ interest}}{\$900 \text{ received}} = 11.1\%$$

Other factors which may change the effective rate of a loan are

- administrative charges to process the loan
- compounding the nominal interest (that is, charging interest on the interest).
- other one time charges such as deed registration
- government loan fees
- technical services provided by credit institution
- bribes

When some of these charges apply, you would calculate the effective rate this way:

$$\text{Effective rate} = \frac{\text{Total amount repaid} - \text{amount disbursed}}{\text{amount disbursed}}$$

That is, the total amount the loan recipient is expected to repay minus the amount he actually got. This amount is divided by the amount he actually received to find the effective rate of the loan.

When the effective rate has been calculated, then you can consider the *real rate*.

Real rate: The real rate is a way of taking inflation into consideration. It is calculated this way:

$$\text{Real rate} = \frac{1 + \text{nominal rate}}{1 + \text{inflation rate}} - 1$$

This calculation is important since in many developing countries inflation rates are high and can have a very profound effect on the credit program. If effective rates are lower than real rates, the loan program can quickly decapitalize. That is, it will quickly run out of money to loan.

For example, if the loan program gives loans for an effective rate of 24 percent per year and local inflation rates are 25 percent per year, then the real rate charged on the loan is - 1 percent.

Let's look at an example of how a loan program can decapitalize if they do not consider the real rate they should charge on loans.

Example: A loan for \$100 was given to a woman to purchase a sewing machine for her business. At the end of the first year, she paid back the loan plus interest for a total

of \$124. It cost the credit co-op \$20 to investigate her credit ratings, maintain offices, pay salaries, and other costs to manage the loan she received. Then, another woman came in to borrow money for a sewing machine to start a business. Due to inflation, the sewing machine now costs \$125. But, the co-op only has \$104 left from the previous loan.

This kind of decapitalization is one of the most common problems of NGO-run credit programs. You want to make loans available so people will be able to start businesses but, by setting the interest rates too low, you will run out of money and the whole program will fail.

Studies have shown that the main problem for small businesses is being able to get a loan at all. Charging a market rate of interest on loans is not a deterrent to small businesses. You need to charge a market rate of interest to avoid economic distortions and channel capital to its most productive uses.

Handling Bad Debts

In talking about credit programs, there is one final issue that should be discussed. That is how to handle bad debt. Repayment schedules should be consistent with a realistic analysis of the cash flow of the business.

Each institution will have to determine its policy on how long overdue payments are carried as "late" and then considered in default. In many programs, people repay their loans but at a slower rate than was originally agreed. If a large number of your clients are behind in their payments, then maybe you should reconsider how you determine the repayment schedule. You are better to collect the loan over a longer time (with increased time value) and recover the money than to schedule payments the client cannot meet, which creates a default.

For accounting purposes, debts considered uncollectable should be written off each year on the Profit-and-Loss Statement. A corresponding adjustment should be made on the Balance Sheet where "loans outstanding" will be reduced by the amount of loans being written off. Most credit institutions establish a reserve on the Balance Sheet for writing off bad debts.

Default rates on loans in development programs may be as high as 30 percent. However, this is a dangerously high default rate and will create a dependency of the credit program on the development organization. Where people are not used to credit, initial default rates may be high. However, any credit program over five years old with a default rate of over 10 percent of the loans should seriously rethink their approach. Among the NGO credit programs, debt collection is often not taken seriously enough.

Analyzing the Sustainability of a Loan Program

Real rates need to cover inflation, administrative costs, and bad debt losses for the program to be self-sustainable. This does not include any growth. Anything less than this means the program will have to be subsidized or it will decapitalize (run out of money). The amount needed for administrative costs and bad debts can be partially controlled with good administration.

In a situation of hyperinflation of 30 percent per year, such as in Tanzania, people would want to take out loans from the government development bank at 7.5 percent per year, buy durable equipment without using it, sell it after three years, repay the loan, and make 22.5 percent profit per year.

A MONTHLY MONITORING SYSTEM FOR A CREDIT PROGRAM

Definition

This is an example of a summary of monthly activity of a typical credit program. It covers most of the "indicators" of progress or problems with a loan program.

How it Works

In the first space, indicate the figures for this month. In the second space, indicate those for this year. You may, if you wish, add a third line to indicate totals since the beginning of the program.

Worksheet†

Name of Program and location _____

Month _____ Year _____

Exchange rate this month _____

	THIS MONTH	THIS YEAR
1. Number of new businesses financed	_____	_____
2. Number of loans out	_____	_____
3. Amount loaned	_____	_____
4. Number of loans paid off	_____	_____
5. Amount repaid	_____	_____
6. Active loan portfolio (amount loaned - amount paid)	_____	_____
7. Number of groups	_____	_____
8. Total number of participants		
Men _____		
Women _____		
9. Number of beneficiaries (owners + employees)	_____	_____
10. Savings on joining program	_____	_____
11. Number of refinanced loans	_____	_____
12. Amount of refinanced loans	_____	_____
13. Refinanced loans as percent of total portfolio	_____	_____
14. Number of late loans	_____	_____
15. Amount of late loans	_____	_____

†Source: Accion/AITEC International, 1385 Cambridge Street, MA 02139

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16. Late loans as percent of total portfolio	_____	_____
17. Administrative costs	_____	_____
18. Administrative costs divided by amount loaned	_____	_____
19. Number of visits to businesses	_____	_____
20. Number of classes or courses	_____	_____
21. Number of participants in #20	_____	_____

Pros, Cons, and Other Uses

Collecting this information is helpful in monitoring change over the course of time. You may also be able to see some correlation between the number of courses offered or the number of visits to businesses and some other aspects of the program.

You can also look at the success record of different staff members (extension workers or business promoters) to see if some are more successful than others.

You may also use this information to find out which type of economic activity (say crops vs. small animals) are most successful.

When loans are refinanced, you can ask for the following information from the businesses to compare the time when they first got their loans with the time when it was a refinanced:

- sales at intake, sales now, percent of change
- profits at intake, profits now, percent change
- savings at intake, savings now, percent change
- number of employees at intake (full and part time), number of employees now, percent change
- credit sources at intake, credit sources now
- family income at intake, family income now, percent change

If you have a large credit program, you will probably want to collect this information only on a sample of the businesses.

Definition

The loan application completed by the business owner or cooperative group seeking project credit.

**INTAKE
FORMS¹**

¹Source: Accion/AITEC International, 1385 Cambridge Street, MA 02139

How it Works

The loan application is completed with the field worker and includes key information for decision making and for noting economic impact. The first application form serves as the baseline. Follow-up forms for succeeding loans record changes in indicators selected for project monitoring. The forms are extremely simple for the tiniest one-person businesses, generally vendors. They incorporate more financial information for larger businesses, such as those with several workers. Profit-and-loss, balance sheet, and business plans are all incorporated in a simplified manner. Examples of three forms are included here as attachments:

- for a microbusiness involved in vending
- the first application for a small business with several workers
- a follow-up form for the same type of business.

Pros, Cons, and Other Uses

The INTAKE FORM, and follow-up forms, can serve as the basic documents tracking clients in credit programs. They provide a simple way to record and maintain key information on the economic performance of the assisted firms. For programs providing repeated loans to the same clients, follow up forms can be amplified to gather information on social impact as well. This can be accomplished by an extended interview between fieldworker and client on a more periodic, perhaps annual, basis.

The information on these forms also feeds into the monthly monitoring of the credit program enabling staff to have an accurate picture of the loan portfolio's health.

The forms are only as good as the information recorded on them. Their accuracy depends on the recall ability of the clients and/or the quality of their records. It also depends upon the care fieldworkers give to the application process. Checks on the quality of this information can be built into the system, by using OBSERVATION and other tools.

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Intake Form for Microbusiness

Name of Group _____

Name of Member _____ Identification No. _____

Address _____

Home: own _____ rent _____ mortgage _____

Place of Birth _____ Date _____ Age _____

Time residing in city _____ at present address _____

Last school grade completed _____ Read and write? _____

Your principle concern regarding your family _____
 regarding your
 neighborhood/community _____

Daily/weekly family income (Including all family members) _____

Savings in bank or cooperative _____
 How many people depend on you? _____

Name	Relationship	Age
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Information on the business

Profession or position _____
 Products you sell _____
 Area where you work _____ Hours of work _____
 Daily sales _____ Daily/weekly expenses _____

How do you get the money to buy your products? _____
 Amount _____ For how long _____ Terms _____

Referring to your business, what is your major concern, problem? _____

How did you hear about our program? _____

 Signature/Applicant

 Signature/Promoter

Intake Form for Small Business

Business Owner

Name _____
 Identification no. _____
 Address _____
 Own. _____ Rent _____ Mortgage _____
 Telephone _____
 Place of birth _____
 Date _____ Age _____
 Monthly income (Personal) _____
 Dependents _____
 Civil status _____
 Education _____
 Profession _____
 Experience in the field of _____
 Years _____
 Do you depend economically on
 the business? _____
 Yes _____ No _____
 Other sources of income _____

Business

Name _____
 Address _____
 Activity _____ Time operating _____
 Manufacturing category _____
 System of controls: Yes _____ No _____
 Who owns the business? _____
 From whom do you buy raw
 materials? _____
 Functioning at _____ % of capacity
 Number employees:
 Fixed sal. Temporary sal.
 Actual: _____
 Planned: _____
 If production increases, can you
 find sufficient clients? _____
 how? _____
 where? _____

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Business Owner

_____ How much?_____

In your absence, who represents you?_____

Who told you about our program?_____

Experience with Credit

Who Amount How Long Interest

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Credit from Suppliers

Supplier Amount How Long?

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Business

Most important current clients

Most important potential clients

Inventory of Fixed Assets

QUANTITY	DESCRIPTION	PURCHASE PRICE PER UNIT	TOTAL PRICE	PAYMENT TERMS	AMOUNT OWED
TOTALS					

Balance Sheet

Date: _____

DETAIL			
Cash on hand or on deposits		Amounts payable	
Accounts receivable		- short term	
Inventory		- long term	
Equipment		Other	
Plant/property		Owner's capital	
Others			
TOTAL ASSETS		TOTAL LIABILITIES AND EQUITY	

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Income and Expenses

Detail	
Sales:	
on credit (%)	
cash (%)	
Purchase of raw materials	
Salary: owner/manager	
Workers' salaries	
Expenses	
Rent	
Light	
Transport	
Telephone	
Others	
Profit	

Savings_____

Bank_____

Do you participate in
some organization,
cooperative, or
association?

Yes_____ No_____

Which?_____

Investment Plan

Detail	Amount
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Total loan requested_____

Use_____

For how long_____

Interest and other payments_____

Total to pay_____

Date of loan_____

Date due_____

Guarantees offered_____

Follow-up Form for Small Business

Name_____ Date loan paid_____

Address_____ Previous amount_____

Identification no._____ Amount requested now_____

Client no._____ Interest, payments_____

No. of loan_____ Total to pay_____

Activity_____ Duration_____

Advisor_____

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GROWTH

Item:	Previous	Present
Cash	_____	_____
Savings	_____	_____
Inventory	_____	_____
Accounts receivable	_____	_____
Accounts payable		
- short term	_____	_____
- long term	_____	_____
Fixed assets	_____	_____
<hr/>		
Sales	_____	_____
Purchase of raw materials	_____	_____
Manager's salary	_____	_____
Employees' salaries	_____	_____
Benefits	_____	_____
Profits	_____	_____
Employees full time	_____	_____
Employees part time	_____	_____

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GROUP CONSENSUS

<input type="checkbox"/> ECONOMIC
<input type="checkbox"/> SOCIAL
<input type="checkbox"/> INSTITUTIONAL
<input checked="" type="checkbox"/> MULTIPLE USE
TOOLS

Definition

This provides a method of collecting income and expense estimates where a large number of homogenous producers are involved; i.e. rice farmers or tailors.

How it Works

A person who is very knowledgeable in all the activities related to a particular enterprise (growing rice) leads a group of producers (rice farmers) through a production cycle. Much of the information gathered is in units of time. Values can then be placed on the time using average wages, shadow prices, or other relevant values. A consensus is reached among the participants on the value to be assigned to each activity in the production cycle. In this example, a day of labor is valued at 10 pesos.

Example

Expenses per hectare	No. and units	Value
Land clearing	20 days	200.00
Burning and clean up	3 days	30.00
Seed	40 pounds	5.00
Planting	2 days	20.00
1st weeding	15 days	150.00
2nd weeding	5 days	50.00
Insecticides	2 liters	15.00
Fumigations	4 days	40.00
Harvest	15 days	150.00
Threshing	3 days	30.00
Bags	30 bags	45.00
Transportation	1.50 per hundred	37.50
Marketing	2 days	20.00
Total expenses per hectare		792.50
Income		
Rice harvested	2500 pounds	
Price received	1.15 pesos	
Total income per hectare		2,875.00

Pros, Cons, and Other Uses

When large numbers of producers are involved and budgets are limited, this is an efficient way to gather average data. Working on a consensus basis, individuals will tend not to under or over estimate as much as working alone.

This does not lend itself to analysis of individual enterprises. It is an average. Some producers will be over some under the average.

This is also a very useful tool for budgeting, both of time and money.

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OBSERVATION **Definition**

Observation is a way of getting information by writing down the things you see happening at the time they happen. Later, a number of observations are analyzed for patterns, trends, or new behavior.

How it works

Observation is one of those tools (like questionnaires) that looks easy but in fact takes some time to learn how to do. Since you cannot observe everything and write down everything that happens, you have to start with some idea of the objective of the observation and decide what types of activities, behaviors, or interactions you will observe.

