

# A QUESTION OF IMPACT

SOLIDARITY GROUP PROGRAMS AND  
THEIR APPROACH TO EVALUATION

MARIA OTERO



Private Agencies Collaborating Together

October 1987

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**“How do I know if my business is doing well? If I can feed my family today, then my business is doing well. If I can't buy food for my family, that tells me my business is down”.**

**Member of a Solidarity Group Choluteca, Honduras.**

## **ACKNOWLEDGEMENTS**

In March, 1987, 37 representatives from 22 Latin American and Caribbean organizations gathered for one week in La Fé, Honduras to design an impact evaluation system for the Solidarity Group Programs they implement. Sparked by commitment to working with the urban poor, unrelenting interest in improving their programs, and openness to learning from each other, they conquered the blazing heat and ignored the cramped quarters, and made this document possible. I wish to recognize their invaluable contribution.

A special word of appreciation to Asesores Para el Desarrollo (ASEPADE) for organizing and facilitating this conference. The work of the coordinating team – Marcia Garcia, Juan Ramon Martinez, Alfredo Gutierrez, Nora Martinez and Miriam Garcia contributed to the positive outcome of this event.

Finally, Rebecca Reichmann of Accion Internacional/AITEC and Juan Ramon Martinez of ASEPADE reviewed this document and made valuable suggestions. As before, PACT took interest in promoting the initiatives of local organizations and provided important financial and moral support.

While many contributed to this document, the opinions and conclusions are my own.

MARIA OTERO

## FOREWORD

With each passing day, development initiatives known as "Solidarity Group Programs" and the experience of a growing number of private development organizations which implement these programs become more relevant. In light of the frustration many express when confronted with the chaotic growth of Latin American cities and the accompanying increase of independent workers, street vendors, and occasional laborers employed in precarious productive activities, the Solidarity Group Programs appear as one of the more successful methodologies for addressing this problem.

In the last five years the efforts of various Latin American and Caribbean private development organizations which implement Solidarity Group Programs have gradually consolidated, due in great part to the exchange and collaboration that has taken place among them. What started out as isolated initiatives today can be considered a growing movement in which the leaders of nearly 25 organizations exchange experiences, mobilize resources, and create uniform instruments to orient their work with the poorest sectors of the most densely populated cities in the hemisphere. While in many facets of Latin American life, formulating agreements is painstaking work, it becomes an uplifting sign of hope that in Santo Domingo, Lima or Tegucigalpa, we are speaking a common language and applying strikingly similar methodologies to reach micro-producers and micro-vendors in our largest urban centers.

The process of regional collaboration among these development efforts started in Colombia in 1985, when representatives from 13 organizations from 5 countries gathered to fine tune the methodology of the Solidarity Group Programs. Thanks to the unwavering support of PACT, 37 persons from 22 organizations attended the "Second International Conference of Solidarity Group Programs," which took place in March, 1987 in Honduras, and is the subject of this document.

What has emerged is a growing number of intellectuals, educators and development practitioners who are demonstrating that in the poor populations we find the raw material for development. These programs are showing that credit, if conceived as an educational tool, unleashes strength among those fenced in by poverty and enables them to maintain their jobs, or to create new ones for men and women whose only hope of feeding their families is through self-employment.

These collaborative efforts, best manifested in these two conferences, have not emerged by chance. Rather, they are the result of the patient work that Accion/AITEC has been conducting for the past five years and more. Representatives of this organization have traveled throughout Latin America and the Caribbean, giving support to local initiatives, promoting cooperation among leaders of private development organizations, and providing technical know-how to the programs.

The central theme of the conference that took place in Honduras was impact evaluation for Solidarity Group Programs, how it should be done, and who should do it.

Evaluation as a tool for gathering information for decision-making is nothing new. We can turn to the social sciences to find countless examples of what constitutes an appropriate evaluation system, the most adequate methods for data collection and who should be involved in its implementation.

The 1987 conference in Honduras attempted to go beyond this sphere. Not only were we looking for information through evaluation, but also for a means by which the program implementors and beneficiaries can measure their own progress and their own process of change. This constitutes an extremely positive step and is the topic that is treated with detail in this document.

After a brief overview of Solidarity Group Programs and their results in the last year, this document outlines the conceptual framework for impact evaluation developed by the conference participants. This framework is based on four levels at which impact evaluation should occur: the beneficiary, the program, the institution and the local context. The document dedicates a chapter to each of these levels and disaggregates them into the areas of inquiry that one must pursue to assess impact, the indicators of change that must be considered, and the instruments one can turn to for data collection.

