

ARIES

**Assistance to Resource Institutions
for Enterprise Support**

**Evaluation Manuals and Methods:
A Guide to Guides**

by

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Introduction

The approaches private and public organizations choose to assist small-scale and micro-enterprises differ in many respects. One crucial difference can be found in the criteria they use to evaluate the effectiveness of their assistance programs. This paper surveys a small sample of manuals, sourcebooks, and guides to project evaluation that are currently used by some of these organizations or whose use is presently discussed among them. The paper does not attempt to describe each organization's evaluation method in detail, but rather tries to provide an overview of the major concepts usually covered and to point out some of the most obvious differences in their approaches. Appendix A contains an extensive description and assessment of each of the evaluation guides used in this study.

Focus on Small-Scale Enterprises

Most of the guides discussed here do not focus exclusively on evaluation methods. More generally, they provide guidance to small enterprise development, to the design, implementation, and appraisal of income-generating projects, or to projects including women. All of the guides¹ are concerned specifically with small-scale projects and typically are addressed to PVOs that undertake or support them. Their concern with small-scale projects implies that they emphasize simple evaluation methodologies (see, for example, ACVAFS 1984 or CARE 1984) and the application of adapted management and small-scale technologies (see, for example, Hyman 1985). Most evaluations are also

¹ The exception is Lyn Squire's study, which was added to demonstrate a more complex method of economic project evaluation, as often done by the World Bank and to whose results PVOs sometimes refer.

influenced by PVOs value systems, which means that they de-emphasize purely financial benefit-cost analyses and focus more heavily on social consequences in the project's immediate neighborhood and on benefits to specific target groups, such as women. Some of the guides (for example, ACVAFS 1984) also emphasize a participatory and decentralized approach to evaluation, in which all parties affected by the project are involved. (See Tandler 1982 for an opposing view).

Quantitative Versus Qualitative Project Results

Most of the guides and manuals covered address both quantitative as well as qualitative project results. Some concentrate exclusively on a qualitative project analysis; (see Cotter 1986; ACVAFS 1975; and Crandon 1984). Squire (1975) proposes a purely quantitative analysis. In those guides that cover both quantitative and qualitative results, the depth at which they are treated varies tremendously. Hyman (1985), Goldmark (1985), and Robert R. Nathan Associates (1986) clearly emphasize the financial and economic viability of projects over their socio-political impact. The PACT study (1986) and its probable predecessor, the Lassen study (1984), try to define a "systems approach;" this attempts to integrate social and community development with business profitability, but puts a much higher emphasis on social and distributional gains, thus offering an alternative to the traditional cost-benefit analysis.

Financial Versus Economic Gains

Almost all of the manuals that incorporate a quantitative evaluation (with the exception of Robert R. Nathan Associates 1986) look at both financial and economic

project analysis. The most detailed description of the distinction is provided by Squire (1975). The financial analysis of profitability from the business perspective may refer to either the small-scale enterprise alone or also to the implementing PVO (see, for example, CARE 1984 or PACT 1986). Only half of the manuals, however, are detailed enough to see which criteria are used to decide on whether or not a project is profitable. The net present value (NPV) criterion, which is undoubtedly favored by the academic literature, clearly is preferred only by Hyman (1985), Goldmark (1985), and Squire (1975). Oxfam (1985) is indifferent among NPV, the internal rate of return (IRR), and the discounted benefit-cost ratio, while Robert R. Nathan Associates (1986) proposes the use of per-unit cost measures of pay-out ratios.

The use of sensitivity analyses to account for uncertainties is widespread. Whenever a detailed economic analysis is undertaken from the perspective of the entire community or country, shadow prices are calculated for labor, capital, and foreign exchange; transfer payments are excluded, and multiplier or linkage effects are accounted for (see Squire 1975; and Goldmark 1985). For practical considerations, Hyman (1985) simply adopts World Bank shadow prices. In other guides, less detailed economic analyses are restricted to studying the impact on the community in terms of increased levels of income or employment.

Qualitative and Distributional Changes

The term "qualitative" is used to assess many project impacts that cannot be quantified easily and that have been neglected in traditional cost-benefit analyses. Frequently considered types of qualitative changes include: the quality of life or of jobs; the political and social environment; transfer of technologies (see Goldmark 1985); institution building; administrative capacity; political linkages (see Robert R. Nathan

Associates 1985); leadership potential; participation; social status, education, and self-esteem of women; and work division in families (see ACVAFS 1975; or Carndon 1984).

While almost all guides mention some of these changes, they generally do not address them in great detail, and do not attempt to measure them. Hyman (1985), for example, simply categorizes qualitative impacts into negative, neutral, and positive. Robert R. Nathan Associates (1986) proposes to develop per-unit cost ratios to measure non-monetary benefits. Target levels for measurable indicators of social change are generally not provided. Instead, the manuals often provide checklists of important questions to ask and of possible change indicators one may want to consider in an evaluation. The PACT study (1986) is exceptional in providing large sets of indicators and tools to measure such impacts, although it does not give target levels against which to compare them. The use of these indicators in evaluations may require more evaluator time than a traditional cost-benefit analysis.

The distribution of benefits often is neglected or only mentioned but not incorporated in the analysis. Squire (1975) assigns distributional weights in the social analysis. Hyman (1985) looks at the impact per household or skill group. Goldmark (1985) considers the socio-economic features of clients, while the PACT study (1986) looks at the outreach and client selection procedures of the implementing PVO.

Perspective of Analysis

Some manuals go beyond the enterprise and the project in studying program results. Where economic analyses are undertaken, the perspective of the entire economy, of the local community, or of the family is represented. Some manuals specifically focus on the perspectives of women. In addition, several manuals also propose the evaluation of the effectiveness of the implementing PVOs (see Goldmark 1985; CARE 1984; and PACT

4

1986), or even of the donor agencies (see Goldmark 1985). Two of the evaluation guides offer an option as to the depth of the analysis from each perspective: PACT (1986) offers sets of simple and more complex tools to measure a project's impact; and Goldmark (1985) describes three levels of complexity.

The following table summarizes the major differences in the evaluation methods of the organizations that have been studied.

TABLE 1

Comparison of Evaluation Methods for Assessing Small-Scale Enterprise Projects

Author, Year	Pure Eval.	Small-scale Projects	Quantitative (T) or qualitative (L)	Financial (F) or Economic (E)	Financial analysis	Economic analysis	Qualitative and distributional analysis	Option of depth of analysis	Perspective of analysis
ACVAFS, '75	yes	yes	L	-	-	-	participation, status of women, work division, etc. list of general questions	-	women
CARE, '84	no	yes	T, L	F, E	-	impact on income and employment in community	list of qualitative indicators	-	SSE, community, implementing agency
Cotter, '86	no	yes	L	-	-	-	list of important questions to study impact, indicators	-	SSE
Crandon, '84	yes	yes	L	-	-	-	women's lives, families, community, categories of benefits	-	women
Goldmark, '85	yes	yes	T, L	F, E	NPV	shadow prices, excl. transfers	administrative performance, quality of life, political/social environment, socio-economic features of clients, indicators, methodologies	low, medium, or high level	SSE, donor, community, implementing agency
Hyman, '85	yes	yes	T, L	F, E	NPV (IRR suppl.), sensitivity analysis	shadow prices, excl. transfers	categories of negative, neutral, positive impacts; checklist, impact on specific groups	-	SSE, society
Lassen, '84	yes	yes	T, L	F, E			organizational, institutional, and equity benefits; detailed indicators	-	household, community

Author, Year	Pure Eval.	Small-scale Projects	Quantitative (T) or qualitative (L)	Financial (F) or Economic (E)	Financial analysis	Economic analysis	Qualitative and distributional analysis	Option of depth of analysis	Perspective of analysis
Markey, '86	no	yes	T, L	F, E	per beneficiary costs	impact on income, stimulation of economy	socio-political benefits; equity mentioned	-	enterprise, community
Oxfam, '85	no	yes	T, L	F, E	unit cost and cost effectiveness NPV, IRR, or ben/cost, sensitivity analysis	social CBA	measure of costs project will avert; equity mentioned	-	project, society
PACT, '86	yes	yes	T, L	-	profitability of business, effectiveness of PVO	impact on income and employment	social indicators and evaluation tools	simple and complex tools	business, family, community, PVOs
R. R. Nathan Assoc., '86	yes	yes	T, L	F	typical year per unit cost payback ratio		per unit cost, checklist of community responsiveness	-	PVO projects
Squire, '75	yes	no	T	F, E	NPV, sensitivity and risk analysis	shadow prices excl. transfers	distributional weights		project, society

APPENDIX A

A Description and Assessment of Twelve Evaluation Guides and Manuals From AskARIES

AskARIES is a database that contains annotated bibliographies of the literature dealing with small enterprise development, and analyses of recurrent problems associated with such projects and programs.