For example, you might decide to “observe” in a shop for a day to see how the customers are treated, how they react, and what they buy. You might observe monthly meetings over a year’s time to see who speaks out, what issues are raised, what the dissenting opinions are, and whether individuals are taking more initiative as time goes on. You might observe a training session and note how the material is presented, how the participants react to the material, and how well the trainers make their presentations.

Therefore, the first step in using observation is to define exactly what you are going to look for, how often or how long you will do it, and how the information will be recorded. *It does no good to observe if you do not take notes because all your observations are lost. You must write down everything that happens when it happens. You must write down what people say in exactly the words they use, not your interpretation of what they are saying.*

Write down details, not generalizations. For example, “the bookkeeper has added a room to her house, purchased six additional goats, and her children now wear shoes, while other group members have made only minor shoe repairs and purchased fewer than three goats each” is more helpful than “the bookkeeper seems to be making more money than the other members of the group.”

For example, if a woman says that she has trouble keeping up with her housework because the business takes so much of her time and her husband refuses to help with the household chores, write that down. Do not write down “too busy.”

Do not put value judgments in the notes. For example, rather than saying “the business is poorly run,” say the owner is having difficulty keeping his stock up because he has extended so much credit to neighbors.

Learning to take notes is a skill. You have to learn to do it quickly when people are talking or interacting, and then usually you go over them again when you have a break to fill in anything you cannot read or you didn’t finish writing.

When observing, it is important to take notes on everything, too, so that you will not influence behavior. If you only write down certain things people say, that will influence them to say more of the types of things you are writing.

Analysis

After you have a lot of notes over what you have observed, read through them a couple of times from start to finish. You will notice certain ideas, phrases, behaviors, or activities that seem to happen over and over. Make a list of these items. Then, think about what trends, patterns, or sets of behavior you see from your notes.

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Try to answer these questions.

Does it matter who is present? Do some issues only come up when a certain person is or is not in the room? Why?

Are there any interesting questions or issues that do not come up? Why?

What exactly are the patterns? Is something happening more often? Less often? Why?

Are certain individuals behaving differently now than they used to? In what way? Why?

Combine observation with interviews. To really observe change often requires a great deal of time and results in a lot of notes for analysis. Sometimes it is faster to combine observation with informal interviews. For example, you might observe that one group member who used to be very active is no longer speaking out in meetings. You could approach that person later (alone) and comment on what you have observed and ask them why they seem to be withdrawing. You might observe that the members of a cooperative are becoming factionalized. You could interview some of them separately to find out why they are not cooperative and what has happened to cause the problem.

Pros, Cons and Other Uses

Because it enables you to understand the context in which behavior occurs, observation is a very good method to use in combination with other tools. A questionnaire may tell you that most of the women participating in the small business project are over 40 years of age, but observation may tell you the reason for that is men do not allow their younger wives to work outside the house. Observation, combined with informal interviews, can help you find out both *what* people are doing and *why* they are doing it.

The use of observation is limited by the quality of the notes the observers take. They must be thorough, objective, and accurate. Taking good notes is a skill that requires practice. It requires a fairly high degree of literacy to write quickly.

Anecdotes from the notes can make useful additions to your reports. Direct quotations, little vignettes about how an individual has changed, or how a problem was handled can give a human dimension to case studies, evaluation reports, and correspondence with funding agencies.

Definition

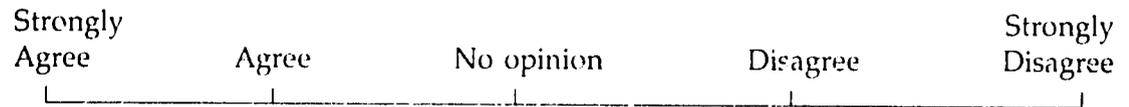
This technique is used to place quantitative values on personal judgments. The rater places the aspect of the program being evaluated at some place along a continuum. A numerical value is attached to the point or category.

How it Works

1. Make a list of statements touching on all aspects of the program to be assessed.
2. For each statement, make a scale of 1 to 5 for each statement according to how much the respondent agrees or disagrees with the statement.

SCALES

For example: "The training program should be held closer to our homes."



3. Code the responses 1 through 5. Give high scores to those opinions that will require changes in the program. For example, in the above example, "Strongly Agree" would get a 5 while "Strongly Disagree" would get a 1.
Be careful in your coding that you keep the scales the same for each answer (agree on the left, disagree on the right) but your coding may vary according to the question.
4. Pretest the form on as many people as possible to see if the questions and answering system is clear. Disregard extreme or ambiguous statements.
5. Try to keep the number of items fewer than 25 for the whole scale.
6. Total the points for each statement and divide by the number of responses for the item. For example, if 50 people responded to the item above and most agreed or strongly agreed with the statement, the average score would be over 4.0.
7. For all those items that rate over 3.5, do further investigation to see what the problems are and how they can be resolved. Those items rating the lowest, (1.0-2.0) are the strongest parts of your program.

Pros, Cons, and Other Uses

Scales are a useful way to measure attitudes, opinions, and perceptions of change.

However, they require a certain sophistication on the part of the respondent to understand the system of marking responses. They work best with literate people and among those with more education who are more accustomed to structured answers. Following are two examples.

The first example is a scale for measuring the financial viability of the project. It is a recommended tool in monitoring the sustainability of a program in **Step 6**. You can add more detail at each step if you want. You can have a scale like this for each project or community and monitor progress up the scale each year.

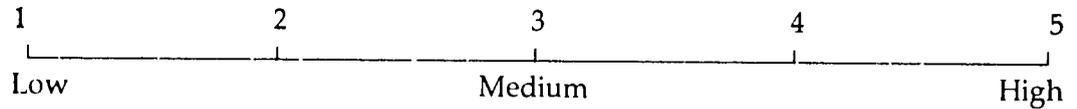
Stage one: There is consciousness of cost effectiveness and evidence that it is being analyzed. Plans and activities are underway to reduce the subsidy from the NGO and to establish financial viability in the long run.

Stage two: The project generates enough income to pay most of the operational costs.

Stage three: The project has enough financial resources to repay long-term loans for capital to expand the program.

Stage four: The project maintains itself and plans for the repayment of loans, inflation, and expansion.

7. Linkages: community leaders are able and willing to identify, demand, and use outside resources.



Have the staff and representatives from the community each rate the community on these seven characteristics. A community that was able to manage its development process with minimal outside assistance would score close to this number. A perfect score would be 35 (5 × 7).

SIMPLE STATISTICS

Definition

A few simple descriptive statistics are explained here. We recommend you consult a statistics book or a consultant if you are planning to use some of the more advanced calculations.

Analyzing Quantitative Data: Simple Statistics

For most purposes, the main statistics you will need are the simplest ones. Descriptive statistics include the mean (average), range, median, and mode. They are called "descriptive" statistics because they describe a situation in mathematical terms without analyzing it. In addition to some descriptive statistics, you will probably want to use some percentages.

1. *Average*: The average is called the *mean* in statistics. The two words mean the same thing. The average is the total of a group of numbers divided by the number of cases you added up. For example, five poultry projects showed the following profit last year.

\$1,568.32
674.32
563.45
542.67
328.00
\$3,676.76

The total (\$3,676.76) divided by five gives a mean or average of \$735.35. The average profit from a poultry project last year was \$735.35.

2. *Median*: The median is the midpoint in a ranked series of numbers. It is the point above and below which half the cases fell. To find the median, rank all the scores, count half way down, and that is the median. In the example above, the median is \$563.45.

Median is a better description of a "typical" case than an average when you have a lot of variation (say some businesses with a very high profit and some with a very low profit). A mean can mask a lot of variation so a median is sometimes preferable. Using both gives your reader an even better idea of your situation.

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3. *Mode*: The mode is the answer or score most frequently given. It is usually used when you have a very large sample. For example, if you interview 1000 business owners to determine the number of years they have been in business, you might find the following:

YEARS IN BUSINESS	NUMBER OF RESPONSES
10+	76
8-9	109
6-7	215
4-5	254
2-3	112
-1	245

The modal number of years in business is 4-5. The mode is a useful way of describing information when you have a lot of responses in one category and the mean would obscure this fact.

4. *Range*: Range describes a group of numbers by telling the highest and lowest. In the example above, the length of time in business ranged from over 10 years to less than one year. The number of responses in each category ranged from 76 to 254. The range of profits in the poultry projects described earlier is \$1,568.32 to \$328.00.

Mean, median, mode, and range are often used together to describe or summarize a lot of numbers. You could say, for example, that in one small business project, 560 small businesses were assisted with loans. The loans averaged \$534 per business. The median was \$423 and the mode was \$250. The loans ranged in size from \$25 to \$5,000. A description such as this gives the reader a pretty good idea of the loan program.

5. *Percent*: Percentage is a very good way to describe a lot of information. 100 percent is the total of the sample. Percent is some part of the whole. Percentages can be expressed in decimals (1.00 = 100 percent). To determine percent, divide the number of responses by the total size of the sample.

For example, in a survey of the needs of 600 small business owners, 300 responded that they needed greater access to credit, 150 asked for additional training, 75 needed assistance with marketing, and another 75 requested the cooperative purchasing of materials.

300 divided by 600 =	.50 (50%)	wanted credit
150 divided by 600 =	.25 (25%)	wanted training
75 divided by 600 =	.125 (12½%)	wanted marketing help
75 divided by 600 =	.125 (12½%)	wanted materials
<hr/>	<hr/>	
600	1.00 (100%)	TOTAL

Analyzing Quantitative Data: More Advanced Statistics

It is beyond the scope of this book to discuss all the possible statistical tests you might do with numbers. For most purposes, the five tests described above will be all you need. If you do want to go further, the following are some tests you may want to do if you have a computer or the time to do them by hand. Here we describe what they do. If you want to use them, you will have to get a good statistics book.

Correlation: Correlation shows the relationship between two ranked variables. It would tell, for example, if the amount of profit a business is making goes up with the number of years of formal schooling of the owner. If one does go up as the other goes up, it is a positive correlation and can be used to predict whether or not a potential business might succeed. If, on the other hand, as age goes up, productivity goes down, that is called a negative correlation. This would allow you to “predict” that an older worker will probably produce less than a young one.

Standard Deviation: This is a way of determining how far an individual case is from the average (mean) for the population. Standard deviation is a way of telling what the range of a cluster of data is. If the standard deviation is high, it means there is a lot of diversity in the sample. If it is low, it means the sample is fairly homogeneous.

Tests of Significance: There are several tests to determine whether the difference between two scores is statistically significant or just the result of chance. A significant score means the difference between the two values is real. The higher the level of significance, the greater the likelihood that the difference is real. For example, you might do a test of significance to see if the difference between income for poultry projects was significantly different from the income from handicraft projects.

Chi-square: Chi-square is a test of significance using a matrix. A simple four cell matrix has two variables in each column like this:

	Project participant	Nonparticipant
men	34	56
women	57	78

Chi-square is a useful way of testing whether the project has had an impact compared with a previous data collection (baseline) or compared with nonparticipants.

SORTING EXERCISE

Definition

This activity establishes the community economic hierarchy and the place of various households within it.

How it is Used

This exercise is based on the assumption that people within the community have a good sense of who among them is more or less well off. It should be kept in mind that this is the community’s own perception of the situation. It is a good idea to follow this up with another method to verify the results.

A list is made of all the households in the community and each household is assigned a number. The exercise works best with fewer than 150 households. The name of each household (father's name or family name) and the number from the master list is written on a separate card (3 × 5 index cards cut in half work fine).

Ten community leaders are asked to sort the cards into three piles. The leaders may be officials, school teachers, older women, chiefs, or any person who has lived in the community a long time and who knows all the households. If the sorter is not literate, read the name on the card and then hand it to the sorter and let him or her choose the basket in which to place it.

Each "sorter" places the card for each family in one of three baskets. Basket Number One for those households that seem to have enough to eat, who sent their children to school, and who are able to help their relatives from time to time. Basket Number Two for those families who seem to make ends meet, have the basics to eat, but live very simply. These families neither take assistance from others nor are able to give it. Basket Three for those families who are very poor. These families do not have adequate food or clothing and frequently need assistance from outsiders to survive.

It is a good idea to have baskets or small boxes with the number clearly affixed to the outside so it is visible. This helps the sorter remember which is which, and it helps when you record the scores so you do not mix the baskets up. Also, shuffle the cards between sorters so that each starts with a random pile of cards not "presorted" by the previous sorter.

After the sorter has placed all the cards in one of the three baskets, the number is recorded on a score sheet with a "1," "2," or "3" by the family name on the master list. If a sorter is not able to place a family because he or she doesn't know them or cannot decide where to put them, place a "0" by that family name for that sorter.

Assure the sorters of confidentiality and do not distribute or discuss the ranks of individual families so as not to cause hard feelings within the community.

After all ten sorters have sorted the cards and their rating recorded on the form, the scores are added up and divided by the number of sorters rounded to one decimal point. For example, if there were ten sorters but one did not know one family, then that family's total score is divided by 9 rather than 10. Check the sorter scores for consistency. If one sorter is wildly different from the others, he or she may have not understood the directions or gotten the baskets reversed. If this happens, disregard all that sorter's scores and ask someone else to do the sorting.

Using this system, the richer families in the community will have scores of 1 while the poorest families will have a score of 3. "Average" families will have scores such as 2.13 or 1.89.

This type of community economic profile may be a useful part of a baseline study to see whether families who are project participants improve their scores over a year's time more than those who are not project participants.