The document also analyzes five factors to take into account when planning the impact evaluation: the reliability of data, the costs involved, the integration of evaluation into the project cycle, the depth of analysis attained, and the timing of the evaluation. It suggests that all decisions regarding evaluation must emerge

from an understanding of the interplay among these five factors. The final chapter gives a brief description of existing efforts in Colombia and the Dominican Republic at assessing impact, and provides some findings as illustrative of how the Solidarity Group Programs are affecting the lives of the poor.

As in the previous conference, this document was prepared by Maria Otero, economist, currently Accion/AITEC's representative in Honduras. She has placed many years of experience into it, and her belief -- that within those poor populations of meager resources lies the strength to build their own alternatives and futures -- emerges in these pages. Her valuable contribution makes this document an important working tool not only for the organizations that participated in the conference, but for all those that are searching for ways to address the problems of our Latin American countries.

JUAN RAMON MARTINEZ

Executive Director, ASEPADE  
Tegucigalpa, Honduras  
October, 1987.

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## LIST OF ACRONYMS

ACCION/AITEC**	Accion Internacional AITEC
ACP*	Accion Comunitaria del Peru (PERU)
ACTUAR/Antioquia*	Corporacion Accion por Antioquia (COLOMBIA)
ACTUAR/Tolima*	Corporacion Accion por Tolima (COLOMBIA)
ADEMI*	Asociacion para el Desarrollo de la Microempresa (D.R.)
ADIM*	Asociacion para el Desarrollo e Integración de la Mujer (PERU)
ADMIC*	Asesoria Dinamica a Microempresa (MEXICO)
AID	U.S. Agency for International Development
ASEPADE*	Asesores para el Desarrollo (HONDURAS)
AVANCE*	AVANCE (COSTA RICA)
CDV*	Centro de Desarrollo Vecinal "La Esperanza" (COLOMBIA)
CIDA	Canadian International Development Agency
CIDES*	Cooperativa Multiactiva de Desarrollo Social (COLOMBIA)
COOPART*	Cooperativa de Produtores Artesanais de Sao Paolo (BRAZIL)
CORFAS/Bogota*	Corporacion Fondo de Apoyo de Empresas Asociativas (COLOMBIA)
CORFAS/Bucaramanga*	Corporación Fondo de Apoyo de Empresas Asociativas (COLOMBIA)
CRS	Catholic Relief Services
CS*	Cruzada Social (COLOMBIA)
FED*	Fundacion Ecuatoriana de Desarrollo (ECUADOR)
FEE*	Fundacion Eugenio Espejo (ECUADOR)
FF*	Fundacion Familiar (COLOMBIA)
FPCD*	Fundacion Paraguaya de Cooperacion y Desarrollo (PARAGUAY)
FUNDESCOM	Fundacion de Desarrollo Comunal (COLOMBIA)
IAF**	Inter-american Foundation
IDB	Inter-american Development Bank
PACT	Private Agencies Collaborating Together
PRODEM*	Fundacion para la Promocion y Desarrollo de la Microempresa (BOLIVIA)
SGP	Solidarity Group Program
WWB/Cali*	Women's World Banking (COLOMBIA)
WWB/Medellin*	Women's World Banking (COLOMBIA)
WWB/Popayan*	Women's World Banking (COLOMBIA)

\* Private development organizations in Latin America and the Caribbean that participated in the Conference.

\*\* Technical assistance and donor organizations that participated in the Conference.

**CHAPTER I**

**SOLIDARITY GROUP PROGRAMS:  
WHO COMPRISES THEM AND WHY THEY ARE  
SIGNIFICANT**

## I. INTRODUCTION

The concept of Solidarity Groups (SG) emerged in the 1970' s when several development organizations, especially in Asia, attempted to support the economic activities of the urban and rural poor by devising a strategy of group formation as a means of channeling small loans, training and other services to these populations (Farbman, 1981; Sebstad, 1982; World Bank, 1985). The concept reflected both a value structure -- development resources must reach the neediest and in the process enhance their capacity to forge their own future -- and a concern with practicality -- the ever-growing populations must have access to simple and approachable programs that are easily expanded to meet demand and that do not deplete scarce resources in a short period.

These early experiences with group formation were studied and adapted by Accion International/AITEC (Accion/AITEC), a U.S. based private development organization with years of program activity in Latin America and the Caribbean. In the late 1970's Accion/AITEC assisted local organizations in Latin America to start Solidarity Group Programs (SGPs), fashioned after the earlier experiences, and provided them with technical assistance during implementation. 1/ These "first generation" Solidarity Group Programs underwent further revisions and became

1/ See Farbman, **The Pisces Studies**, 1981, for an account of FEDECCREDITO, the first time Solidarity Groups were used in Latin America.

the basis for current-day programs. Today, Accion/AITEC, through 12 field representatives, provides technical assistance to 23 Latin American and Caribbean institutions in 11 countries which form part of a growing network of Solidarity Group Programs. 2/