KEYNAME |ACVAFS 1975
 ACCESSION NO. |75.004
 LAST NAME |
 FIRST NAME |
 OTHER AUTHORS |
 CORPORATE AUTHOR(S) |American Council of Voluntary Agencies for Foreign
 |Service (ACVAFS)
 BOOK TITLE |Criteria for Evaluation of Development Projects
 |Involving Women
 EDITOR(S) |Subcommittee on Women in Development, Committee on
 |Development Assistance, ACVAFS
 UNPUBLISHED PAPER |
 ARTICLE/CHAPTER |
 JOURNAL/SOURCE |
 VOLUME |
 ISSUE |
 PUBLISHER |New York: American Council of Voluntary Agencies for
 |Foreign Service (ACVAFS)
 YEAR |
 PAGES |40 pp.
 BIBLIOGRAPHY/INDEX |
 LOCATION/CALL NO. |ARIES Collection
 NO.ENTRY/ THIS PUB. |1
 DOCUMENT TYPE |Evaluation methodology
 POLICY THEMES |Women in development
 SUMMARY | The evaluation criteria proposed in this booklet
 |should, according to the authors, be used for four
 |main purposes: (1) during "on-the-job" project design,
 |implementation, evaluation, and follow-up; (2) in
 |training courses for planners; (3) by "task forces" on
 |the integration of women into the development process;
 |and (4) as public information to groups interested in
 |world development.
 | Five criteria are considered crucial in
 |evaluating development projects involving women: (1)
 |initiation and leadership; (2) participation and
 |control in the direction of projects; (3) direct and
 |indirect benefits of the projects; (4) social change
 |and women's options or status; and (5) treatment of
 |development as a process.
 | These criteria are clarified only by lists of
 |general questions evaluators should address; they are
 |not converted into measurable indicators.
 | Several examples of projects involving women are
 |analyzed qualitatively with respect to these criteria.
 SUMMARY SOURCE |HH HIID ARIES
 RESOURCE INSTN:NAME |
 RI:ADDRESS |
 RI:CATEGORIES |
 RI:CONTENT |
 PROJECT: NO. CLIENT |
 PROJECT:YR EST-REG? |
 CLIENT:SECTOR |
 CLT:TYPE-WEALTH |
 CLT:LOCATION |
 CLT:ENT SZE-NEW/EXS |

CLT:RLGN-ETHNC-GNDR |
CLT:CHARACTERISTICS |
CAPACITY TYPE |
RECURRENT PROB. CAT |
PROBLEM SUBCATEGORY |
PROBLEM IDENTIFIED |
PROBLEM CAUSES |
IMPLICATIONS |
SUGGESTIONS |
TRAINING IDEAS |
ANALYST COMMENTS |

This early version of a brief guide to the
evaluation of projects involving women describes which
social impacts of these projects should be analyzed.
It does not provide well-defined tools to measure
progress.
HH HIID ARIES

ANALYST

KEYNAME |ACVAFS 1983
 ACCESSION NO. |83.005
 LAST NAME |
 FIRST NAME |
 OTHER AUTHORS |
 CORPORATE AUTHOR(S) |American Council of Voluntary Agencies for Foreign
 |Service (ACVAFS)
 BOOK TITLE |Evaluation Sourcebook
 EDITOR(S) |Daniel Santo Pietro, Project Coordinator
 UNPUBLISHED PAPER |
 ARTICLE/CHAPTER |
 JOURNAL/SOURCE |
 VOLUME |
 ISSUE |
 PUBLISHER |New York: American Council of Voluntary Agencies for
 |Foreign Service (ACVAFS)
 YEAR |1983
 PAGES |166 pp.
 BIBLIOGRAPHY/INDEX |
 LOCATION/CALL NO. |ARIES Collection
 NO.ENTRY/ THIS PUB. |1
 DOCUMENT TYPE |Evaluation methodology
 POLICY THEMES |
 SUMMARY |

This sourcebook functions as a practical guide for
 selecting appropriate tools for field-based program
 evaluations. It is designed for PVO practitioners in
 the field and at headquarters.

According to the sourcebook, evaluation should be
 considered as part of a program's planning process.
 Methods of evaluation should be case specific, but
 based on common values of PVOs. Essential elements of
 an effective PVO evaluation are a participatory
 approach, a systematic flow of information and simple
 methodologies.

Several guidelines are provided for the
 preparation of an evaluation:

- (1) The interaction of the principal actors, i.e.
 community, donor, and PVO, must be analyzed throughout
 the project's expected life-cycle.
- (2) With the use of a checklist, the strengths of the
 evaluator and the organization must be compared to
 needed skills.
- (3) A matrix should depict the interrelation between
 the audience addressed and the kind and format of
 disseminated information.
- (4) An inventory worksheet should classify
 systematically the nature, frequency, and use of
 various information sources.
- (5) A worksheet should be prepared for the individual
 evaluation design.

The framework for the evaluation process is
 described as an "evaluation clock" with 12 not
 necessarily consecutive phases of an evaluation, which
 are explained with concrete examples: (1) the reason
 for the evaluation is stated; (2) it is determined for
 whom and for which decision(s) an evaluation is being

undertaken; (3) the key issues, not all quantitatively measurable, are stated; (4) the questions to be answered are further focused depending on the organization's resources; (5) qualitative and quantitative methods for a systematic data collection and possible sources of information are analyzed (see below); (6) participants and a time frame for the information gathering must be found, compatible with the community's values and schedule; (7) simple methods to analyze the information are determined, focusing on editing, tabulating, and a question-specific arrangement of the information; (8) the evidence is interpreted for specific information needs; (9) the outcome of the project is reported from the participants and interviewers points of view, using, for example, code forms to track down the development of a project; (10) an analysis of the reasons for the outcome is made and compared to that of other projects; (11) lessons are drawn from this evidence to gradually develop the evaluation process; (12) alternative proposals for improvements are made.

The sourcebook lists five classes of evaluations commonly applied in this process: (1) in a goal-based evaluation, project results are compared to indicators that were developed according to the project's goal; (2) a decision-making evaluation provides information on a project's effectiveness by looking at its context, inputs, process and output; (3) the more qualitative goal-free evaluation, usually done by an outsider, assesses the full range of project efforts; (4) the expert judgement as evaluation approach emphasizes the critical abilities and experience of an evaluator; (5) the naturalist evaluation, done for example through case studies, stresses the understanding of project processes and the pluralism in values and view points and furnishes qualitative data.

Simple information gathering methods are encouraged. Sixteen such methods are described, including information on their pros and cons and particularly their participatory applications: (1) action cards may be used to note steps towards a goal and the problems encountered; (2) analytical frameworks may be applied as conceptual models for organizing and simplifying a complex process or situation; (3) community meetings should serve as a presentation tool; (4) creative expression through the use of various art forms can be a further means for representing ideas; (5) diaries may record events occurring over time; (6) a farmer's own record for his test of new ideas can provide data on costs, benefits, time spent, and input requirements. (7) data can be furnished through informal, direct, or quantitative interviews; (8) investigative journalism may serve as a method of inquiry to expose situations inimical to the public interest; (9) mapping can provide a graphic

|representation of the community's perception of the
 |project's impact; (10) nutritional status can be
 |measured as a basic aspect of quality-of life; (11)
 |observations, either obtrusive or unobtrusive,
 |directed or undirected, can be important data for an
 |evaluation; (12) photography may document process,
 |outcome, and impact of a program; (13) problem stories
 |may be used to identify perceptions of the project
 |activity and of its impact; (14) questionnaires can
 |systematically elicit information; (15) scales should
 |be used to rate, rank, and categorize reactions; (16)
 |through unobtrusive measures, some information should
 |be gathered without the knowledge of the community.

SUMMARY SOURCE
 RESOURCE INSTN:NAME
 RI:ADDRESS
 RI:CATEGORIES
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 PROJECT: NO. CLIENT
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 CLT:TYPE-WEALTH
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 CLT:RLGN-ETHNC-GNDR
 CLT:CHARACTERISTICS
 CAPACITY TYPE
 ECURRENT PROB. CAT
 PROBLEM SUBCATEGORY
 PROBLEM IDENTIFIED
 PROBLEM CAUSES
 IMPLICATIONS
 SUGGESTIONS
 TRAINING IDEAS
 ANALYST COMMENTS

IHH HIID ARIES

The evaluation sourcebook does not provide
 |criteria for the analysis of information. Instead, it
 |focuses on data collection and describes what steps
 |should be taken in an evaluation process. Although it
 |stresses the collection of qualitative and
 |quantitative data, it does not provide a method of
 |quantitative evaluation. Cost-benefit analysis is not
 |discussed.