A sample form follows.

Pros, Cons, and Other Uses

This method of collecting data is simple and can usually be carried out in one day with a great deal of participation on the part of the community (preparing the list, preparing the cards, assisting in tabulation). However, it does not work well in heavily populated areas as it is too difficult to get everyone's name and to find sorters who know everyone. Also, the system gets too cumbersome.



Nevertheless, the basic idea of "triage" can be used in a number of other ways. Any time you need to identify the "best" and the "worst" you can use this system. For example, you can use just members of a group and ask group leaders to indicate those members who need more training, those who are O.K., and those who do not need more training. Older women can indicate those young mothers who seem to have more problems with their children or women who might make the best candidates for vocational training.

The system is simple, requires little time to tabulate and analyze the data, and is very flexible. It is most effective in groups or communities of about 50 to 150 members.

Because different groups may have very different self-images, scores between villages may not be compared. Some relatively well-off communities may rate themselves worse off than communities that are very poor.

Example of a Way it Was Used

In one project, a number of women were participating in projects to improve their income and increase their self-esteem. The implementing agency wanted to know whether the women who participated were truly representative of the communities. The sorting exercise was done for all families, and those families with group members were identified. It was found that the group participants came from all economic strata of the communities but that most group officers came from the more affluent families.

Sample Tabulation Form

Family Name	Sorter Number										Total	Average
	1	2	3	4	5	6	7	8	9	10		
1. Jones	2	2	2	3	2	3	3	2	3	2	24	2.4
2. Wilson	1	1	1	2	1	1	1	1	2	1	12	1.2
3. Smith	3	3	3	3	3	3	2	0	3	2	25	2.5
4. Green	1	1	1	1	1	1	1	1	1	1	10	1.0
5. White	2	3	3	2	3	2	2	3	2	2	24	2.4

Typical Tabulation

Score	Number of Families
1.0 /	1
1.1	0
1.2 x//	3
1.3 x//	3
1.4	0
1.5 /	1
1.6 //	2
1.7 x///	4
1.8 ///	3
1.9 x//	3
2.0 xx///	5
2.1 //////////////	7
2.2 //////////////	7
2.3 /////	5
2.4 x////////////////	12

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Typical Tabulation

Score	Number of Families
2.5 ////////////////	13
2.6 x////////	6
2.7 ////////////////	14
2.8 x////////	6
2.9 x////////	11
3.0 x////////	8

In this sample of 114 families, the average score for the 11 project participants (indicated with x on the graph) was 2.16 while the average score for nonparticipants (indicated with a slash) was 2.37. Distribution of project participants on the graph indicates that families from both well-off and not so well-off families are involved.

These rankings could be compared with a similar study taken a year or two later to measure change in the community economic profile. If the projects have been a success, there should be fewer women in the lower categories, and the average score for families of group members should have gone up relative to those of nonmembers.

Definition

Questionnaires are the most common ways of collecting information data from a large number of people. A questionnaire is a form with predetermined questions and a limited number of answers to each question.

How it is Used

Following are some guidelines for constructing and administering a questionnaire. If you have not used one before, be sure to read through all the instructions and the "common errors" section before you begin. If you must use a questionnaire, try to keep it as short and simple as possible.

Pros, Cons, and Other Uses

Questionnaires look simple but are actually very difficult to design and analyze. It is best to try to collect the data some other way if you can. However, if you need a lot of demographic data (population, age and sex profile of the community, etc.) they are appropriate.

Remember that many people will not respond to questionnaire questions honestly. Questions about income, number of children, and people's personal lives (family planning, etc.) are best answered through other types of data collection.

Depending on local cultural conditions, people may answer all the questions the way they think you want them to answer them (the courtesy bias) or they may simply not know the answer ("What was your annual income last year?"). They may also consider the information none of your business. Individuals may want to show you how "poor" they are so they can get in on the project. Asking questions to which you are not getting straight answers is a waste of time and offends people.

**SURVEY
QUESTION-
NAIRE**



Conducting A Survey

I. Define Your Purpose

The first step is to outline the purpose of the research, preferably in writing. The more precisely this is done, the better off you will be, and the sharper the study questions can be focused. Remember that the data should be gathered as a basis for learning something and for doing something. If nothing can or will be done, there is little point in collecting the data.

Surveys are used to structure data collection from many respondents. Questions are standardized so that the same data are collected from all respondents. It is also relatively easy to combine and analyze results as compared to other types of data collection.

You must have a clear sense of what to study before acting to develop a questionnaire or you will waste a lot of time and effort. Once the problems and purpose have been stated in an objective manner, the need for a study will become clear, and detailed survey questions can be developed. Some important questions to ask at this point are:

- What new knowledge do we want to obtain?
- What hypotheses do we want to test?
- What problem do we want to solve?
- What kind of information could shed new light on this situation?
- What research methods are most apt to be appropriate given the time, resources, money, and questions we have?

Brainstorming may be a useful technique for establishing the purpose of the research. Accept all suggestions from all interested participants uncritically at this stage. Careful follow-up sessions can be used to discuss ideas and formulate a clear purpose for the research.

From the options available, choose a clear, single purpose. Many studies come to grief because they are overly ambitious and try to do too much. Survey research should use the "rifle," rather than the "shotgun" approach. Assuming you have decided that a questionnaire is called for, the next step is to develop the questions.

II. General Principles of Questionnaire Design

- A. *Single Purpose:* Whenever possible, limit the survey to a "single purpose." A poor, but frequent, practice is to try to accommodate the needs of several different groups in one survey, rationalizing that it doesn't take much longer to ask another question while you are "there," it is cheaper than running a separate survey, etc. Unfortunately a "multipurpose shopping expedition" usually results in a cumbersome census-type document that may never be completely analyzed, but which will effectively hinder the gathering and processing of data for the primary intended purpose. Furthermore, a sample survey that is properly structured to meet a specific need is generally not a suitable vehicle for answering multipurpose questions from the same sample base. Consequently, even if analyzed, the additional data may be invalid.

- B. *Limit the Number:* Each question takes time (and costs money) to ask, process and analyze. Therefore be selective. Screen each proposed question carefully and decide whether the answer can be more readily obtained elsewhere. If a questionnaire becomes too long, attention and accuracy of both interviewers and respondents decreases.
- C. *Avoid answering questions for respondent:* Interviewers may assume the answer to a question. They should not ask or phrase questions in such a way that the answer must be "yes," e.g. "your husband still works at the mill, doesn't he?" "You still have the IUD, don't you?"
- D. *Avoid "Leading" Questions:* Many people respond to please the questioner. To avoid embarrassment, they tell what they think he/she wants to hear. Others deliberately distort their answers depending on how they perceive the answer may be used. You cannot eliminate all problems in this area, but you can improve the survey considerably by being careful to phrase your questions as objectively as possible to avoid hinting at the "desirable" answer.
- E. *Avoid "Memory" Questions:* Questions that rely on an individual's recall and cannot be verified in any meaningful way are likely to have a high degree of inaccuracy. Also, the longer the period of recall the more inaccurate the answer is likely to be.
- F. *Cross-Check Questions:* If there is likely to be a strong element of doubt or distortion in the answer, provide for some "probing" or objectively verifiable cross-check questions, if possible. (Note: It is not usually necessary to record the responses to probing questions.)
- G. *Clarity:* Even though the question is clear to you, and you know precisely what you mean by it, make sure the others will interpret it in the same way. Otherwise, each interviewer will interpret it in the field in his/her own terms, and you may end up with confusing and/or useless results. If necessary, rephrase the question, and/or provide additional guidance on what it means, definitions, etc.
- H. *Pretest* your questions on others before deciding on the exact wording to be used in the questionnaire. This is absolutely essential. Questions that appear clear and straight-forward to the survey designer may prove to be confusing to the respondent and elicit irrelevant answers because of cultural problems.
- I. *Language:* Make sure the questions are phrased in the appropriate familiar dialect of the respondent to ensure understanding.

III. Question Format

The following guidelines are provided to facilitate both the gathering and tabulation of the data.

- A. *Identification:* Questions should be uniquely identified with either a number, letter, or both, so that in the processing and analytical stage they may be readily referred to without repetition or reference to the subject matter itself.
 - 1. Question a. _____ Yes
 - b. _____ No



B. *Multiple Choice:* Structure the format so that as many questions as possible can be answered with a check mark. Spell out categories in which responses are expected.

- 2. Question a. _____Once a month
- b. _____Once a week
- c. _____Never

C. *Numbers:* When numbers are required for an answer, indicate the unit that is required. Leave space for raw data to be recorded in other units. (Often in the field, responses are not in terms of the units desired, and recalculation must be done prior to tabulation.) If no space is available, the raw data may be inserted where the standardized unit response should go, which leads to gross errors.

- 3. Question a. _____Metric tons
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D. *Spacing:* Leave plenty of "white space" around each response. The answer is going to be filled in under field conditions, not typed. Also make allowances for comments by the interviewer.

E. *Block Answers:* Standardize the manner for recording answers in the left hand or right hand column. This makes it easier for processing than responses scattered throughout the form, or on a single line. For multiple responses of varying length, it is easier to both record and tabulate the answers when the blank space precedes, rather than follows, the items. For example:

- | | |
|--------------------------|----------------|
| 4. a. _____ Yes | Question |
| b. _____ No | ..... |
| c. _____ Don't know | ..... |
| d. _____ Haven't decided | ..... |

Instead of:

- 4. Question
.....? a. Yes _____ b. No _____ c. Don't know _____
d. Haven't made up my mind yet _____

Or:

- | | |
|-------------------|--------------------------|
| 4. Question | a. Yes _____ |
| ..... | b. No _____ |
| ..... | c. Don't know _____ |
| ..... | d. Haven't decided _____ |

F. *Think Positively.* Don't phrase questions negatively if it can be avoided, and *never* use double negatives. It only confuses people.

IV. Planning the Survey

When you know what the purpose of your survey is, have reviewed the possible data, have developed a questionnaire, and are ready to go to the field, the survey supervisor(s) should make a preliminary field visit and take a few judgement samples in



order to become acquainted with the study environment and potential problems. This will help to make the actual study more realistic, particularly in terms of scheduling.

- A. *Administrative Coordination:* Even though the actual target respondents (farmers, for example) may not be forewarned of your coming to conduct a survey, it is usually desirable that the various government administrative officials in the area are advised of your intended visit and its purpose. They can often provide additional insights, maps, names, and other essential data, as well as logistical support and guides for surveyors during the conduct of the survey itself. As long as your survey is carried out on a random basis, there is little possibility that this advance notice will enable the local administration to “hide” the problems that may exist.
- B. *Data:* You should look for repositories of information pertinent to your survey—offices, addresses, phone numbers, names of key individuals, sources of possible master lists of respondents, and other secondary data in which you are interested. Information on local market days, holidays, and key individual schedules are all useful so that the actual survey can be timed for best effect. There is nothing more frustrating than spending several days to visit a remote province area, only to find that the key individuals whom you need to see are attending a conference in Jakarta that week! You can also gather information that will enable you to divide the survey area into approximately equal clusters in the event that cluster surveying has to be used.
- C. *Environment:* You should park your personal transportation for one day, and make a “dry run” attempt at reaching a few potential respondents (on a judgment basis) in another village, using only locally available transportation, and/or walking. Not only will this give you a much better feel for the environment than riding around in a chauffeur-driven, air-conditioned jeep, but it will enable you to estimate the “worse-case” timing and interviewing expectations when your staff goes out later. Without such experience, you may place unrealistically high demands for interviews upon your fieldworkers, which could lead to major difficulties. Either they finish on time but with an inadequate sample, or they continue until they reach their assigned quota, delaying the processing of the data as a consequence. In either event, as the survey manager, you will face problems you could have avoided with a little preparation.

V. Sampling

- A. *Types of Samples:* There are many types of samples and you can consult any good statistics book for a definition of each. For our purposes, we can discuss two types.
 1. *Random samples* are chosen from the total pool of project participants on a random basis. That is, each person or family to be included is chosen without regard to their characteristics. You might choose families to interview by pulling their names from a bowl, by interviewing people with house numbers ending in “5”, or some other arbitrary method.
 2. *Stratified samples* are those where you deliberately decide who you want to interview. First, you decide on categories (age, sex, location, etc.) and you specifically choose a certain number of people from each category so that the

individuals interviewed accurately represent all the categories of people in your program.

In general, random samples are better for large-scale surveys such as general social, economic, or demographic studies of a whole community, or where you are working with several thousand clients.

For smaller programs, a stratified sample may be simpler and easier. The main thing to remember about a stratified sample is that you choose the representatives *within* each category without bias.

Both types of samples are equally valid and the results of each can be generalized to make statements about the total population.

- B. *Estimating Sample Size:* In collecting information, there are many sources of error. Questions may not be asked correctly, they may be recorded incorrectly, they may be coded or analyzed wrong. The more information you collect and the more people you interview the greater is the possibility of errors.

Therefore, sampling can be more accurate than a 100 percent enumeration, and it is much more practical. A small, carefully chosen and controlled sample will give you much more accurate information than a big, loosely organized, poorly planned study.

The smaller your total population (all project participants or all community members, for example) the larger your sample size should be. If the community has 100,000 families, a 1 percent or 5 percent sample will be enough. If your project only has 100 members, you will need a 15 percent or 20 percent sample to be accurate.

Another consideration is how varied your population is. If you are working with some very diverse groups, your sample has to be large enough to be sure each group is well represented. If most of the people are from the same place, are about the same age, and belong to the same ethnic group, then a smaller sample will do.