ANALYST

IHH HIID ARIES

keyname	CARE 1984
ACCESSION NO.	B4.024
LAST NAME	CARE
FIRST NAME	
OTHER AUTHORS	
CORPORATE AUTHOR(S)	
BOOK TITLE	
EDITOR(S)	
UNPUBLISHED PAPER	Framework and Guidelines for Small Enterprise Development
ARTICLE/CHAPTER	
JOURNAL/SOURCE	CARE Program Department, New York
VOLUME	
ISSUE	
PUBLISHER	
YEAR	1984
PAGES	121 pp.
BIBLIOGRAPHY/INDEX	
LOCATION/CALL NO.	ARIES Collection
NO.ENTRY/ THIS PUB.	1
DOCUMENT TYPE	Evaluation methodology, "how-to" guide
POLICY THEMES	
SUMMARY	This paper draws on the experience of CARE and other PVOs to develop some guidelines for the design and implementation of small enterprise, revenue-producing projects. Part I provides an overview of Small Enterprise Development and summarizes CARE's current involvement. Part II outlines the design of these projects and identifies three of the main components of SSE programming: credit, training, and marketing assistance. It further describes a system of monitoring and evaluation. Lastly, Part II prescribes the necessary steps for CARE to take to implement the strategy presented in this paper. The three appendices attached to the paper deal in more detail with monitoring and evaluation, off-farm field applications, and on-farm field applications. 1. PROJECT PLANNING AND DESIGN: The paper discusses four major constraints to growth which small enterprises face: capital deficiency or lack of credit; poor business practices; marketing limitations; and technical constraints on production. CARE believes that by addressing these specific constraints, they can have the largest positive impact on SSE development. In the project planning stage, several investigations may need to be undertaken before designing the final project. These may include needs assessments, administrative feasibility, cost/benefit analysis (for larger firms only), sectoral surveys, and participant profiles. CARE sees its role as providing a means to overcome the constraints mentioned above. Therefore, it suggests that projects include one or more of the following components:

|(1) Credit, which is accessible (decentralized and simply administered) and flexible in loan size, timing, repayment schedule, according to the client's needs.

|(2) Training, which may include cooperative management skills, accounting, financial planning, purchasing and inventory planning, and technical assistance.

|(3) Marketing assistance, which may entail assistance in market definition, product pricing, marketing credit and product sale and distribution.

|

|2. MONITORING AND EVALUATION:

| A well-designed project must include provisions to monitor the project during execution and to formally evaluate its performance. This system must be designed as an integral part of the project, not an artificial exercise performed at intervals.

| Furthermore, project beneficiaries should play a major role in the process.

| According to the authors, a project's impact should be evaluated on three levels: the enterprise level, the community level, and the level of any local counterpart agency with which the PVO has chosen to work.

| At the enterprise level, the financial viability of a project should be determined by measuring its profitability as well as its sustainability. At the community level, the impact of a project on community income, on employment, and on socio-economic factors should be considered. For each level, several useful indicators are listed along with advantages and disadvantages in applying them.

| The counterpart agency should be tested for its financial solvency and for its technical outreach capability. Useful indicators are those applied on the enterprise level, as well as quantitative measures such as the number of visits with project owners, and qualitative measures such as the beneficiaries' reactions to the assistance. A table with appropriate techniques for collecting small enterprise data is also provided.

|

|3. OFF-FARM ENTERPRISE DEVELOPMENT

| This section of the paper first discusses the importance and background of enterprises that are non-farm related. The beneficiaries of projects assisting this sector are broken down into two categories: entrepreneurs, who are owners of established businesses that represent major sources of family income, and pre-entrepreneurs, who have few linkages with customers and suppliers, and who lack any business experience.

| Next, assistance efforts to these groups are divided into four categories: "simple" -- which makes one additional input available to existing enterprises, usually credit; "somewhat complex" --

|which provides a number of inputs to existing
 |enterprises, including training; "moderately complex"
 |-- which provides many inputs to pre-entrepreneurs,
 |often including social services; and "complex" --
 |which work with the least sophisticated groups, to
 |bring them into national or international markets.
 |This is the most difficult type of project to
 |administer. A helpful table at the end of this
 |section schematically presents these categories as
 |they relate to each part of the implementation
 |process, and provides a framework for deciding what
 |type of program methodology is most appropriate.

|4. ON-FARM ENTERPRISE DEVELOPMENT:

| On-farm projects can also be divided into levels
 |of complexity, but the divisions are based on the
 |number of inputs to be provided, rather than
 |sophistication of the farmer. The factors important
 |to the promotion of these enterprises include the
 |local availability of supplies and equipment,
 |appropriate incentives for farmers, transportation of
 |farm products to market, and the willingness of
 |farmers to adopt changes.

| The paper ends with brief descriptions of some of
 |CARE's SSE projects around the world, listings of the
 |resources available to CARE for funding SSE projects,
 |and an implementation plan for enhancing their SSE
 |support programs, including a staff training program.
 |Author and HH HIID, DW HIID

SUMMARY SOURCE
 RESOURCE INSTN:NAME
 RI:ADDRESS
 RI:CATEGORIES
 RI:CONTENT
 PROJECT: NO. CLIENT
 PROJECT:YR EST-REG?
 CLIENT:SECTOR
 CLT:TYPE-WEALTH
 CLT:LOCATION
 CLT:ENT SZE-NEW/EXS
 CLT:RLGN-ETHNC-GNDR
 CLT:CHARACTERISTICS
 CAPACITY TYPE
 RECURRENT PROB. CAT
 PROBLEM SUBCATEGORY
 PROBLEM IDENTIFIED
 PROBLEM CAUSES
 IMPLICATIONS
 SUGGESTIONS
 TRAINING IDEAS
 ANALYST COMMENTS

| Although this paper was written by the CARE
 |Program Department specifically for further developing
 |and planning its strategy for SSE projects, it gives
 |an excellent overview of the importance of SSEs to
 |developing economies, the various approaches to
 |assisting them, and the factors that should be
 |included in a successful SSE assistance program. The

!emphasis on the importance of monitoring and
!evaluation as an integral part of the project design
!is a necessary one that is all too often overlooked by
!project managers. This paper gives some excellent
!suggestions about how to include this component into a
!SSE program.

! All of the tables of indicators and techniques in
!the article are taken from Susan Goldmark and Jay
!Rosengard, "Evaluating Small Enterprise Promotion,"
!Development Alternatives, Inc, Washington D.C., 1981.

! The proposed indicators to measure a project's
!impact are only listed, not described in detail. No
!target levels to measure progress through the use of
!these indicators are provided.

ANALYST

!HH HIID ARIES, DW HIID ARIES

KEYNAME |Cotter 1986
 ACCESSION NO. |86.024
 LAST NAME |Cotter
 FIRST NAME |Jim
 OTHER AUTHORS |
 CORPORATE AUTHOR(S) |
 BOOK TITLE |
 EDITOR(S) |
 UNPUBLISHED PAPER |Small Scale Enterprise Development: A Project Manager's
 |Reference Guide
 ARTICLE/CHAPTER |
 JOURNAL/SOURCE |Submitted to United States Agency for International
 |Development (USAID)
 VOLUME |
 ISSUE |
 PUBLISHER |
 YEAR |1986
 PAGES |48 pp.
 BIBLIOGRAPHY/INDEX |
 LOCATION/CALL NO. |ARIES Collection
 NO.ENTRY/ THIS PUB. |1
 DOCUMENT TYPE |Evaluation methodology, "how-to" guide
 POLICY THEMES |
 SUMMARY |

This study aims to assist SSE project designers, managers, monitors, and evaluators in determining relevant issues, necessary information, and required technical assistance.

As credit is an important input into SSEs, key credit factors in SSE programs are examined. Steps to improve SSEs' access to credit include:

- (1) a better classification of beneficiaries and objectives;
- (2) designing loans specifically to these objectives;
- (3) streamlining the often complex credit procedures to save time and paper work;
- (4) mobilizing domestic savings through market determined interest rates; and
- (5) fighting widespread discrimination against small-scale borrowers.

Key factors for technical assistance and training programs include examining the the enterprises' specific characteristics and determining what skills are needed. The author also stresses the importance of giving women better access to technical assistance as well as credit.

The study also examines the advantages and disadvantages of six different types of service delivery organizations. According to the author: (1) International PVOs can give only limited resources to specific programs and have limited influence on LDC government policies, but are applying modern evaluation techniques and are able to respond flexibly; (2) National and local PVOs are also inflexible and responsive, but have limited financial and administrative capacity and are often too political; (3) Cooperatives are often inflexible

|because of government regulations, and their
 |management quality differs widely; (4) Banks allow too
 |few SSEs access to credit and are mostly inflexible in
 |the design of their loan procedures; (5) Government
 |agencies, providing technical assistance, credit, and
 |training, are often slowly responding bureaucracies
 |with varying efficiency and effectiveness and require
 |outside funding; (6) Business associations are
 |concentrated in urban areas and are of limited scope,
 |their management is adaptive, and they tend to have a
 |large influence on the government through connections.

| Crucial issues for all service delivery
 |organizations include: the training and motivation of
 |their personnel; close rapport with the entrepreneurs;
 |systematic data collection; and the assessment of
 |political and economic constraints.

| The study also touches on SSEs' financial and
 |organizational innovations, emphasizing the importance
 |of soft technologies -- the knowledge and skills that
 |are necessary to implement hard technologies.

| Key lessons for the design of SSE programs are to
 |employ adaptive management systems, not to respond
 |unconditionally to SSE entrepreneurs' sometimes
 |unreasonable demands, and not to rely exclusively on
 |the often inappropriate criterion of profit
 |maximization.

| Concerning the implementation of SSE projects,
 |training should be provided throughout the life of a
 |project. Technical assistance should be given to the
 |SSEs as well as the implementing organizations.

| Concerning the monitoring and evaluation of
 |SSEPs, the study provides a list of important
 |questions to ask in order to determine the impact of a
 |project and what improvements could be made.
 |Furthermore, indicators for the evaluation of SSE
 |related developments are described (no formulas are
 |provided).