- C. *Team Preparation:* When the samples (or clusters) have been determined and assigned to various teams, the teams should also be furnished with a complete schedule of interviews, so that in the event of an emergency, each team knows where and when other individuals may be contacted. Teams should also be informed of the administrative arrangements and review the technical questionnaire again in the light of the supervisor's experience.
- D. *Scheduling:* A detailed work schedule for completing each major step of the survey and its analysis must be prepared at the outset, and *then adhered to*, in order to complete the report in time for management.

VI. Field Supervision

Field supervision and back-tracking of survey teams is an important aspect of any survey, regardless of the fact that the survey teams may be skilled, trustworthy individuals. It enables the survey supervisor to adjust his/her expectations to realistic standards that can be maintained in the field environment and to evaluate the quality of the survey data after the interviews have been completed. The presence of a roving field supervisor enables many difficulties and misunderstandings to be resolved on the spot, provides additional incentive to do a thorough job, as well as giving the survey teams some reassurance that they will not get lost and left; for even in remote areas, in-

dividuals leave an "audit trail" that can be traced. It enables the field supervisor to adjust assigned workloads if some teams get ahead or fall behind in their interviewing for some reason or another, or encounter unforeseen obstacles.

Most important, field supervision and follow-up can provide the supervisor with an insight into the field environment that cannot be obtained from reading the reports in the office in the capital city. A much deeper appreciation is gained for the problems of data gathering, and for the day-to-day work of the respondent. Active field supervision is invaluable for team building, both for esprit de corps and high-quality work.

VII. Conducting the Survey

Some general guidelines that should be observed are as follows:

- A. *Brief the interviewers:* Ensure that all the interviewers have a common understanding of the purpose of the survey, definition of terms, the meaning of the questions to be asked, and a uniform way to record answers. Provide guidance on procedures to follow when they encounter difficulties. If possible, provide for a "dry run" interview session to supplement the orientation process.
- B. *Interviewing procedures:* Differences in interviewers' personalities and questioning techniques will affect the responses they obtain. The effect of this can never be eliminated, but it can be minimized. The following are general points that should be kept in mind by the interviewers.

1. Introduction

Introduce yourself.

Verify who you are speaking to.

Put the individual being interviewed at ease.

Tell the reason for the survey and the use to which it will be put.

Tell the individual how he/she was selected to be interviewed. Assure him/her of confidentiality. Tell him/her how long the interview is likely to take.

Ask if the time is convenient for an interview now.

See whether there is a suitable place to conduct the interview. (Privacy is often desirable, especially when asking personal questions. However, in many field situations, this may be impossible to obtain as you may become the focal point of the village's "live entertainment.")

2. Conducting the Interview

Use your judgement whether to follow a structured "questionnaire format" reading off each item; or an unstructured interview style using the questionnaire as a check list, but employing a lot of additional extemporaneous "probing" questions. The structured style may get a response to every question, but you may scare or inhibit the respondent, especially if you record the answers in the presence of the person being interviewed. (On the other hand, some people feel more important when they see you writing down what they say, and often think if you don't write it down, you may forget and/or fail to pass on their comments.) Unstructured interviewing generally leads to a much more wideranging discussion, takes longer, and may gather much supplemen-

tary data that may also be useful. However, even though important to note, it is not generally possible to statistically analyze such additional data. Sometimes it is critical that every respondent be given only the precisely formatted question, so that responses are standardized. Extemporaneous questioning often introduces interviewer bias.

Use local or familiar measures, and minimize computations by the respondent. Get raw data that can be converted to percentages, etc., later. Most people perform poorly in mental arithmetic, therefore, record information in the terms in which it is given to you. Note the conversion factor for later use in obtaining the desired unit measures.

VIII. Cautions to Observe in Conducting Surveys

Make sure you have the right person before you start to interview. Avoid leading questions and verify responses for accuracy by cross-checking. Often individuals misunderstand what you are asking, or only tell you what they think you want to hear. They may be trying to impress you, gain your sympathy, or avoid discussing the topic at all for lack of knowledge or fear of embarrassment.

For instance, a farmer may understate his yield if he thinks he may be penalized (by taxes or rents), or overstate it if he is trying to compete for "farmer of the year" in the Green Revolution competition! Therefore, you may have to repeat your questions several different ways to ensure that they are understood and the person being interviewed is responding accurately to the best of his knowledge. He may also respond inaccurately if his neighbor, or the village headman is present during the interview.

Remember: Do not promise anything (except to pass on the information) unless you have authority to take corrective action. You are usually only interviewing in the village as an observer and gatherer of facts. On the other hand, the individual being interviewed may regard you as a representative of the government who can and should do something about a local problem situation. Idle promises will only result in a lack of confidence and lessen cooperation in the next time around. *Don't assume that people understand your role.*

IX. Analyzing the Data

After the data have been gathered and recorded on the survey forms, they must be edited, weighed, calculated, and interpreted.

- A. *Editing:* Prior to use, raw data on survey forms, gathered by different enumerators, must be screened by a staff using consistent guidelines. The principal purposes of this are to review for clarity, internal consistency, correction and mark-up for further processing. Preliminary editing in the field should speed up this process.
- B. *Clarity:* Data recorded by enumerators under field conditions are sometimes almost illegible and/or unintelligible to a staff editor. Numbers may be illegible, and many cryptic comments may have been added to the standardized responses that might qualify the answers recorded "Yes" to "Yes, but . . .". Whenever possible, questionable items should be reviewed with the individual making the survey. However, this is not always possible, and even then it does not always produce success. The individual cannot always read his/her own writing, and/or

does not recall the context in which the comments were made even though they may have seemed meaningful at the time.

Where multiple choice responses have not been used, the editing staff has an extremely difficult task of developing a standardized scheme to classify "open-ended" comments received. In fact, it is often impossible at this late stage, since it is highly unlikely that all respondents would comment (or that different enumerators would solicit unstructured comments) in any systematic manner. This emphasizes the need to carefully plan and structure the survey before gathering the data, not afterwards.

It may also develop that some things that were overlooked, or thought not to be important when designing the questionnaire actually have great significance, while other questions may no longer be pertinent. Thus, some preliminary modification or even elimination of questions and responses may be necessary.

- C. *Internal Consistency:* Check marks may have been placed in more than one option of multiple choice questions even though it was originally specified that only "one of the above" was to be checked. There may be clarifying comments in the "white space" as to why, or there may be no explanation at all. With "number" responses, editing is frequently required to recalculate the recorded values into the standardized units requested. Sometimes the conversion factor is provided, sometimes it has been overlooked.
- D. *Correction:* Decisions have to be made on how to treat questionable data. Should the data be rejected outright as erroneous; counted at face value regardless of its apparent error; or retained but reduced in value, with an attempt to figure the "intent"? This is all part of the editorial task.
- E. *Mark-up:* Finally, to simplify the data-processing task, it may be necessary to transform the check marks in the standardized responses into "base numbers." For example, if a series of questions were asked about rice farming that are to be analyzed in terms of hectares, the *hectarage* of a particular respondent's farm will be the base number to substitute for the check marks on his survey form.

X. Calculating the Data

If the data are to be hand-tabulated, a desirable practice is to have them all processed simultaneously by each team independently. Each team should place its own identification mark on its own questionnaires; the questionnaires from each team grouped and sequentially numbered; then the questionnaires redistributed so that no team edits its own questionnaires.

After editing preliminary calculations and double checking, the total questionnaires can be rank ordered from high to low (or low to high) for each question, then the data transcribed onto a blackboard. From this, a frequency distribution can be constructed and the mean, standard deviation, standard error, and confidence computed simultaneously by each team independently.

If these calculations are carried out simultaneously, assuming five separate teams, then five concurrent checks are made of each item at each step. Further processing and calculation should be delayed until agreement is reached by all teams. It is surprising how difficult it is to develop the right answer first time through—therefore the teams should proceed slowly and carefully! It is extremely time consuming to have to recompute the data over again because of calculation errors.

When the information has been computed for one question, the entire process should be repeated for the next question; and so on, until all the questions have been calculated. The entire data base should be reviewed, rechecked, and recalculated after a suitable time interval (the next day) to assure that it is as correct as possible. Then, the data should be analyzed and interpreted for comparisons, trends, and significance through the use of data tables, graphs, histograms, and significance testing. This, too, should be done independently and simultaneously, by teams. Findings should be reviewed and discussed by team members before proceeding. In this manner, as in brainstorming, numerous insights surface that would normally be overlooked by individuals.

XI. Presentation of Results

The final step in the survey process is to present the findings of the study. This is a very critical phase. In fact it is the point of the whole exercise. Designing questionnaires, interviewing, and statistical manipulations of various kinds were just a means to the end—providing answers to management and possibly furnishing them with some additional insights into a program for which they have responsibility. Many well-conceived, planned, and executed surveys fail miserably at this stage because they do not communicate with their intended audience. Remember, readers have not had the experiences that you have just had in traveling, interviewing, researching, and analyzing this survey data—so it is difficult for them to empathize with you. They will only know what you tell them, plus any impressions they may have gathered through judgment samples of their own and other reports. It is your job to see that they get the message loud and clear.

A frequent problem is that after doing all the foregoing work, survey technicians are reluctant to summarize. They want the boss to see all the detail of everything they did so that he doesn't "miss" anything. Nothing is left out, no matter how insignificant. Unfortunately in such cases, everything is usually missed because, after picking up the weighty tome and ruffling its pages, it is set aside until there is time to read it thoroughly—a time that rarely comes to the busy executive.

The Ten Most Common Problems of Survey Research (Questionnaires)

1. Questionnaire lacks focus—too long, covers too many topics.
2. Questions not clear or objectively phrased.
3. Questionnaire is not pretested.
4. Interviewers are not well supervised during questionnaire administration so results are inconsistent.
5. Questionnaire is given to too large or improperly chosen sample.
6. Prior consideration is not given to how the data will be analyzed, what calculations will be done, and by whom.
7. Failure to realize how much time and money it takes to do a good survey research project; people get frustrated and impatient.

- 8. Data analysis may be overly technical and over-analyzed if done by computer.
- 9. Results are not translated into action. Lack of clear understanding about how results will affect program.
- 10. Results not written up in narrative form for laymen and nontechnical readers.

Definition

There are a variety of ways to present information so it will be more interesting and understandable. You are more apt to use the information if it is presented in an attractive way.

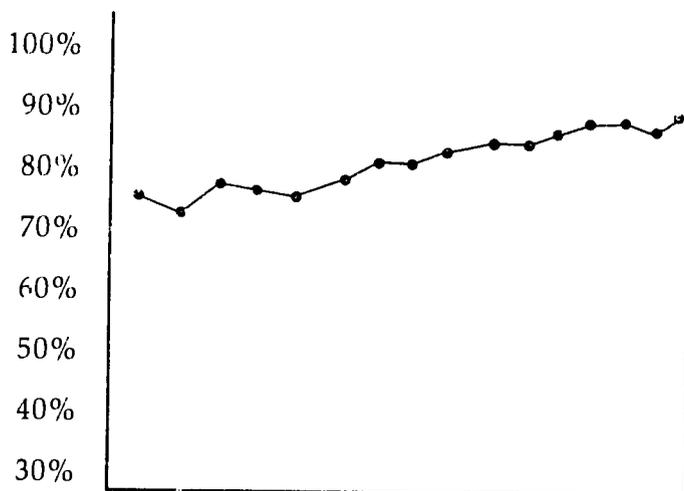
How it is Used

Information may be presented in different ways for different audiences. Those suggested here are appropriate for written reports, wall charts, or for keeping in clients' folders to monitor individual progress.

Review reports from the UN, the World Bank, and other large organizations as they use very creative ways of presenting facts. Notice charts, graphs, and tables in the newspaper, training material, and magazines to get ideas about lively presentations.