SUMMARY SOURCE : HH HIID
 RESOURCE INSTN:NAME :
 RI:ADDRESS :
 RI:CATEGORIES :
 RI:CONTENT :
 PROJECT: NO. CLIENT :
 PROJECT:YR EST-REG? :
 CLIENT:SECTOR :
 CLT:TYPE-WEALTH :
 CLT:LOCATION :
 CLT:ENT SZE-NEW/EXS :
 CLT:RLGN-ETHNC-GNDR :
 CLT:CHARACTERISTICS :
 CAPACITY TYPE :
 RECURRENT PROB. CAT :
 PROBLEM SUBCATEGORY :
 PROBLEM IDENTIFIED :
 PROBLEM CAUSES :
 IMPLICATIONS :

SUGGESTIONS

!

TRAINING IDEAS

!

ANALYST COMMENTS

! This draft is available from USAID in a more
! recent form (June 1987) under the title "An
! Introductory Reference on Small-Scale Enterprise
! Projects."

! This is a USAID-related paper.

ANALYST

!HH HIID

KEYNAME |Crandon and Shepard 1984
 ACCESSION NO. |84.005
 LAST NAME |Crandon
 FIRST NAME |Libbet
 OTHER AUTHORS |and Bonnie Shepard
 CORPORATE AUTHOR(S) |
 BOOK TITLE |Women, Enterprise, and Development: The Pathfinder
 |Fund's Women in Development/Projects, Evaluation, and
 |Documentation Program (WID/PED)
 EDITOR(S) |
 UNPUBLISHED PAPER |
 ARTICLE/CHAPTER |
 JOURNAL/SOURCE |
 VOLUME |
 ISSUE |
 PUBLISHER |Chestnut Hill, Massachusetts: The Pathfinder Fund
 YEAR |1984
 PAGES |167 pp.
 BIBLIOGRAPHY/INDEX |
 LOCATION/CALL NO. |ARIES Collection
 NO.ENTRY/ THIS PUB. |1
 DOCUMENT TYPE |Evaluation methodology
 POLICY THEMES |
 SUMMARY |

This report evaluates the impact of five womens
 action projects that operate in the formal economic
 sector. It does not focus on indicators of financial
 viability -- although this aspect was not neglected in
 the projects' design -- but emphasizes instead the
 benefits of the projects for womens' lives, their
 families, and their communities. The report provides
 insight into some social consequences of projects that
 may be worth considering in an evaluation. The report
 offers several indicators for use in project appraisal
 that may offer important information for other
 comprehensive project evaluations.

(1) To assess the impact of a project on
 individual women, one should consider: (a)
 levels/extent of literacy, math skills, and
 further education attained;
 (b) changes in levels of self-esteem; and
 (c) changes in use of contraceptives.

(2) To assess the impact of a project on the
 family, one should consider:
 (a) changes in decisionmaking patterns and labor
 division in the household;
 (b) changes in familial well-being with the
 expenditure of the new income;

(3) To assess the impact of a project on the
 community, one should consider:
 (a) patterns of participation in community
 activities;
 (b) the provision of jobs to other community
 members, community development, and prestige;
 (c) the strength of local and national
 institutions; and
 (d) replication through national attention.

21

SUMMARY SOURCE |HH HIID ARIES

RESOURCE INSTN:NAME |

.I:ADDRESS |

RI:CATEGORIES |

RI:CONTENT |

PROJECT: NO. CLIENT |

PROJECT:YR EST-REG? |

CLIENT:SECTOR |

CLT:TYPE-WEALTH |

CLT:LOCATION |

CLT:ENT SZE-NEW/EXS |

CLT:RLGN-ETHNC-GNDR |

CLT:CHARACTERISTICS |

CAPACITY TYPE |

RECURRENT PROB. CAT |

PROBLEM SUBCATEGORY |

PROBLEM IDENTIFIED |

PROBLEM CAUSES |

IMPLICATIONS |

SUGGESTIONS |

TRAINING IDEAS |

ANALYST COMMENTS |

This study evaluates only the social impact of projects, not the costs to obtain the described benefits. No financial or economic analysis is suggested.

ANALYST

HH HIID ARIES

2/1

KEYNAME |Goldmark and Rosengard 1985
 ACCESSION NO. |85.NIC
 LAST NAME |Goldmark
 FIRST NAME |Susan
 OTHER AUTHORS |and Jay Rosengard
 CORPORATE AUTHOR(S) |Development Alternatives, Inc. (DAI)
 BOOK TITLE |United States Agency for International Development
 |(AID) Program Design and Evaluation Methods Report
 |No.6: A Manual to Evaluate Small-Scale Enterprise
 |Development Projects

 EDITOR(S) |
 UNPUBLISHED PAPER |
 ARTICLE/CHAPTER |
 JOURNAL/SOURCE |
 VOLUME |
 ISSUE |
 PUBLISHER |Washington, D.C.: United States Agency for
 |International Development (USAID)
 YEAR |1985
 PAGES |287 pp.
 BIBLIOGRAPHY/INDEX |
 LOCATION/CALL NO. |ARIES Collection
 NO.ENTRY/ THIS PUB. |1
 DOCUMENT TYPE |Evaluation methodology
 POLICY THEMES |
 SUMMARY |

This manual is the result of a collaboration
 between AID and DAI in response to AID's insufficient
 methods for evaluating small-scale enterprise
 development projects (SSEDPs) in the 1970s. Its main
 objectives are to assist in planning effective
 evaluations and to give practical advice for the
 actual evaluation of SSEDPs. The impact of a project
 is analyzed in several steps: (1) preparation, (2)
 data collection, (3) data analysis, (4) evaluation of
 the donor agency's performance, (5) evaluation of the
 SSE credit institution's performance, (6) evaluation
 of the technical assistance implementing institution's
 performance, (7) evaluation of the assisted SSE's
 performance, (8) evaluation of the SSE's impact, (9)
 evaluation synthesis.

The nine steps are described as follows:

(1) The audience to which the evaluation is
 addressed, the scheduling of the evaluation and the
 amount and source of financial resources are factors
 to determine whether a low-, medium- or high-level
 evaluation is chosen;

(2) Only secondary data should be collected at
 first from creditors, donors, the community and the
 project's own management information system (MIS). The
 collection of new data can proceed through various
 sorts of questionnaires or informal interviews which
 should be computer assisted. A case specific decision
 must be made on the appropriate collection technique.
 Options are census, sampling (paying attention to
 sampling size, sampling or recording errors, and
 methods to minimize them), the less scientific rapid

rural reconnaissance (relying on the knowledge of the collector, representative sites, and a cross section of participants), or detailed case studies;

(3) The data analysis proceeds from either the perspective of the donor, the implementing institution, the SSE, or the community. Important considerations include a cautious approach to causality, the significance and confidence level of results, the correction for inflation and the discounting of costs and benefits. The data analysis technique is, where possible, not a single period analysis, but either an analysis on a before/after basis or a time series analysis. Informal analyses, statistical techniques, regressions, sensitivity analyses, and benefit-cost techniques should be applied;

(4) To evaluate whether donor policies were implemented effectively and efficiently, the actual resource flow is compared to the planned flow. The detail of the analysis depends on the chosen evaluation option, i.e., low-, medium-, or high-level. Analyzed are: (a) the status of resource flow (donor obligations are compared to donor disbursement); (b) the cost of providing the resources compared to expenditures on similar activities; and (c) the effectiveness of the donor's assistance (the familiarity of the donor staff with the project conditions). In each case, tables with indicators, methodologies, and questions to be asked are listed.

(5) A similar procedure is devised to compare credit institutions' achievements in terms of their financial and administrative performance and their client profile to their targets. Concerning financial performance, various ratios and questionnaires are provided to examine their profitability and financial policies; a balance sheet analysis should focus on net worth, indebtedness, and liquidity; for a viability and break-even analysis, further ratios are proposed to check the quality of the loan portfolio, collection performance, and the effective cost of a loan.

Concerning administrative performance, the effectiveness with which credit is extended to target groups and the effect it has on the institution's administrative strength must be examined. Concerning the client profile, a classification of the borrowers according to loan size, number and purpose of loans, location, and socio-economic features is necessary;

(6) The objective of the SSE technical assistance implementing institution is to improve the quality, efficiency, and coverage of technical assistance. The performance is measured, qualitatively and quantitatively, in three areas:

(a) administrative performance (e.g., the organizational objectives and structure, the decision-making process, or staff productivity);

(b) administrative and financial viability (examining

|whether the organization is administratively
 |self-sustaining); and
 |(c) socio-economic features of the clients.
 |(7) To evaluate the performance of the SSE
 |itself, improvements in financial and administrative
 |performance must be examined. Financial trends are
 |assessed through looking at balance sheets and income
 |statements, in particular at asset quality,
 |liabilities, profitability, performance ratios, and
 |liquidity. Concerning the SSE's administrative and
 |technical performance, the focus should be on the
 |specific skills and technologies that were transferred
 |to the SSE, on their appropriateness, and on their
 |impact on SSE viability.
 |(8) From a societal perspective, one must examine
 |how successful SSE activities have been in stimulating
 |socioeconomic development. Three areas are crucial:
 |(a) The assisted SSE may have caused a change in
 |national income. This includes: (1a) the incremental
 |direct value added (such as wages, interest, etc.);
 |(2a) the indirect value added (i.e., changes in the
 |profits of suppliers, intermediate consumers or
 |marketing agents); and (3a) the income change of
 |producers of complements and substitutes.
 |(b) The assisted SSE may have caused a change in the
 |quality of jobs as well as the number of jobs. They
 |should be classified according to job skill and
 |socioeconomic background of workers.
 |(c) More qualitative judgements must be made about
 |the SSE's impact on quality of life, including lasting
 |changes in the structure of the local economy and in
 |the physical, social, and political environment.
 |(9) An evaluation synthesis summarizes the
 |results, judges the contribution of the project to
 |development, and compares it to alternative uses of
 |resources. A qualitative project synthesis showing
 |whether a project has achieved its basic objectives
 |should be followed by a social benefit-cost analysis
 |which adjusts the data from the financial statement by
 |eliminating transfers, calculating shadow prices, and
 |determining the NPV of the project.

SUMMARY SOURCE
 RESOURCE INSTN:NAME |
 RI:ADDRESS |
 RI:CATEGORIES |
 RI:CONTENT |
 PROJECT: NO. CLIENT |
 PROJECT:YR EST-REG? |
 CLIENT:SECTOR |
 CLT:TYPE-WEALTH |
 CLT:LOCATION |
 CLT:ENT SZE--NEW/EXS |
 CLT:RLGN--ETHNC--GNDR |
 CLT:CHARACTERISTICS |
 CAPACITY TYPE |
 RECURRENT PROB. CAT |

IHH HIID ARIES

25

PROBLEM SUBCATEGORY :
PROBLEM IDENTIFIED :
PROBLEM CAUSES :
IMPLICATIONS :
SUGGESTIONS :
TRAINING IDEAS :
ANALYST COMMENTS : This is a comprehensive, clear, and detailed
manual that leaves room for case specific adjustments
of evaluation methods. It takes the quantitative as
well as qualitative impact of a project into account.
This is a USAID-related paper.
ANALYST :HH HIID ARIES

KEYNAME |Hyman and Corl 1985
 ACCESSION NO. |85.020
 LAST NAME |Hyman
 FIRST NAME |Eric L.
 OTHER AUTHORS |and Thomas C. Corl
 CORPORATE AUTHOR(S) |
 BOOK TITLE |A System for the Monitoring and Evaluation of
 |Appropriate Technology Projects
 EDITOR(S) |
 UNPUBLISHED PAPER |
 ARTICLE/CHAPTER |
 JOURNAL/SOURCE |
 VOLUME |
 ISSUE |
 PUBLISHER |Washington, D.C.: Appropriate Technology International
 |(ATI)
 YEAR |1985
 PAGES |41 pp.
 BIBLIOGRAPHY/INDEX |
 LOCATION/CALL NO. |ARIES Collection
 NO.ENTRY/ THIS PUB. |1
 DOCUMENT TYPE |Evaluation methodology
 POLICY THEMES |
 SUMMARY |

This paper describes ATI's Project Monitoring and Evaluation System (PMES), which provides a structured but flexible framework to ask important qualitative and quantitative questions in a project analysis. PMES emphasizes the commercial, i.e., financial viability and the economic sustainability of projects, and is oriented mainly toward issues surrounding small-scale technologies.

An ex-post evaluation should examine the effectiveness of a project's design relative to its objectives, estimate the distribution of outputs, and assess the project's impact; (ongoing evaluation and monitoring are also described). It should also look at the project's sustainability without external assistance, and at the spread of its technologies to other locations. ATI's process for project appraisal addresses technical feasibility, institutional capacity, commercial viability, economic desirability, and social, environmental, and natural resource impacts. ATI staff undertake the process in collaboration with cooperative organizations in developing countries.

The checklist used in PMES contains 10 sections. They focus on: (1) Technology; (2) Institutional Capacity; (3) Project Activities; (4) Credit and Equity Financing; (5) Inputs; (6) Outputs; (7) Markets; (8) Financial and Economic Analysis; (9) Impacts; and (10) Policy Issues and Replication.

In the financial and economic analysis under Section 8, all values are expressed in real terms, thus removing the effect of inflation. In the economic analysis, benefits and costs are measured at their shadow prices. If the country has an overvalued

|exchange rate, shadow prices also replace the official
 |exchange rate. All benefits and costs are discounted
 |to obtain a project's net present value. The internal
 |rate of return may, due to its inherent flaws, only be
 |used for supplementary information. Shadow prices and
 |discount rates are not calculated but are adopted from
 |the World Bank instead. Sensitivity analysis is
 |applied to examine the outcome under various
 |scenarios.

| In both the financial and the economic analysis,
 |depreciation and inventory changes should be excluded,
 |since they only represent accounting concepts. Working
 |capital needs should not be counted as costs until
 |money has actually been spent, while interest expenses
 |for the borrowing of working capital are part of
 |costs. In an economic analysis, imports should be
 |valued at cost of insurance and freight, exports at
 |free on-board prices. Loan receipts and repayments,
 |taxes, and subsidies are excluded, contrary to their
 |treatment in a financial analysis. In addition to the
 |revenues occurring to producers, gross economic
 |benefits also include the consumer surplus.

| Under section 9, a project's impact on specific
 |groups of people is analyzed. The impact mainly refers
 |to increases in net income in cash or in-kind, and to
 |increases in employment; others may be too hard to
 |measure. Secondary benefits from backward and forward
 |linkages may have distributional impacts, but are
 |omitted from the economic appraisal unless there is
 |excess capacity in existing production units or the
 |resources used have no opportunity costs. Otherwise
 |they are already covered by the shadow pricing on the
 |cost side. Multiplier effects should not be counted
 |since they would be generated by any other project as
 |well. The impact analysis should comprise the average
 |change in income, the distribution of income changes
 |among households, the number of beneficiaries, the
 |change in unemployment per skill group, as well as the
 |social and environmental impacts.

| In an appendix, an example of a completed PMES
 |checklist and a blank PMES form are provided.

SUMMARY SOURCE | HH HIID ARIES
 RESOURCE INSTN:NAME |
 RI:ADDRESS |
 RI:CATEGORIES |
 RI:CONTENT |
 PROJECT: NO. CLIENT |
 PROJECT:YR EST-REG? |
 CLIENT:SECTOR |
 CLT:TYPE-WEALTH |
 CLT:LOCATION |
 CLT:ENT SZE-NEW/EXS |
 CLT:RLGN-ETHNC-GNDR |
 CLT:CHARACTERISTICS |
 CAPACITY TYPE |
 RECURRENT PROB. CAT |

PROBLEM SUBCATEGORY :
PROBLEM IDENTIFIED :
PROBLEM CAUSES :
IMPLICATIONS :
SUGGESTIONS :
TRAINING IDEAS :
ANALYST COMMENTS : This comprehensive and straight-forward evaluation
guide focuses mainly on the quantitatively measurable
financial and economic costs and benefits of projects.
Few additional benefits are mentioned, and ones that
are are categorized only as "negative, neutral, or
positive."
It corrects the often held view that projects may
have large multiplier effects that an evaluation
should cover. It asserts instead that one must
consider the opportunity costs of other activities the
project may replace. It clearly states the major
differences between an economic and a financial
evaluation. The importance of applying shadow prices
is stressed. Recognizing, however, that their
calculation may be too difficult and timely, World
Bank figures are used; this may be a less accurate,
but a more realistic approach.
The paper follows the recommendation of modern
evaluation literature in choosing the NPV criterion
over the IRR.
A more detailed evaluation of the project's
sustainability without external assistance would be
valuable.

ANALYST IHH HIID ARIES

KEYNAME | Lassen 1984
 ACCESSION NO. | 84.015
 LAST NAME | Lassen
 FIRST NAME | Cheryl A.
 OTHER AUTHORS |
 CORPORATE AUTHOR(S) | Partnership for Productivity/International
 BOOK TITLE |
 EDITOR(S) |
 UNPUBLISHED PAPER | A Systems Approach for the Design and Evaluation of PVO
 | Small Enterprise Development Projects
 ARTICLE/CHAPTER |
 JOURNAL/SOURCE | Report of a PVO Working Group, August, 1984
 VOLUME |
 ISSUE |
 PUBLISHER |
 YEAR |
 PAGES | 29 pp.
 BIBLIOGRAPHY/INDEX |
 LOCATION/CALL NO. | ARIES Collection
 NO.ENTRY/ THIS PUB. | 1
 DOCUMENT TYPE | Evaluation methodology
 POLICY THEMES |
 SUMMARY |

hh/cam unity approach

This paper offers a systems approach for the design and evaluation of PVO small enterprise development projects (SEDPs) as suggested by a working group of representatives of eight PVOs, AID and several consultants in 1984. The team developed a framework for project evaluation that is learning-oriented and that explicitly takes into account factors beyond economic benefits, such as social and distributional gains as well as the diversity of clients and markets. The working group decided to create a "sourcebook" as a manual for monitoring SEDPs that could be used by project managers as an evaluation framework for ongoing field operations. The manual concentrates less on making judgements than on facilitating the motivation and management capabilities of practitioners to improve their programs.