Examples

LINE GRAPH



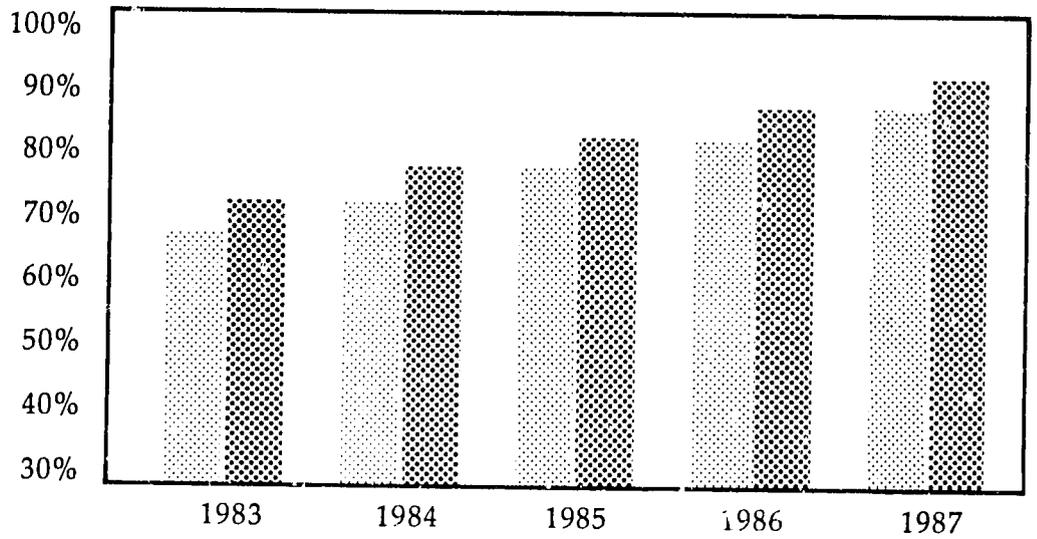
1983 1984 1985 1986 1987

Percent of Loans Repaid on Schedule

PRESENTING
INFORMATION

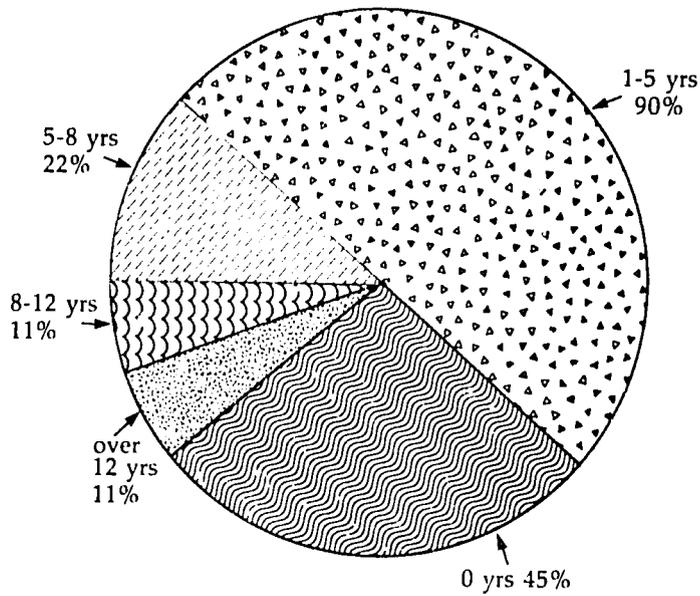
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BAR GRAPH



Percent of Loans to Men and Women Being Repaid on Time

PIE GRAPH



Percent of Project Participants with Formal Schooling

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Presenting Qualitative Data

A good report will have a mix of numbers and information from qualitative sources. This can be quotes from interviews or minutes of meetings, or it might be photographs of skits. Back up your statistics with some information that helps your reader understand what the numbers mean in human terms.

FOR EXAMPLE

"The graph on the preceding page shows that overall loan repayments made on time has increased each year. The rate of repayments is higher for women and has increased relative to those of men. We believe that women are more apt to repay on time because they have fewer responsibilities to extended family members. The following are some comments made during interviews with men who were late in payments:

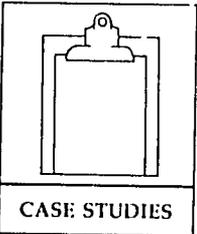
I had the money for the payment and was on my way to the credit union to pay when my brother sent word that his daughter had broken her leg. I had to use the money for transportation and doctor fees.

I try to save for the payments but it seems like there is always some family emergency and I just can't seem to get enough when the payments are due.

We discussed this problem at a meeting of the credit union members and they used role playing to show how a man can learn to say no to people. Some photos of the activity are on the next page."

Some Tips on Presenting Information

- In the main body of your report, give only the main statistics. Add an appendix for large tables, charts, or descriptive detail.
- Always include a paragraph in the text of the report referring to your chart or graph and mention the main findings in a sentence or two.
- Always include a "methodology" section in your report telling when, how, and where you got the facts you are presenting.



CASE STUDIES

Case Studies

Case Studies

On the following pages are two case studies illustrating how different agencies have developed internal monitoring and evaluation systems that work for them. They are:

- Foster Parents Plan International, Mindoro, Philippines, and
- Partnership for Productivity International

The material is organized in a form corresponding to the **Steps**, although not in as great detail as would be achieved if you answer every question in the **Master Plan Worksheet**. They do show, in a summarized form, two ways that a “Systems Approach” can be developed and used.

The Monitoring and Evaluation System of Foster Parents Plan International

CASE STUDY I

Mindoro, Philippines

Step 1. The Businesses We Assist

Plan/Mindoro directs its assistance to sponsored families who organize themselves into groups to undertake income-generating activities. Six to 25 people participate in each project. In 1986, there were 368 such projects with 2,572 people involved. Projects fall into the following classifications:

- Basic grains—rice, corn, peanuts, and mango
- Animal husbandry—breeding and fattening of cattle, swine, goats, water buffalo and poultry
- Fishing—nets
- Buying and Selling—fish, rice, vegetables, groceries, livestock, and garments
- Food processing—fish, meat, and rice
- Manufacturing—concrete products, machete, nipa, wood products, and garments
- Services—laundry, transportation, and lodging.

The average project cost is \$675. Counterpart resources provided by the groups are also small scale.

Step 2. Our Package of Services

Plan/Mindoro assists its families through a planning, implementation, and evaluation process that has these phases:

- a) Group formation: Families identify needs, skills and interests, and self-select members of the group.
- b) The group develops a project plan with the help of a PLAN community worker and technical assistant. The plan sets the objectives of the income-generating activity, lists all project costs, sets out what the group needs to raise in cash, material and labor, and what is requested from PLAN. The project document also records how the group will organize its work, save, and share profits. (See Annex A)
- c) The project is reviewed by the Association of PLAN Families, the technical assistant, community workers, and supervisors to assure that it meets both technical and human development criteria. Approved projects received either grants (30 to 70 percent of project costs) or noninterest loans (20 to 60 percent of project costs), as well as continued technical assistance and training during implementation.

Projects are monitored during implementation and evaluated for impact by PLAN staff. Project members, community worker, technical assistant, and a staff member of the Evaluation Unit are all resources to this process.

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Step 3. Our Primary Stakeholders

- a) the PLAN families who participate in the businesses
- b) PLAN/Mindoro staff
- c) PLAN/International headquarters, and
- d) our donors

THE KEY QUESTIONS WE MUST ANSWER

- a) What is the level and quality of participation by group members in meetings, activities, and decision making?
- b) How well have groups controlled project finances?
- c) Has technical assistance and training provided the appropriate support?
- d) Has the project achieved its objectives in a cost-effective manner?

OUR MONITORING AND EVALUATION SYSTEM

The Plan/Mindoro system has two components:

- a) The Monitoring System, which assesses project progress, tracks success rates, and isolates factors for success. It includes a planning document, implementation document, and other records of what is accomplished.
- b) The Impact Evaluation component, which is accomplished separately by different staff at different periods of time. It is also compiled and analysed separately with the objective of measuring the effect of the overall program.

Each of these will be presented below.

Step 4. Economic Indicators Tracked by the Monitoring System

KEY QUESTION	INDICATORS
Project Cost Control	Simple bookkeeping and record keeping; security of project funds; cash flow operations; savings for settling of obligations
Project Performance	
Physical	Procurement, delivery, and use of resources; execution of project plan; production of output; corrective measures
Financial	Income, net savings and profit; rate of return of investment; return of operating assets; equity; break-even point
Counterpart Funds	Putting up investment capital; investment planning

Step 5. Social Indicators Tracked by the Monitoring System

KEY QUESTION	INDICATORS
Group Participation	Conduct of meetings; attendance at meetings; conduct of project activities; attendance at project activities and decision-making process

Step 6. Institutional Development Indicators Traced by the Monitoring System

KEY QUESTION	INDICATORS
Technical Assistance	Direct technical assistance from inside and outside agency; conduct of trainings; consultative and referral services

Tools

The tools used to collect information for each of these indicators are the same. They include group records, the Project Implementation Report prepared by the group (Annex B), and the Monitoring Report Forms A, B, C, D, E, F and G prepared by the community worker during project visits. (Annex C)

Three months after the project begins, and every six months thereafter, the community worker and group do an overall assessment of the project's progress along with the technical assistant and a staff member of PLAN's Evaluation unit. They complete a Project Evaluation Facesheet (Annex D), which records their joint view. The four key factors—participation, cost control, technical assistance and project performance—are rated between 0 and 100, and assigned a numerical equivalent.

RATING	NUMERICAL EQUIVALENT
No accomplishment	0
Between 0 and 74 percent of projected accomplishment	1
Between 75 and 100 percent of projected accomplishment	2
Over 100 percent of accomplishment	3

The overall score of a project is between 0 and 12:

Highly successful projects	=	9.61 and above
Successful		8.26 to 9.60
Barely successful		6.96 to 8.25
Failure		6.95 to 0

Our Impact Evaluation System

Impact information is gathered when families become involved with PLAN and every year thereafter to form a permanent record of each family. The information provides a baseline on the social and economic level of the families, and is used to assess impact

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RATING INDEX	CRITERIA OF ECONOMIC CLASSIFICATION	RATING
1. Household Income	Less than P500 gross per month	Class E
	P500 to P999 gross per month	Class D
	P1000 to P2999 gross per month	Class C
	P3000 to P4999 gross per month	Class B
	P5000 to above gross per month	Class A
2. General Housing	Small temporary structure, poorly constructed and one-room affair	Class E
	Small, of light materials; poorly constructed; semipermanent or temporary	Class D
	Not too large, of mixed heavy-light materials, generally permanent	Class C
3. Household Durables & Acquisitions	Hardly anything except for low-priced radio and inexpensive furniture	Class E
	One or two low-priced appliances and inexpensive furnishings	Class D
	Two or three less expensive appliances and moderately furnished with inexpensive furniture	Class C
4. Occupation of Household Head	Farm hand or unskilled labor/unemployed	Class E
	Low-paid white collar job, farmer/tenant	Class D
	Young professional employed, small businessman or small farm owner	Class C
5. Education of Family Members	Elementary graduate or less	Class E
	Generally an elementary graduate and some high school	Class D
	May be a college graduate; generally with some college; may have diploma in vocational education	Class C
	College or post graduate from less expensive schools	Class B

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RATING INDEX	CRITERIA OF ECONOMIC CLASSIFICATION	RATING
6. Health and Health Practices	All as compared to local averages: Lower life expectancy; high infant/child/perinatal mortality rate; high birth rate; high incidence/prevalence of diseases and disease-specific mortality; lower incidence index of health habits (use latrines and safe water, environmental sanitation practices; child regulation and rearing practices, immunization and low weight-for-age)	Class E
	All the above at least slightly less than 10% of local averages	Class D
	All the above at least equal to local averages	Class C

NOTE: Target of impact may necessarily be to Class C only, hence the categorization sometimes does not include Classes A and B.

To gather this information, PLAN staff use an interview schedule which they complete during family visits.

Steps 7 and 8. How We Analyse and Use the Information

Community workers regularly review and analyse progress with group members during implementation, and project changes are made accordingly. Completing the Project Evaluation Facesheet every six months presents another opportunity for joint analysis and decision making with families. The report forms enable staff to collect both quantitative and qualitative information. But even qualitative information is coded numerically (per the rating system described above), enabling staff to compare and consolidate information from all the project groups to improve performance. Key areas for analysis have been:

- percentage of successful/unsuccessful projects types
- types of projects which are successful and unsuccessful
- factors contributing to success/failure

On the basis of our analysis, we have reorganized the delivery of technical assistance, and focused future projects to those that have proved most feasible.

The information from the Impact Evaluation is analysed by members of the Evaluation Unit, and is organized into a data bank which can provide profiles of income-generating project participants and performance measures on even small locations. The information will be used to measure impact of the program in two years.

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Strengths and Weaknesses of the System

We have been flexible in our development and use of the monitoring system, which was first designed in 1982. The system was originally weak in quantification, and we had to assign numerical weights to clarify project success. The participation rate was originally weighted too lightly, but now is given the importance it is due as a major process. The monitoring process particularly helps us detect project difficulties (such as a drop in production or income) at an early stage, permitting adjustments by the group to avert failure. It has also helped us to improve the overall performance of the program by upgrading technical assistance and guiding the groups to more successful economic ventures.

The difficulties we have encountered have been several. Developing the system has required time and energy far beyond what was originally anticipated. It has required extra work by everyone from management to line workers. The impact evaluation component is also producing more information than we can use. We attempted to gather too much too quickly, taxing storage space, our equipment's capabilities, and staff's skill to analyse and interpret the data. The lesson is to start small. The capability for evaluation should be increased gradually, widening coverage and building it up one step at a time.

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III. Plan of Activities

To help you fill in the following chart, think about the activities you have to perform to make the project. Column A is for the activity or step in the project. Column B is for how many days the activity will take. Column C is for who will supervise the activity. If you want to have a supervisor for each activity, fill up Column C. Column D is for the number of people who will perform the activity.

A. What is the activity?	B. How long is activity?	C. Name of the supervisor from the group.	D. How many people will participate in the activity?
Pre-operational			
Operational			
Post-operational			

(Please keep sheets of the signatures of the supervisor and the participants who want to participate in the activity in your file.)

IV. Plan of Technical Assistance

A. Does your project need technical assistance, like help of a PLAN Project Officer or from government offices, other sector, or can you do the project alone?

B. Which parts of the project need technical assistance? Fill in the following chart to help you decide what assistance you need.

What kind of assistance is needed?	Why do you need assistance?	Who is the person who will provide assistance?
Extension		
Training		
Referrai		
Others		

C. Who will pay for the expense (if any)?

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V. Plan of Project Cost; Bill of Materials

What materials/ items do you need in the project?	When do you need the materials/ items?	How many of each do you need?	How much does each cost?	How much is the total cost?
Pre-Operational				
Operational				
Post-Operational				
GRAND TOTAL				<input type="text"/>

VI. From the preceding page, what contribution by group members will you have? Will it be in cash or in materials or both?

Value in pesos	What materials/ items will you provide?	How much does each cost?	How much is the total cost?