The working group agreed that, to evaluate projects, a formal contextual analysis should be made first to judge the degree of contextual difficulty due to: (1) the situation of the individual beneficiaries, (2) the local environment of the project, and (3) uncontrollable external events. The success of a project should be judged on the basis of the degree of difficulty.

Second, the benefits to the small enterprise should be determined following broad categories of definitions of benefits such as: (1) household and enterprise economic benefits; (2) benefits to the local economy; (3) equity (i.e. human and social development) benefits; and (4) organizational and institutional benefits. The paper also lists possible subcategories of these benefits and mentions available indicators of them.

| Third, the benefit indicators should be
| operationalized. Instruments must be developed to
| measure indicators of benefits, e.g. questionnaires
| tailored to the specific groups of clients.

| It is proposed that instruments and benefit
| indicators are defined by experts and that this
| operational framework would then be available to
| implementors. As an example, benefit indicators are
| determined for three SEDFs and general proposals are
| made as to how to evaluate and compare their results
| using quantitative and qualitative measures.

SUMMARY SOURCE |HH ARIES
RESOURCE INSTN:NAME |
RI:ADDRESS |
RI:CATEGORIES |
RI:CONTENT |
PROJECT: NO. CLIENT |
PROJECT:YR EST-REG? |
CLIENT:SECTOR |
CLT:TYPE-WEALTH |
CLT:LOCATION |
CLT:ENT SZE-NEW/EXS |
CLT:RLGN-ETHNC-GNDR |
CLT:CHARACTERISTICS |
CAPACITY TYPE |
RECURRENT PROB. CAT |
PROBLEM SUBCATEGORY |
PROBLEM IDENTIFIED |
PROBLEM CAUSES |
IMPLICATIONS |
SUGGESTIONS |
TRAINING IDEAS |
ANALYST COMMENTS |

Although the "systems approach" is not yet a
manual that could directly be used in field work, it
describes the framework for the development of a new
manual. This would take a complex set of conditions
surrounding a project into account and integrate
non-economic benefits into project evaluation.
Presumably, it would result in a general impact rather
than a social cost/benefit analysis.

ANALYST

|HH HIID ARIES

EYNAME | Markey McCabe 1986
 ACCESSION NO. | 86.049
 LAST NAME | Markey McCabe
 FIRST NAME | Linda
 OTHER AUTHORS |
 CORPORATE AUTHOR(S) | Robert R. Nathan Associates, Inc.
 BOOK TITLE | Sourcebook for Income-Generating Projects
 EDITOR(S) |
 UNPUBLISHED PAPER |
 ARTICLE/CHAPTER |
 JOURNAL/SOURCE |
 VOLUME |
 ISSUE |
 PUBLISHER | Washington, D.C. : United States Agency for
 | International Development (USAID)
 YEAR | 1986
 PAGES | 58 pp.
 BIBLIOGRAPHY/INDEX |
 LOCATION/CALL NO. | ARIES Collection
 NO.ENTRY/ THIS PUB. | 1
 DOCUMENT TYPE | Evaluation methodology, "How-to" guide, Project
 | evaluation
 POLICY THEMES |
 SUMMARY | This sourcebook provides information on
 | income-generating projects (IGPs) in the Philippines.
 | It analyzes the characteristics and components of
 | successful IGPs, suggests appropriate economic and
 | financial techniques for their management, and
 | provides guidance for their design, implementation,
 | and evaluation.
 | Four crucial factors for the economic and
 | financial evaluation of IGPs are identified: (1)
 | donated funds should be included as costs and not be
 | counted as free resources; 2) the most cost-effective
 | methods should be chosen; 3) a frequently reviewed
 | budget should exist; 4) standard economic and
 | financial tools for planning and implementation should
 | be employed, distinguishing clearly between financial
 | and economic analysis.
 | Economic benefits to be considered include
 | increased income, stimulation of the local economy,
 | linkages to the national economy, and the introduction
 | of new technologies. Secondary socio-political
 | benefits comprise benefits in terms of equity,
 | increased leadership capabilities, political linkages
 | to local and national elites, improved standards of
 | living for the entrepreneurs and their communities,
 | and an increased capacity to develop and sustain local
 | institutions. The primary measure of success should,
 | however, be the financial viability of the business.
 | To compare the economic benefits of an IGP with
 | its costs, standard benefit-cost analyses are
 | considered not applicable. The "per-beneficiary cost
 | measure" (i.e. total program costs/number of
 | beneficiaries) should be used instead to compare
 | either projected with actual costs or, as a measure of

!program efficiency, the costs of several programs with
!each other.

! The financial analysis should be based on cash
!flow statements, balance sheets, and income
!statements. To derive the cash inflow, funding, fees,
!borrowing, sales, as well as repayments of loans plus
!interest in the case of a credit program should be
!considered. Cash outflows comprise expenses,
!purchases, and loans to beneficiaries. Attention must
!be paid to the issue of timing of these in- and
!outflows first to identify and then to eliminate
!liquidity constraints.

! For an evaluation from the perspective of the
!beneficiaries of these programs, only financial and
!not necessarily economic evaluation tools are needed.
!An evaluation of the finished project should compare
!the goals and objectives set forth in the design with
!the actual accomplishments. It should look at changes
!in income, employment, and quality of life, as well as
!at the program's impact on the larger economy. These
!criteria can be measured by the number of surviving
!enterprises, the number of new jobs, and the rise in
!income in the community.

SUMMARY SOURCE

!HH HIID ARIES

RESOURCE INSTN:NAME

RI:ADDRESS

RI:CATEGORIES

RI:CONTENT

PROJECT: NO. CLIENT

PROJECT:YR EST-REQ?

CLIENT:SECTOR

CLT:TYPE-WEALTH

CLT:LOCATION

!South East Asia, Philippines

CLT:ENT SZE-NEW/EXS

CLT:RLGN-ETHNC-GNDR

CLT:CHARACTERISTICS

CAPACITY TYPE

RECURRENT PROB. CAT

PROBLEM SUBCATEGORY

PROBLEM IDENTIFIED

PROBLEM CAUSES

IMPLICATIONS

SUGGESTIONS

TRAINING IDEAS

ANALYST COMMENTS

! This guide does not tell PVOs what precise
!measures they should use in their evaluations.
!Instead, it describes broad categories of costs and
!benefits, not specific indicators. The focus is on
!financial and economic analysis, rather than on social
!impact. The alternative to a standard cost/benefit
!analysis that is proposed -- the per-beneficiary cost
!measure -- does not provide a way of comparing costs
!with benefits.

!This is a USAID-related paper.

ANALYST

!HH HIID ARIES

.KEYNAME |Oxfam 1985
 ACCESSION NO. |85.039
 LAST NAME |
 FIRST NAME |
 OTHER AUTHORS |
 CORPORATE AUTHOR(S) |Oxfam
 BOOK TITLE |The Field Directors' Handbook - An Oxfam Manual For
 |Development Workers
 EDITOR(S) |Brian Pratt and Jo Boyden
 UNPUBLISHED PAPER |
 ARTICLE/CHAPTER |Part Three: Field Methodologies
 JOURNAL/SOURCE |
 VOLUME |
 ISSUE |
 PUBLISHER |Oxford, England: Oxford University Press
 YEAR |1985
 PAGES |77-135
 BIBLIOGRAPHY/INDEX |
 LOCATION/CALL NO. |ARIES Collection
 NO.ENTRY/ THIS PUB. |1
 DOCUMENT TYPE |Evaluation methodology
 POLICY THEMES |
 SUMMARY |

The book provides a set of guidelines for field staff working in Oxfam offices throughout the world. It addresses Oxfam's priority groups, field methodologies, economic and social development guidelines, agriculture, health, and disaster guidelines. Part Three covers methods of project evaluation that Oxfam considers appropriate.

In any project appraisal, the priority should be to evaluate the project's impact on the welfare of the people affected, their values, and their capacity to take care of themselves. Attention should also be paid to the national or local socio-economic background against which it is working. This background includes general government policies, development programs, local structures and hierarchies, cultural practices, and long-term social and climatic trends. After the precise definition of a project's objectives, these objectives should be measured against their technical and economic feasibility.

Three specialized appraisal techniques are proposed. First, risk assessment can help determine a project's chance of reaching its objectives. Second, the unit costs and cost effectiveness measure may be used to evaluate the cost per beneficiary; it is, however, best suited for projects with mostly direct beneficiaries. Where indirect benefits through secondary effects are more significant, the greatest per capita expenditure is justified for projects with large multiplier effects. A third technique is the social cost-benefit analysis comprising financial analysis and the appraisal of externalities. The shadow prices of future direct and indirect costs and benefits are calculated and discounted at the "required rate of return," which may either be the

! "lowest rate of return that makes a project a
! realistic proposition," or should take "current
! interest rates into account."

! A project's acceptance or rejection depends on
! one or more of three decision rules: (1) the net
! present value (NPV); (2) the discounted benefit to
! discounted cost ratio; or (3) the internal rate of
! return (IRR). In social development projects where
! benefits cannot be accounted for quantitatively, the
! "costs projects will avert" may be calculated instead.
! Risk and uncertainty may be incorporated through a
! sensitivity analysis in the cost-benefit analysis.
! Evaluators should also look for ways to appraise
! distributional effects.

! An evaluation must seek to understand social
! development, including quantifiable as well as
! non-material and unquantifiable effects of projects.
! The latter include, for example, self-confidence,
! critical consciousness, participation, initiative,
! economic or political dependence, and democratization.
! These qualitative criteria should be examined before
! and after a project has been implemented. Indicators
! must be identified to illustrate the qualitative
! changes taking place, such as the degree of
! participation, specific activities and events, or
! changes in group behavior.

! Concerning operational aspects, crucial decisions
! must be made about the type and amount of data to be
! collected as well as on the collection method to be
! adopted and the procedures for the processing and the
! analysis of the data. Emphasis is placed on
! participatory evaluation based on the initiative of a
! group that includes donors, the intermediate agency
! and grassroots organizations.

! HH HIID ARIES

SUMMARY SOURCE
RESOURCE INSTN:NAME
RI:ADDRESS
RI:CATEGORIES
RI:CONTENT
PROJECT: NO. CLIENT
PROJECT:YR EST-REG?
CLIENT:SECTOR
CLT:TYPE-WEALTH
CLT:LOCATION
CLT:ENT SZE-NEW/EXS
CLT:RLGN-ETHNC-GNDR
CLT:CHARACTERISTICS
CAPACITY TYPE
RECURRENT PROB. CAT
PROBLEM SUBCATEGORY
PROBLEM IDENTIFIED
PROBLEM CAUSES
IMPLICATIONS
SUGGESTIONS
TRAINING IDEAS
ANALYST COMMENTS

The book points to some crucial factors of a

project appraisal. It takes account of financial and social evaluation as well as the measurement of qualitative effects. It does not prescribe which method the evaluator should use to judge a project, but instead leaves him/her with a choice. It does not offer much information on the differences among the decision rules of NPV, IRR, and cost-benefit ratio, although the literature on this topic has shown that these rules may lead to opposite conclusions about the acceptance or rejection of a project. Indicators suggested for the incorporation of non-quantifiable project results are not well-defined.

ANALYST

IHH HIID ARIES

KEYNAME | PACT 1986
 ACCESSION NO. | 86. NIC
 LAST NAME |
 FIRST NAME |
 OTHER AUTHORS |
 CORPORATE AUTHOR(S) | Private Agencies Collaborating Together, Inc. (PACT)
 BOOK TITLE |
 EDITOR(S) | Members of the Small Enterprise Evaluation Project
 | (SEEP), Shirley Buzzard, and Elaine Edgcomb
 UNPUBLISHED PAPER | Monitoring and Evaluating Small Business Projects: A
 | Step By Step Guide for Private Development
 | Organizations
 ARTICLE/CHAPTER |
 JOURNAL/SOURCE |
 VOLUME |
 ISSUE |
 PUBLISHER |
 YEAR | 1986
 PAGES |
 BIBLIOGRAPHY/INDEX |
 LOCATION/CALL NO. | ARIES Collection
 NO.ENTRY/ THIS PUB. | 1
 DOCUMENT TYPE | Evaluation methodology
 POLICY THEMES |
 SUMMARY | This guide aims to provide a "systems approach" to
 | the evaluation of small business projects. The
 | contributing PACT agencies believe that the broad
 | objectives of non-governmental organizations (NGOs)
 | are social and community development. This guide
 | should help them monitor progress through the choice
 | of appropriate indicators in the areas of business
 | profitability, economic development of family and
 | community, social change, and the ability of NGOs to
 | assist small businesses.
 | Concerning project evaluation, steps four, five,
 | and six of the guide are relevant, addressing
 | indicators of economic, social and organizational
 | effectiveness.
 | The guide suggests that two levels of economic
 | change should be considered: (1) changes in the
 | assisted business; and (2) effects of the business'
 | project on the community. For the first level, crucial
 | indicators are profitability, improved management,
 | location or equipment, change in sales, production,
 | quality, source of income, suppliers, and dependency
 | on the program. For the second level, increased
 | community income and employment, consumer benefits,
 | links with other businesses, availability of goods and
 | services, and ecological effects are considered
 | important. Simple as well as complex tools to measure
 | these indicators are listed and are illustrated with
 | examples. Evaluators are thus able to select relevant
 | indicators and choose the tools they consider
 | appropriate.
 | Seven social indicators are proposed: (1)
 | changes in individuals' attitudes, skills, and work

|with others, (2) changes in role relations, (3) new
|opportunities, (4) wider distribution of benefits, (5)
|ability of participating individuals to work together
|as a group, (6) influence on systems that cause
|poverty, and (7) social costs.

| The nine indicators for measuring the
|organization's effectiveness are as follows: (1)
|program outreach and client selection, (2) management
|of credit programs, (3) effectiveness of technical
|assistance, (4) effectiveness of training programs,
|(5) cost effectiveness of a program (here, the tool of
|cost-benefit analysis should be applied), (6)
|sustainability of a program, (7) organizational
|growth, (8) human qualities, (9) political linkages
|and political change.

| The qualitative and quantitative information
|provided through the choice of some of these
|indicators and the application of the proposed tools
|should then be used to measure progress relative to
|the past as well as relative to non-participants in
|the project, measuring success against long-run goals.
|34 tools to measure these three sets of indicators are
|distinguished, including research methods, sampling
|forms and worksheets, which are explained in detail in
|an appendix.

SUMMARY SOURCE |HH HIID ARIES
RESOURCE INSTN:NAME |
FI:ADDRESS |
RI:CATEGORIES |
RI:CONTENT |
PROJECT: NO. CLIENT |
PROJECT:YR EST-REG? |
CLIENT:SECTOR |
CLT:TYPE-WEALTH |
CLT:LOCATION |
CLT:ENT SZE-NEW/EXS |
CLT:RLGN-ETHNC-GNDR |
CLT:CHARACTERISTICS |
CAPACITY TYPE |
RECURRENT PROB. CAT |
PROBLEM SUBCATEGORY |
PROBLEM IDENTIFIED |
PROBLEM CAUSES |
IMPLICATIONS |
SUGGESTIONS |
TRAINING IDEAS |
ANALYST COMMENTS |

Financial feasibility plays a very minor role in
|this guide, which concentrates instead on "soft"
|measures of progress. The guide provides a wide
|spectrum of social indicators NGOs should consider. As
|suggested in the guide, a choice among the variety of
|proposed indicators must be made, since using all of
|them would probably require more resources than the
|project itself uses. The tools give useful hints
|about how to approach the evaluation of certain
|developments, but they do not provide scales against

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!which to measure results. Financial analysis is one
!of many parts of an evaluation recommended. The
!principal measure of success applied is the "net
!benefit/cost ratio," which has been shown to provide
!correct answers only in special cases.
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KEYNAME |RRNA 1986
 CESSION NO. |86.040
 LAST NAME |
 FIRST NAME |
 OTHER AUTHORS |
 CORPORATE AUTHOR(S) |Robert R. Nathan Associates, Inc. (RRNA)
 BOOK TITLE |The Cost-Effectiveness Analysis Field Manual
 EDITOR(S) |
 UNPUBLISHED PAPER |
 ARTICLE/CHAPTER |
 JOURNAL/SOURCE |
 VOLUME |
 ISSUE |
 PUBLISHER |New York: Private Agencies Collaborating Together
 YEAR |
 PAGES |82 pp.
 BIBLIOGRAPHY/INDEX |
 LOCATION/CALL NO. |ARIES Collection
 NO.ENTRY/ THIS PUB. |1
 DOCUMENT TYPE |Evaluation methodology
 POLICY THEMES |
 SUMMARY | This manual--written for field managers and
 |headquarter staff--proposes three ways to measure the
 |financial and economic viability of small PVO
 |projects.
 | Before establishing these three categories of
 |measurement, three categories of costs are determined:
 |(1) the different sources of funding are listed for
 |each year of the project's lifetime;
 |(2) the investment costs, no matter in which year
 |they occur, and the start-up costs are annualized
 |according to the expected life of each item; and
 |(3) operation and maintenance costs, split into
 |fixed and variable costs, are listed for each year.
 |With this information the "annual budget" (meaning
 |cost) is set up.
 | Three categories of benefits of a project are
 |also considered in the preliminary analysis: (1)
 |monetary benefits; (2) non-monetary benefits (the
 |output is measured as the annual number of units
 |reaching a certain standard, for example, concerning
 |the state of health); and (3) social benefits (they
 |are listed qualitatively if a precise measurement is
 |beyond the organization's capacity).
 | In determining these costs and benefits, the
 |manual suggests that several concepts should be kept
 |in mind: (1) the opportunity cost of capital, (2) the
 |time value of money, (3) inflation (costs and benefits
 |for different years or actual and expected values can
 |only be compared after adjustment for inflation), (4)
 |in-kind evaluation (donated inputs should be valued at
 |their market price), and (5) community benefits with
 |and without the project (only the incremental benefits
 |of a project are counted).
 | After providing the steps to these preliminary
 |calculations, the manual describes the three measures

of cost-effectiveness. The first measure is derived from a calculation of costs in comparison to community resources. To find out if activities initiated by a project are sustainable by the community without external funding after the project's completion, existing projects can be examined qualitatively following a "checklist of community responsiveness." Furthermore, in the planning, monitoring and ex-post evaluation stage, a "per capita income indicator" can be calculated. With the knowledge of the number of recipients and the annual budget needed by the community when it takes over the project, the annual per recipient cost as a percentage of per capita income can be calculated and subtracted from the percentage of the government's budget spent on funding the project to obtain the per capita income indicator. If it is positive, the community may have the resources to sustain the project.