TOTAL CASH CONTRIBUTION _____
 TOTAL CONTRIBUTION IN KIND _____
 TOTAL OF BOTH CASH AND MATERIALS _____

For PLAN staff use only. Keep in PLAN location office. Forward to Head Office when project Plan is completed.

Comments by:

1. Community Worker: _____ Technical Assistant: _____

2. Program Supervisor: _____

Comments when PDO is returned: _____

OR APPROVED BY: _____ DATE: _____

COMMENTS: _____

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Annex B

PLAN/Mindoro Project Implementation

Project No. _____

Category _____

I. Basic Information

- A. What is the name of your project? _____
- B. What is the name of your group? _____
- C. What is the name of your barangay/s? _____
- D. What is the name of your municipality? _____
- E. How many are participating in your group project?
 PLAN _____ Non-PLAN _____
- F. Are there PLAN staff assisting you in this project?
 Yes No
- G. If yes, who? _____
- H. When was the project approved? _____ Started? _____
- I. When is the expected completion of the project? _____
- J. Who is participating in the project implementation? _____

Name

Signature

_____	_____
_____	_____
_____	_____
_____	_____

II. Meeting Conducted. Fill in the chart below every time you have a meeting.

Day	Month	Year	What was the topic discussed?	How many attended? PLAN Non-PLAN

(PLEASE KEEP MINUTES OF MEETING IN YOUR FILE)

III. Group Activities

Activities in project implementation.

Activity	Date Started (day, month, year)	Date Completed (day, month, year)	Number of Participants
Pre-operational			
Operational			
Post-operational			

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IV. Technical Assistance

A. Did you receive technical assistance? Yes No

B. If yes, fill in/answer the following:

What kind of technical assistance was given?	When was technical assistance given?	Who provided assistance?	Who paid?
Direct Assistance			
Training			
Consultation			
Others			

V. Project Expenditures/Bill of Materials

What materials/items were used?	When were materials/items delivered?	When used?	How many?	How much?
Pre-operational				
Operational				
Post-operational				

Total Cost

B. What was the contribution by group members?

Value in Pesos	What materials/items were provided?	How many?	Cost per item?	Total cost

TOTAL CASH _____ TOTAL AMOUNT OF MATERIAL _____
 TOTAL AMOUNT OF CASH AND MATERIALS _____

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Annex C

PLAN/Mindoro Ongoing Project Monitoring Form A

PROJECT ID _____ BARANGAY _____

PROJECT TYPE/TITLE _____

MONITORING OF IMPLEMENTATION PACKAGE:

1. Is it still being updated? Yes No
2. Date of last entry for the following:
 Meetings _____ Activities _____ Started _____ Completed _____
 Technical Assistance _____ Bill of Materials _____

Reported by _____ Date _____

PLAN/Mindoro Ongoing Project Monitoring Report B

PROJECT ID _____ BARANGAY _____

PROJECT TYPE/TITLE _____

MONITORING OF MEETINGS

1. Date of 1st meeting _____
2. Is meeting regular _____ Special _____
3. No. of participants attending _____
4. Major decision arrived at during last meeting _____
5. Others (nonparticipants) attending meeting and role _____

Reported by _____ Date _____

PLAN/Mindoro Ongoing Project Monitoring Report Form C

PROJECT ID _____ BARANGAY _____

PROJECT TYPE/TITLE _____

MONITORING OF ACTIVITIES

1. What are the activities in the Project Plan that are already completed?
2. What are the activities in the Project Plan that are started but not yet completed?
3. Are there discrepancies in the schedule of activities based on the schedule in the Project Plan? Please explain.
4. Other activities done but not in the Project Plan?
5. Factors (including persons and conditions) that influenced group to do activities not in the Project Plan, if any:

Reported by _____ Date _____

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PLAN/Mindoro Ongoing Project Monitoring Report Form D

PROJECT ID _____ BARANGAY _____
PROJECT TYPE/TITLE _____
MONITORING OF TECHNICAL ASSISTANCE

1. What training included in the Project Plan was conducted for the group; who organized said training/s?
2. What trainings included in the Project Plan were not yet conducted? Why?
3. Other technical assistance rendered, aside from trainings (indicate whether included in the Project Plan or not, who rendered). If not included in the Project Plan, was the assistance requested or was it deemed necessary by PLAN staff?
4. Is the technical assistance rendered in accordance with the schedule in the Project Plan? If not, why?

Reported by _____ Date _____

PLAN/Mindoro Ongoing Project Monitoring Report Form E

PROJECT ID _____ BARANGAY _____
PROJECT TYPE/TITLE _____
FUNDING AND BILL OF MATERIALS

1. Fundings
 - A. Funds released by PLAN to date _____
 - B. CBF paid to date _____
 - C. CAF paid to date _____
2. What are the materials/items received/purchased by the group?
 - () All those listed in the Project Plan.
 - () Part of those listed in the Project Plan. Specify!
 - () None. If none, why?

Reported by _____ Date _____

PLAN/Mindoro Ongoing Project Monitoring Report Form F

PROJECT ID _____ BARANGAY _____
PROJECT TYPE/TITLE _____
UNRESOLVED PROBLEMS ENCOUNTERED BY THE GROUP:

Reported by _____ Date _____

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PLAN/Mindoro Ongoing Project Monitoring Report Form G

PROJECT ID. _____ BARANGAY _____
 CHANGES IN THE PROJECT PLAN

1. What are the changes in the approved plan, if any. Why were these changes needed?
 - A. Meetings
 - B. Activities
 - C. Technical Assistance
 - D. Bill of Materials
 - E. Objectives
 - F. Agreements
 - G. Others
2. When were the changes instituted?
3. Approved by PLAN. Yes No
4. Who? _____

Annex D

Project Evaluation Facesheet

PROJECT IDENTIFICATION _____ FY _____
 Project Type/Title _____
 Date Approved _____ Date Started _____
 Approved Budget (Plan) _____ Total Counterpart _____
 Total Amount Released to Date _____ CBF Paid _____ CAF Paid _____

I. Participation Index

A. No. of meetings conducted = _____

B. No. of meetings planned = _____

$$\frac{A}{B} = \text{_____} a$$

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C. Average actual attendance =
$$\frac{\text{total attendance}}{\text{number of meetings}} = \underline{\hspace{2cm}}$$

$$\frac{C}{D} = \underline{\hspace{2cm}} b$$

D. Average planned attendance =
$$\frac{\text{total planned attendance}}{\text{no. of planned meetings}} = \underline{\hspace{2cm}}$$

E. No. of activities conducted = $\underline{\hspace{2cm}}$

$$\frac{E}{F} = \underline{\hspace{2cm}} c$$

F. No. of activities planned = $\underline{\hspace{2cm}}$

G. Average actual attendance in activities =
$$\frac{\text{total attendance}}{\text{no. of activities}} = \underline{\hspace{2cm}}$$

$$\frac{G}{H} = \underline{\hspace{2cm}} d$$

H. Average planned attendance in activities =
$$\frac{\text{total planned attendance}}{\text{no. of planned activities}} = \underline{\hspace{2cm}}$$

I. Decision making: = Encircled Rating \div 3 = $\underline{\hspace{2cm}} e$

1. Majority of participants feel that the decisions are made for them by somebody else.
2. Some participants feel that the decisions are made for them but some feel that it is the group that makes the decisions.
3. Majority of the participants feel that it is the group that makes the decisions.

$$PI = \frac{a + b + c + d + e}{5} = \underline{\hspace{2cm}}$$

II. Financial Management Rating (Please circle appropriate points)

A. Bookkeeping/Recordkeeping

1. Project has neither books nor any recordkeeping system.
2. Project group has book/records but entries are not quite in order.
3. Project group has good/in-order book/recordkeeping system.

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- B. Security of Funds
 - 1. Funds are handled by unauthorized/unaccountable people.
 - 2. Funds are handled by authorized/accountable (although not bonded) officers of the group.
 - 3. Funds are handled by bonded, accountable officers of the group or are deposited in banks/co-ops in the group's name.
- C. Use of funds according to plan/policy
 - 1. Funds are used for personal purposes/could not be presented.
 - 2. Funds are used by the group in projects not included in the original plan.
 - 3. Funds are used according to plan.
- D. Funds intact/accountable
 - 1. Less than 95 percent of the funds are intact/accounted for.
 - 2. 95 percent of the funds are intact/partially accounted for.
 - 3. 100 percent of all funds are intact/fully accounted for.
- E. Financial obligations settled including CAF
 - 1. No intention to settle obligations.
 - 2. Delayed or partially settled with intention to pay or too early to tell.
 - 3. All obligations settled in accordance to schedule.

$$FMR = \frac{A + B + C + D + E}{5} = \underline{\hspace{2cm}}$$

NOTE: As a general rule, if total of A, B and C is below 8 pts., FMR is automatically rated 1 point.

- III. Technical Assistance Rating
 - A. Inaccessible or not availed of.
 - B. Availed of trainings, technical advice, etc., as planned.
 - C. Availed of more than planned.

$$TAR = \frac{A + B + C}{3} = \underline{\hspace{2cm}}$$

- IV. Technical Success Rating (based on measure of performance, income statement and financial analysis). Circle appropriate rating and compute for the average.

A. Measure of performance

- 1. percent accomplishment:

$$\frac{\text{actual physical accomplishment}}{\text{target physical accomplishment}} \times 100 \underline{\hspace{1cm}} \%$$

- 2. Funding support:

$$\frac{\text{funds released}}{\text{program amount}} \times 100 \underline{\hspace{1cm}} \%$$

- 3. Funds utilized:

$$\frac{\text{expenditures}}{\text{cash issued}} \times 100 \underline{\hspace{1cm}} \%$$

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Comments by:

1. Community Worker

2. Technical Assistant

3. Evaluation Staff

Visitors	Position Agency	Purpose	Date

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The Learning and Evaluation System of Partnership for Productivity

CASE STUDY II

Step 1. The Businesses We Assist

PfP's 18 field programs are directed to individual farmers, traders, artisans in service or manufacturing, transporters, and those engaged in agricultural transformation. Some programs also help form economic groups. We try to select only the most serious and motivated entrepreneurs—the approximately 25 percent of the population who are innovative, risk-taking, responsible and willing to invest to improve.

Step 2. Our Package of Services

Most programs are business support institutions that provide services and train producers in improved production and management skills, and in the formation of a more entrepreneurial character. Some are credit institutions. Some support group-oriented schemes for purchasing, marketing, water development, agroforestry, or credit and savings.

PfP uses a six-step approach for relating to producers. The first two steps gather preliminary information about the proposed project and filter out creditworthy producers. The next two stages study the feasibility of the project and form a contract which includes a business plan. The last two stages monitor the development of the business activity and evaluate both the project and the client. In order to get further services, producers must not only pay back their loans but also make serious use of the technical assistance.

Step 3. Our Primary Stakeholders

- a) the business clients
- b) the PfP field staff and in-country management team
- c) PfP headquarters, and
- d) our donors

THE KEY QUESTIONS WE MUST ANSWER

- a) What gains have producers achieved in planning and carrying out small business projects?
- b) How effective is the program and how can it be improved?
- c) How productive are staff, and how can their performance be improved?

OUR MONITORING AND EVALUATION SYSTEM

The PfP system has two components: (a) Client Monitoring and (b) Program Monitoring. Both use an evaluation model based on experimental design. This means that they provide comparison information about the gains of those in the program versus those not in the program (a control group), or about the amount of progress over time experienced by those receiving program services. Baseline studies are done by interviewing, observation, market and sometimes aerial surveys. Information is also gathered from local research stations, agricultural extension services, university centers, etc.

The Client Monitoring System tracks economic and social indicators. The Program Monitoring System tracks our institutional development.



Step 4. Economic Indicators Tracked in Client Monitoring

- a) Attainment of project objectives
- b) Economic performance
 - for nonagricultural projects: sales, profits, profit margin, size of working capital, assets
 - for agricultural projects: crop area, yields, expenses, return on labor, yield per hectare
- c) Development of production and management skills: items keyed to nonagricultural and agricultural projects. (See Annexes A and B.)
- d) Development of the business in terms of complexity: (See Annex C.)

Step 5. Social Indicators Tracked in Client Monitoring

- a) Entrepreneurial attitudes and qualities
 - cooperative spirit; analytic approach to problem solving; ambition to improve; hardworking; openness to learning; problem solving versus excuse-making; willingness to teach others.
- b) Social gains
 - access to means of production; security of family food supply; family welfare (consumer goods, clothing, housing, school fees, health); capacity to work with larger system beyond the village; self-confidence; respect of one's family, neighbors, peer producers.

TOOLS

The tools used to gather information on these indicators include interviews and client files which maintain a feasibility analysis of the proposed project, business and technical assistance plans, the contract, visit log with dates, objectives, and observations, and other monitoring data. A series of scales and checklists have been created to track information in an objective and consistent way. Balance sheets completed every few weeks with nonagricultural producers are also an essential part of the record keeping.

Key to the system is the two part interview between field agent and client completed at the end of the contract. It lasts one hour. In the first part, the producer evaluates the project and his collaboration with PFP, using the forms in Annexes A or B. He judges both his economic and social progress. In the second part, the field agent evaluates the producer. Using a scale, the agent identifies for the client where his activity fits on a continuum of less to more complex businesses of this type. He analyses entrepreneurial qualities, pointing out strengths and weaknesses. Lastly he assigns a credit rating according to the objective indicators of each category, and explains his choice to the producer. Scales vary according to different economic activities: rainfed, irrigated and semi-arid agriculture, as well as for nonagricultural activity. (See Annex C.)