The second measure of cost effectiveness is derived from the ratio of net benefits to costs. This measure can be used for projects with monetary outputs only. Net annual costs that will be incurred after completion of the project are subtracted from net annual revenues per participant to obtain the net annual benefits. These are divided by outside funding per participant to obtain the ratio of net benefits to costs. Thus, the ratio shows what fraction of the project's one-time costs can be paid back per year. It should exceed 30%.

The third measure of cost-effectiveness is derived from the ratio of per-unit costs. This measure should be used for projects providing non-monetary benefits. After calculating the annual budget and the project output in units, the actual and perceived costs per unit or the implementation costs per unit for different projects are compared to each other.

The manual also provides several case studies where the above measures are applied.

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 CAPACITY TYPE |
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 PROBLEM SUBCATEGORY |
 PROBLEM IDENTIFIED |
 PROBLEM CAUSES |

IMPLICATIONS
SUGGESTIONS
TRAINING IDEAS
ANALYST COMMENTS

This manual addresses the difficult task of finding a simple way to evaluate the cost-effectiveness of field projects carried out by private voluntary organizations. In this quest for simplicity, the measures proposed depart substantially from traditional benefit-cost concepts. Normally, a benefit-cost ratio would compare discounted benefits to discounted costs. Rather than benefit being compared to costs in a ratio, the costs in a typical year are subtracted from the benefits in a typical year and the resulting amount compared to the amount invested by the outside funding agency. This results in a sort of payback ratio. (The inverse of this ratio would be the number of years to pay back the initial outside investment if all years were "typical.")

Where outlays and benefits are lumpy and not evenly matched in time profile, this measure is likely to give substantially different results than traditional (discounted) benefit-cost ratios or net present value calculations. Used as a measure of sustainability, this ratio does not address net cash flow as distinct from net benefits. Cash flow considerations will be an important consideration for viability. As with the "ratio of per unit costs" this net benefits ratio may be most useful in making relative judgments among prospects, rather than making absolute judgments.

On the per capita income indicator, the assumption is that an individual or community reasonably can be expected to pay up to the same percentage of his/her income for services that the government spends as a percent of its budget for that same type of service. (Pre-existing expenditures by individuals/communities for that service outside the project in question are omitted.) This calculation can indicate the order of magnitude of how easily or how painfully the project costs could be taken over by beneficiaries. However, the key proportionality assumption on which it rests and omission of any accounting for existing expenditures for related service are important factors to consider in making judgements. Note, also, that this indicator tends to favor projects in sectors where the government spends a relatively high proportion of its budget.

In short, while the quantitative measures presented here have the virtue of simplicity, they may yield results substantially at variance with more traditional quantitative analyses. Accordingly, the same caveats that apply to conventional project analyses apply even more strongly to the measures presented in this manual. Nonetheless, the discipline of collecting the information suggested on costs and benefits should help agencies make more informed

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!judgements on feasibility and sustainability.
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KEYNAME |Squire and van der Tak 1975
 ACCESSION NO. |75.NIC
 LAST NAME |Squire
 FIRST NAME |Lyn
 OTHER AUTHORS |and Herman G. van der Tak
 CORPORATE AUTHOR(S) |
 BOOK TITLE |Economic Analysis of Projects
 EDITOR(S) |
 UNPUBLISHED PAPER |
 ARTICLE/CHAPTER |
 JOURNAL/SOURCE |
 VOLUME |
 ISSUE |
 PUBLISHER |Washington, D.C.: The World Bank
 YEAR |1975
 PAGES |153 pp.
 BIBLIOGRAPHY/INDEX |
 LOCATION/CALL NO. |
 NO.ENTRY/ THIS PUB. |1
 DOCUMENT TYPE |Evaluation methodology
 POLICY THEMES |
 SUMMARY | This book recommends a systematic and consistent
 |method for estimating shadow prices to be applied by
 |the World Bank and by other agencies in their
 |appraisal of development projects. The method was
 |gradually being introduced into the World Bank's
 |approach at the time of the book's publication. The
 |book aims to provide guidelines for the application of
 |the proposed method. After an overview of cost-benefit
 |analysis in part I, the nature of shadow prices as
 |well as ways to estimate them are explained in parts
 ||II and III.
 | In a financial cost-benefit analysis, a project's
 |benefits must be valued against its fundamental
 |objectives, its costs against the opportunity costs.
 |Two major differences can be found between a financial
 |and an economic analysis: (1) that some benefits or
 |costs are included in one analysis but not in the
 |other; and (2) that in the latter, some costs and
 |benefits may have to be measured at their shadow
 |prices, in particular labor, capital, and foreign
 |exchange, and political and social constraints may
 |have to be considered, in addition.
 | It is also important not only to assure that a
 |project's benefits exceed its costs, but to compare
 |the net benefits to those of alternative projects. An
 |economic analysis should consider the distribution of
 |the income generated by a project between present
 |consumption and investment for future growth, as well
 |as between rich and poor, instead of only focusing on
 |a growth objective.
 | Several costs and benefits that are treated
 |differently in an economic analysis are discussed in
 |detail: (1) Transfer payments such as loans, interest
 |payments, depreciation, taxes, or subsidies are, in
 |general, not part of an economic analysis, unless the

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!project also has distributional objectives. (2)
!Physical contingency allowances should be included if
!they are part of the project's expected costs, price
!contingency allowances if they cover the relative
!price increase of project items, not general
!inflation. (3) Sunk costs must be excluded. (4)
!Measurable externalities should be included, unless
!they are already covered through the shadow pricing.
!(5) Forward and backward linkages effects may add to
!costs and benefits, unless suppliers or clients
!operate in perfect markets and the government does not
!care about a project's impact on income distribution.
!(6) Multiplier effects only provide clear benefits in
!the rare case of excess capacity where no resources
!are diverted from other users. (7) Whether or not
!effects on non-domestic markets should be included as
!costs or benefits is a value judgement.

! The nature of shadow prices is explained for
!interest rates, wage rates, and various kinds of
!commodities. As the accounting rate of interest to
!discount future benefits and costs, "the rate of fall
!over time in the value of public sector income" is
!chosen, assuming that the government can assure the
!most efficient allocation of its income to present
!consumption, future consumption, and savings. In
!determining the shadow price of wages, the opportunity
!cost of labor must be adjusted to account for factors
!such as the distributional impact or a reservation
!wage rate.

! Traded goods with infinite elasticities should be
!valued at their border prices, i.e. cost of insurance
!and freight for imports and free on-board for exports,
!adjusted for transportation costs. Traded goods with
!infinite elasticities influence their border prices;
!thus repercussions of a project's price impacts on
!domestic production and consumption must be considered
!in determining their shadow prices. Conversion factors
!may then be calculated to convert border into domestic
!prices for individual or groups of commodities.
!Potentially traded goods that are presently not traded
!due to protective policies should be valued at the
!predicted cost from the lowest cost supplier.
!Non-traded goods ought to be valued at the average of
!domestic demand and supply prices, weighted by
!elasticities of demand and supply.

! To decide whether to accept or reject a project,
!the book encourages the use of the net present value
!(NPV) criterion. Among mutually exclusive projects,
!the one with the highest NPV is chosen. The book also
!gives rules for the timing of project starts. In the
!case of uncertainties concerning costs and benefits,
!it recommends the application of sensitivity analysis
!as well as risk analysis; in the latter, probabilities
!are specified for each variable.

! The second part of the book explains how shadow
!prices and distributional weights, i.e. interpersonal

land intertemporal weights, may be derived in principle
for an explicitly specified welfare function.
Part three of the book discusses various methods
that may be used to calculate the distributional
weights and shadow prices in practice depending on
data availability and the circumstances in a
particular country. The technical derivation is laid
out in an appendix.

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CAPACITY TYPE
RECURRENT PROB. CAT
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PROBLEM IDENTIFIED
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IMPLICATIONS
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!HH HIID ARIES

This book describes in detail a project evaluation
method to be used by organizations that have the
resources and manpower to undertake sophisticated
calculations. It is most relevant to the evaluation of
large-scale projects. Since some project appraisal
manuals for simplicity recommend that PVOs apply World
Bank shadow prices to the appraisal of their own
small-scale projects, it is important to understand
the underlying method.

The ability to follow this complex but excellent
analysis, in particular the actual derivation of
shadow prices, requires prior knowledge of economics.

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