Step 6. Institutional Development Indicators and Tools Tracked by the Program Monitoring System

Indicators are monitored for four key areas: (a) service delivery; (b) credit and savings; (c) business development impact, and (d) program management and sustainability. Specific indicators are included in the Program Performance Statistics Form, found in Annex D.

Section A—Service Delivery—is self-explanatory.

Section B concerns credit and covers current activity, cumulative activity, and a rating of the portfolio showing how many loans and how much capital is outstanding to grade A, B, C, D, and E clients. Evaluators look at on-time repayment rates as the main indicator of credit fund performance. While this is valid for nonagricultural clients who reimburse monthly, it is less valid for agricultural loans. Farmers wait for post-harvest prices to rise, so it is not unusual if a farmer does not pay back his loan right away when the growing season ends. That is why we judge the quality of our loan portfolio in terms of the reliability of our borrowers, and not just in terms of due dates.

Section C provides a composite picture of our clients, and lets us know the percentage of producers at each stage of development. Standard information about yields and profits is also included for agricultural producers and is contrasted with average local production figures. For nonagricultural producers, we report “maintenance of working capital.” For being able to stay in business, this is a more sensitive indicator than jobs created, sales, or profits.

Section D indicates the scope of the program in terms of staff size and expenditures. It creates productivity ratios about the cost efficiency of service delivery. It also monitors revenues earned locally, a key aspect of financial sustainability.

To provide the information required for this Program Performance Form, PFP maintains complete and up-to-date client files with the documents mentioned above, has a well-developed system of credit fund accounting, and a financial management system which meets both donor requirements and internal needs. It provides cost-revenue centered accounting, which enables staff to know whether activities established to provide income to the organization are actually doing so.

Steps 7 and 8. How We Analyse and Use the Information

The client-field agent interview at the end of each contract period is the first opportunity to analyse and use monitoring information. Its application is quite direct—in the credit rating the field agent gives the producer and the plan of action that follows from it. But there are other ways it is used.

At the producer level, field days, demonstration fairs, group exchanges, and other participatory mechanisms are sponsored to give people an opportunity to discuss the experience and evidence of becoming more productive. Even if they cannot read, there are visual ways to display information using pictures of practices, graphs, videos, etc.

Within the organization, the emphasis is also on the visual display of key information. “Situation rooms” display statistics such as how many loans are outstanding to what ratings of clients, how many problem loans there are, and whether the trend of lending and on-time collection is increasing or decreasing. The situation room can have

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more information about the local economy such as price surveys, rainfall data, market surveys, etc. And it can present planning tools such as program objectives, progress indicators, and calendars. The room is a place where information is not only displayed, but analysed and acted upon.

Finally, we use microcomputers to maintain information, analyse it, and present it in a variety of ways.

Strengths and Weaknesses of the System

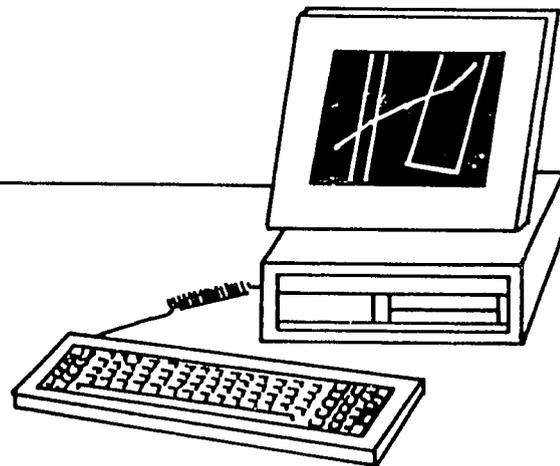
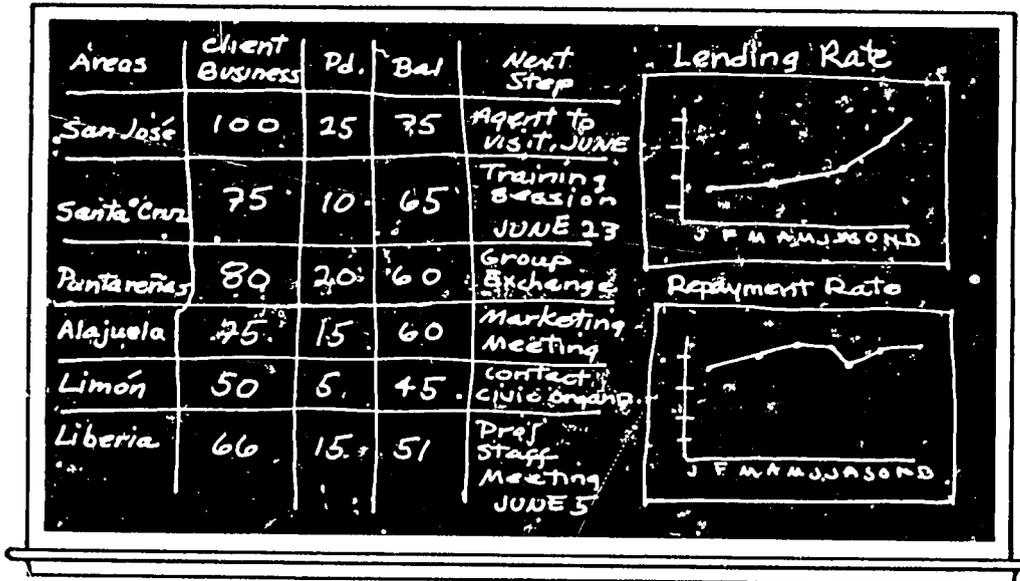
The system provides us with the basic information we need to help clients succeed and to improve our own performance. We have tools to collect both quantitative and qualitative information. There are many scales and checklists to guide our assessment of the more qualitative aspects of changes we are trying to promote.

The client files are a good means to develop the analytic and record-keeping capabilities of field staff. And when outside evaluators review our programs, they are a quick, effective indicator of the degree of formation of our methods.

The system requires commitment and attention. Program managers must give importance to the maintenance of adequately documented files, and to the process of analysis and interpretation. This requires time, but a time investment that is well worth it in program results.

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Using Management Display Boards and Computer Communications System



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Annex A

Evaluation of a Nonagricultural Project

Name _____ Agent _____
 Village _____ Date _____
 No. of Loan _____ Activity _____
 Amount _____ Season/Year _____

1. Attainment of Project Objectives (Yes/No)

- A.
- B.
- C.
- D.
- E.

2. Economic Performance

	Before PfP loan	After PfP loan	+ -
Sales			
Profit			
Profit margin			
Size of working capital			
Assets			

3. Development of Production and Management Skills

	NO 0	FIRST 1	REPEAT 2	MASTERY 3
a. Ability to calculate profit				
b. Separation & maintenance of working capital				
c. Control of drawings so that they do not exceed net profit				
d. Regular use of journals/devices to record business information				
e. Ability to analyze records for business decision making				
f. Effective policies and methods for debtor control				
g. Ability to set prices				
h. Planning cash needs and having appropriate cash on hand to operate the business (cash flow)				
i. Savings and investment plan				
j. Setting and pursuing practical business plans				
k. Marketing strategy				
l. Policy for inventory management (raw materials/merchandise)				
m. Preventative maintenance/depreciation (tools, machines, animals, vehicles)				
n. Improved appearance/layout/organization of business site				
o. Integration of this enterprise with other family economic activities				

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Annex B

Evaluation of an Agricultural Project

Name _____ Agent _____
 Village _____ Date _____
 No. of Loan _____ Activity _____
 Amount _____ Season/Year _____

1. Attainment of Project Objectives (Yes/No)
 - A.
 - B.
 - C.
 - D.
 - E.

2. Economic Performance

	Last season	This season	Change
A. Crop/Area	1		
	2		
B. Yields-kgs/Value	1		
	2		
C. Expenses	1		
	2		
	3		
D. Return on labor	1		
(B-C)	2		
	3		
E. Yields/ha	1		
	2		
	3		

3. Development of Production and Management Skills

Improved Practices	NO 0	FIRST 1	REPEAT 2	MASTERY 3
1. Used improved seed, fertilizer				
2. Seed treatment				
3. Straight line planting, proper plant density				
4. Proper fertilizer doses				
5. Weeding on time				
6. Insecticide use				
7. Herbicide use				
8. Protection of harvest against birds				
9. Protection of harvest against rats				
10. Post-harvest chemical treatment of grain				
11. Observance of agricultural calendar				
12. Recordkeeping of agronomic, economic data				

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Annex C

Entrepreneur Evaluation

Name _____
 Village _____
 Activity _____

Agent _____
 Date _____

1. Enterprise Development Scale
 (Mark level of client)

Development of Nonagricultural Enterprise
 (Differentiation Scale)

- 5 — Able to work with larger system (banks, tax/license, gov't, NGO)
 Wholesale buying or distributing
 Important impact on other business
- 4 — Identification of "optimum level" of working capital
 Ability to do feasibility analysis (good understanding of interrelationship of supply, production, marketing finance and management requirements)
 Savings and investment plan
- 3 — 25 percent increase in working capital or investment of profits in business
 Mastery of cash flow, supply, control of debtors
 New markets, refinement of products/services
- 2 — Separation of working capital, profits
 Working capital maintained
 Owner drawings do not exceed business, profit
 Stable or growing level of profits, sales
- 1 — Inadequate working capital—quantity/diversity goods or primary materials deficient
 Drawings made from working capital—no separation of business, operation funds
 Sales/production sporadic due to insufficient capital
- 0 — Rudimentary level of economic activity
 Activity ceases during certain seasons or difficult periods in the family economy
 No appreciable investment of capital or skill development

2. Entrepreneurial Attitudes and Qualities
 PfP agent assess the client

0 = needs improvement 1 = average
 2 = above average 3 = exemplary

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	0	1	2	3
a) cooperative spirit				
b) analytic approach to problem solving				
c) ambition to improve				
d) hardworking				
e) openness to learning, innovative spirit				
f) "class"—tendency to solve problems instead of offering excuses				
g) honesty, integrity				
h) good judgement, common sense				
i) service oriented—willing to teach others				

3. Recommendation about further collaboration between the entrepreneur and PfP. (Choose one.)

A. Superior performance—highly recommended

- business development objectives attained
- very good economic performance (production, profit, sales)
- significant skill development
- very good spirit of collaboration

B. Good performance—recommended

- project was an economic success
- skills improved
- cooperative attitudes
- producer should be able to achieve higher performance

C. Acceptable performance—recommended with reservation

- a project made a small profit
- modest skill development
- limited achievement of business development objectives
- cooperative spirit
- limited capacity—future project should not be complex

D. Weak performance—probationary status

- very small profit or loss
- little improvement in skills
- little acceptance of advice and innovation
- producer cooperated poorly at first, but later showed progress
- need to develop attitudes/experience with business development collaboration

E. Unacceptable performance—no further collaboration recommended

- poor cooperation, little intention to develop self or activity
- no acceptance of technical assistance

4. Specific observations and recommendations on this producer.

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Annex D

PfP Program Performance Statistics

Reporting period _____

A. Service Delivery

- _____ Number of producers requesting PfP assistance
- _____ Number of projects assisted
- _____ Number of loans made
- _____ Amount lent
- _____ Number of producers supplied with modern inputs
- _____ Number of producers using PfP farm equipment services
- _____ Number of demonstrations and/or plots of improved practices or technology
- _____ Number of economic groups assisted
- _____ Number of group members
- _____ Amount saved by groups
- _____ Amount lent by groups
- Project assistance by sex: _____ %Males _____ %Females

Lending Activity by Economic Sector

Sector	Loans	Amount (000)	Ave. Loan Size
Rainfed Agriculture			
Irrigated Agriculture			
Animal Raising			
Retail Trade			
Other Commerce			
Transformation-Small			
Transformation-Large			
Artisan Manufacture			
Artisan Service			
Transport			

Cumulative Service Delivery

- _____ Total number of primary beneficiaries assisted
- _____ Total number of secondary beneficiaries assisted
- _____ Population of zones that can access PfP services
- _____ Total number economic projects assisted
- _____ Total loans made
- _____ TOTAL AMOUNT LENT

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B. Credit Activities

B.1. Credit Fund Activity for Period _____

Loan Status	Number	Amount (000)
Loans Outstanding		
New Loans		
Loans Repaid On-time		
Rainfed Ag Loans On-time		
Irrigated Ag Loans On-time		
Livestock Loans On-time		
Nonag Loans On-time		
Loans late - 2 months		
Loans Late 3-6 Months		
Inactive Loans (+ 5 months)		
Loans Written Off		

B.2. Cumulative Credit Activity Since _____

Loan Status	Number	Amount (000)
Loans Outstanding		
Total Loans Made		
Total Loans Repaid		
Total Rainfed Ag Loans Repaid		
Total Irrigated Ag Loans Repaid		
Total Livestock Loans Repaid		
Total Nonag Loans Repaid		
Loans Written Off		

In addition to repayment rates, PFP uses an evaluation system that judges economic performance, production and management skills, and entrepreneur character to rate clients as follows:

- A. Superior—client is trustworthy, collaborative, and designs and executes projects well.
- B. Good, but can improve—client is trustworthy, project shows a profit, but potential for performance still isn't realized.
- C. OK, but limited—client is collaborative, but limitations or unknowns in technology, markets, or the client's ability can be seen. Next project should be modest to test these.
- D. Poor attitude—difficulties in collaboration; questions remain about client's creditworthiness.
- E. Unacceptable performance—attitudes and ability to undertake an economic project not up to minimum PFP standards.

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B.3. Project Rating of PFP Loan Portfolio Period _____

Rating	Loans	% Loans	Amount (000)	% Amount
Superior				
Good				
OK				
Poor Attitude				
Unacceptable				
No Rating Yet				

C. Socioeconomic Impact

PFP tracks the growth in management and production skills of all the clients with whom it works. The following scales reflect the skill levels of clients worked with and how their abilities are changing.

C.1. Rainfed Agricultural Practices

- 5 — Superior, intensive production
- 4 — Intensive, cash-crop farming
- 3 — Can execute year-long ag campaign
- 2 — Improved practices for 2 or more crops
- 1 — Few improved practices; low yields
- 0 — No improved practices

_____ % of producers maintaining last year's position

_____ % of producers improving last year's position

C.2. Nonagricultural Development

- 5 — Formal operations, institutional line
- 4 — Knows how to perform feasibility analysis
- 3 — Growth in working capital, control of debtors
- 2 — Able to distinguish, maintain working capital
- 1 — Insufficient working capital
- 0 — Rudimentary, sporadic economic activity

_____ % of producers maintaining last year's position

_____ % of producers improving last year's position

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C.3. Irrigated Agriculture Development

- 5 — Good mgt. of irrigation and farm infrastructure
- 4 — High yields; detection/treatment of insects, plagues
- 3 — Residual moisture crops; water-user group
- 2 — Precise knowledge of ag calendar; multi-cropping
- 1 — Use of improved seed, fertilizer, water control
- 0 — No improved practices, water control

___ % of producers maintaining last year's production

___ % of producers improving last year's production

C.4. Agriculture Development

Crop	No. of Pfp Projects	Ave. Client Production per Ha.	Ave. Client Return on Investment	Regional	
				Average Production Ha	Difference in ROI Pfp-Others
Maize					
Rice					
Cowpeas					
Peanuts					
Afr. Vegetables					

C.5. Maintenance of Working Capital for Nonagricultural Businesses

Sector	Number	% Average Increase working capital*	Average Working Capital (CFA)	Period (in months)
Retail Trade				
Other Commerce				
Transformation-Small				
Transformation-Large				
Artisan Manufacture				
Artisan Service				
Transport				

*Working capital at the time the loan is made is equal to 100 in order to calculate change. Pfp believes that the ability to maintain working capital over time is the most critical indicator of business management success for nonagricultural enterprise.

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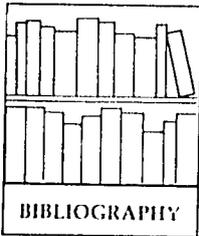
D. Productivity and Sustainability Statistics for Period _____.

- _____ Number of staff
- _____ Field operating costs
- _____ Administrative costs
- _____ Investment costs

- _____ Locally generated revenues this period
- _____ Total locally generated revenues

- _____ Ratio of clients/staff
- _____ Ratio of projects/staff
- _____ Ratio of "A" clients/"D" and "E" clients
- _____ Average length of agricultural projects
- _____ Average length of nonagricultural projects
- _____ Average monthly visits per agricultural client
- _____ Average monthly visits per nonagricultural client
- _____ Field operating and administrative costs per client
- _____ Field operating and administrative costs per project

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Bibliography

BIBLIOGRAPHY

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Here are some publications we recommend you consult for more insight into the small business development sector, or for further ideas on monitoring and evaluation. Many are produced by members of the Small Enterprise Evaluation Project. Others are available through the Agency for International Development and elsewhere.

FOR FURTHER HELP

Publications from Our Members

ACCION INTERNATIONAL/AITEC, 1385 CAMBRIDGE STREET, CAMBRIDGE, MASSACHUSETTS 02139

Forty-seven titles of English and Spanish language publications and tapes, based on Accion programs, provide resources for design, management, and evaluation. Of particular interest in English is a five-volume set, *Management for Self-Employment*, which guides small business people through *The Business Review*, *The Business Plan*, *Basic Marketing*, *Basic Finances*, and *Managing Time and Personnel*. In Spanish, similar manuals from The Dominican Development Foundation cover *Planificación de Proyectos* (Project Planning), *Controles para la Expansión de la Empresa* (Controls for Business Expansion), and *Mercadeo* (Marketing). There are others based on the Colombia experience. Accion has also produced case studies which look more closely at the participants in their projects and how their lives have changed economically and socially. See especially *The Dominican Association of Tricicleros "San José Obrero": A Case Study of Local Empowerment* by Rebecca Reichman.

APPROPRIATE TECHNOLOGY INTERNATIONAL, 1331 H STREET, N.W., WASHINGTON, D.C. 20005

Two manuals are of note. For those interested in a more advanced discussion than this guide provides, *A System for the Monitoring and Evaluation of Appropriate Technology Projects* by Eric L. Hyman and Thomas C. Corl (February, 1985) presents ATI's approach to assessing the projects it supports. It looks at technology, institutional capacity, project activities, credit and equity financing, inputs, outputs, markets, commercial and economic analysis, impacts, and replication. The *Manual for Commercial Analysis of Small Scale Projects* by Henry R. Jackelen (November, 1983), helps users analyse a project to answer the following question: Can a project produce goods at a competitive price and can it sell enough to stay in business? It is designed with an interview format in mind, assuming that this is the best way to get the kind of information required for financial analysis. Very helpful especially for agencies contemplating support to complex businesses. ATI also produces a series of case study papers on particular technologies such as charcoal stoves, ferrocement fishing boats, and pottery.

OEF/INTERNATIONAL, 1815 H STREET, N.W., 11TH FLOOR, WASHINGTON, D.C. 20006

The "Business Skills for Third World Women Entrepreneurs" series contains four technical and training manuals to help women entrepreneurs overcome the usual obstacles to achieving business success. The manuals use participatory educational approaches and are designed to be used by experienced trainers, extension agents, or programers. Titles include:



Feasibility Studies: Training Activities and Guidelines to Determine if a Business is a Good Idea. 1986, 96 pp.

Marketing Strategy: Training Activities for Entrepreneurs. 1986, 96 pp.

Opening Bank Doors to Women: Lessons and Training Activities from Central America. 1987, 80 pp.

Management Made Simple: Tools for Entrepreneurs. 1987, 80 pp.

Also from OEF:

Svendsen, Dian and Sujatha Wijetilleke. *Navamaga: Training Activities for Group Building, Health and Income Generation.* 1983, 150 pp.

Created by field workers under the direction of Sri Lanka Women's Bureau and OEF, this handbook contains more than 60 training activities covering topics such as: group building, decision making and cooperation, leadership, assessing needs, mobilizing local resources, planning, nutrition and health, home gardening, mushroom cultivation, beekeeping, soybean products, pig raising, and food presentation. Each activity contains both a participatory activity and a basic technical information sheet.

PACT, 777 UNITED NATIONS PLAZA, NEW YORK, NY 10017

Otero, María. *The Solidarity Group Concept: Its Characteristics and Significance for Urban Informal Sector Activities.* January, 1986, 62 pp.

This monograph documents the first Latin American Workshop of Solidarity Group Programs. These organizations provide credit to small groups whose members guarantee loans for each other. It presents key components of their strategy and current program concerns. It also summarizes what has been learned through monitoring and evaluation, and outlines issues for further learning.

Robert R. Nathan Associates, Inc. *The Cost-Effectiveness Analysis Field Manual.* 1986, 82 pp.

This manual, prepared under contract to the Agency for International Development, provides a simple, how-to guide in the cost-effectiveness aspects of the design, monitoring, and evaluation of development projects. The cost-benefit tools in this sourcebook are drawn from the manual. Go directly to it for a much fuller discussion of how to use these tools. It includes examples, case studies to solve, and formats.

SAVE THE CHILDREN FEDERATION, 54 WILTON ROAD, WESTPORT, CONNECTICUT 06880

Clark, Peggy. *How to Analyze the Feasibility of a Small Enterprise Project.* 1986, 9 pp.

This structured questionnaire enables field workers to assess the viability of a new or ongoing business which seeks SCF support. Relevant to many NGO programs.

Carol, Joy et. al. *Already I Feel the Change: Women's Voices in Four Countries. Lessons from the Field, Vol. I.* 1986, 50 pp.

Four case studies of women's projects including a blanket-making cooperative from Dori, Upper Volta. Lessons on credit programs for women are derived from the case.

Philippines Field Office. *A Handbook for the Development of Savings Groups and Women's Business Skills*. May, 1987.

This guide is based on SCF's experience with forming women's savings groups in the Philippines. It offers a training program of 19 sessions which lead women through the stages of group formation, development of business skills, identifying a feasible income-generating activity, acquiring a loan, and joining the Women's Savings and Loan Federation. For use by field workers in a participatory process with local women.

TECHNOSERVE, 148 EAST AVENUE, NORWALK, CONNECTICUT 06851

A series of short papers, called "Findings" distills Technoserve's program experience. Titles for 1986 included *Primer of Successful Enterprise Development I and II; Who Runs the Show? Staffing Patterns Overseas; Demystifying Policy Dialogue*, and *The Neglected Middle Scale*. Technoserve also produces longer case studies on particular projects. Currently available are four:

Plan de Amayo Farm, An Agrarian Reform Workers Cooperative in El Salvador.

Juan XXIII Cooperative (Panama): Development Assistance to a Large Community Based Enterprise.

AHK Ltd. Commercial Rabbitry, Ghana—Starting a High Risk Enterprise in a Declining Economy.

Business Advisory Services to Small Enterprises and NGOs in Africa—Pluses and Minuses.

WORLD EDUCATION, INC., 210 LINCOLN STREET, BOSTON, MASSACHUSETTS 02111

"Income Generation and Community Development," *REPORTS Magazine*, No. 24, November 1985.

A series of articles on income generation in community development and the increasing emphasis placed on the role of women in developing countries. Articles discuss policy, field practice, new project approaches, and case studies.

Publications available through the Agency for International Development, Distribution Services, B-927, Washington, D.C. 20523 USA

Farbman, Michael, ed. *The PISCES Studies: Assisting the Smallest Economic Activities of the Poor*. 1981, 378 pp.

Ashe, Jeffrey; D. Hellinger; F. O'Regan, et al. *The PISCES II Experience: Local Efforts in Micro Enterprise Development*. Volumes I, 146 pp, and II, 226 pp.

These volumes document the process and conclusions of the Program for Investment in the Small Capital Enterprise Sector, a six-year project which studied the feasibility of direct assistance to microenterprises in the informal sector. Phase I analysed ongoing projects and identified elements that contribute to their success. Phase II applied these conclusions to the design, implementation, and evaluation of five experimental projects in the Dominican Republic, Costa Rica, Kenya, and Egypt. These landmark studies present useful guidelines to NGO staff seeking assistance in identifying the best avenues for small business development, and in handling basic design questions.

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Goldmark, Susan and Jay Rosengard. *A Manual for Evaluating Small-Scale Enterprise Development Projects*. AID Program Design and Evaluation Methods Report No. 6. 1985, 287 pp.

Only for those with more advanced experience, this manual provides guidelines for the conduct of impact evaluations, generally assumed to take six to twelve weeks of fieldwork and analysis. It covers such topics as evaluation planning, data collection, and analysis techniques, with a view to studying the performance of donor agencies, credit institutions, technical assistance agencies, and the small businesses themselves. The emphasis is on financial performance and economic impact.

Hunt, Robert W., *Private Voluntary Organizations and the Promotion of Small-Scale Enterprise*. AID Evaluation Special Study No. 27. 1985, 47 pp.

Kilby, Peter, and David D'Zmura. *Searching for Benefits*. AID Evaluation Special Study No. 28. 1985, 121 pp.

Report on the Workshop on Private Voluntary Organizations and Small-Scale Enterprise Development. AID Program Evaluation Discussion Paper No. 22. 1985, 51 pp.

These three papers, in some ways, form a set. The first discusses what is known about where and how NGO projects best promote small business development. The second examines five small projects and seeks to quantify the benefits they have achieved in dollar terms. The third documents a 1983 workshop which reviewed both these studies, and from which emerged a group of NGO participants interested in developing a broader yardstick for measuring benefits, later called the Systems Approach. The papers are recommended for those who want to know more about the background of this book.

Publications Available Through Other Sources

GOODWILL INDUSTRIES OF AMERICA, INC., 9200 WISCONSIN AVENUE, BETHESDA, MARYLAND 20814-3896.

Roche, Susan. *Creating Jobs: A Step by Step Guide for Small Enterprise Development*

Based on grassroots work with groups of disabled persons in Africa, this guide available in English or French, helps people conduct a needs assessment, produce a feasibility study, develop a work plan, prepare a proposal, and manage and evaluate the program. Simple, clear, and easy to use for people planning a business.

HARVARD INSTITUTE FOR INTERNATIONAL DEVELOPMENT, ONE ELIOT STREET, CAMBRIDGE, MASSACHUSETTS 02138

The Analytic Bibliographic Database (ARIES-ABD).

This is a computerized system of organizing and referencing the literature on small business development, designed under the ARIES project. Unlike normal bibliographies, documents are not organized solely by author and title, but are also categorized by the "recurrent problems" that institutions face when doing small business projects. These recurrent problems are grouped under four headings: strategic, technical, administrative, and communications, and these are further subdivided by topic. In this way, practitioners can more easily find material related to the particular problems they face. HIID is interested in sharing the database with a large number of organizations as it continues to improve this product. To use it, you need access to an IBM or IBM-compatible computer and the software Notebook II. Contact HIID directly for details on how to purchase a copy of the database itself.

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