To participate in a SGP and have access to credit and training, self-employed persons laboring in shoemaking, baking, retailing, hawking, carpentry, and in a multitude of other trades, form groups of three to six persons, known as solidarity groups. 3/ The program requirements are few and the procedures are simple: each solidarity group must choose a coordinator, and the group must serve as a guarantor for its loan, as well as assume the responsibility of distributing it among its members, of collecting payments, and of participating in training. The group must repay the loan -- usually between US\$ 50 - \$500 per group for individual working capital needs -- at the established interest rate -- commercial or near commercial -- and in the accorded period -- often two to six weeks. Training sessions on a variety of topics related to the enterprises and the functioning of the solidarity groups begin as the first loan is disbursed to the group and continue while the group remains in the program.

Solidarity Group Programs maintain a common emphasis in the provision of credit, training and technical assistance, and in assisting group members to find collective solutions to their common problems. Most programs also integrate savings mobilization as a component, requiring that groups save a certain amount in order to participate. This practice not only underlines the importance of saving regularly, but it also builds a small capital base for the beneficiaries who often operate on the margin and at subsistence levels. Complementary services in legal aid, health care and referral and other areas are also activities that may figure in a program.

## II. SUMMARY OF METHODOLOGY

While there is considerable variation in the manner that the SGPs have evolved and in the institutions that implement them, there are unifying factors that form the basis for these programs. Among the most important are:

- o All programs seek to reach the neediest among the economically active populations in urban capitals and secondary cities in Latin America and the Caribbean. It is at this level that financial and capacity-building resources are the scarcest, and the number of the needy the largest. It is also here that one finds the majority of women, many of whom, as single mothers and heads of

---

2. There are 23 Solidarity Group Programs operating in the following countries: Colombia, twelve programs; Ecuador and Peru, two programs in each; Bolivia, Brazil, Paraguay, Honduras, Dominican Republic, Costa Rica, and Mexico, each with one program.

3. In the earlier programs groups consisted of five to eight members. Today, the majority of beneficiaries express a preference for smaller groups of three to six persons. Most programs have adopted this variation to the original approach.

households, must earn an income. It is estimated that between 25-35% of all poor households in LA/C are headed by woman, many of whom are eligible to participate in SGPs (White, et.al. 1986).

- o Credit is considered not only a scarce and needed resource for enhancing family income and improving the enterprise, but also an educational tool that can serve as the initial point of contact with the urban poor. Through its use, program beneficiaries can develop skills essential for their own economic activities; for many, management of the loan comprises the first collective experience and opens the possibility for others. Finally, by extending credit, the program can introduce a training plan to improve the capacity and to expand the confidence of the beneficiaries.
- o The programs generally reach men and women already involved in productive or commercial activities and for whom a small loan can mean stabilizing or even expanding their tiny businesses. The programs do not seek to teach the urban poor a skill; rather, they reach the thousands who are well-versed in a trade and yet still operate at high risk because they lack other inputs necessary for production.

#### **A. The Basis for Credit Delivery:**

In the delivery of credit to the solidarity groups, organizations are guided by five concepts which they interpret and adapt as necessary (Otero, 1986). It is interesting to note that these features existed in the earliest programs, and continue to form the basis of this strategy. These are:

- o **Agility in Loan Application and Review:** The need of micro-producers and micro-vendors for working capital is immediate, and they will prefer the yoke of the moneylender to long and complicated loan application procedures. Simple application forms filled out with the help of a field worker, quick review systems, and no need for other guarantors besides the group itself means that most programs process and disburse loans in under seven working days. Subsequent loans to a creditworthy group are immediate and for larger amounts.
- o **Flexible Loan Terms:** The loan amount, its duration and payment schedule are adapted according to the productive activity and repayment capacity of the beneficiary. Small amounts of capital are lent for short periods of time and a new loan is contingent on prompt repayment.
- o **Interest Rates:** All SGPs charge a commercial or near commercial interest rate. All program staff maintains that the urban poor are willing and able to pay commercial rates which are miniscule compared to the 5% to 20% daily rates charged by most moneylenders. Maintaining positive interest rates also enables the program to generate income to cover some or all of its operating and administrative costs. Programs that reach a large number of beneficiaries and maintain a substantial loan portfolio, such as ACP in Peru, demonstrated that they can cover 100% of their costs. Other medium-sized programs, such as

ASEPADE, in Honduras and several in Colombia cover upwards of 50% of their costs.

- o **Built-in Incentives for Repayment:** Timely recuperation is key to the health of these programs, and there are several mechanisms to assure it. No one in the group can have access to a new loan until the whole group has repaid the previous one. Second and subsequent loans are immediate and for larger amounts if desired. Finally, responsible groups can participate in a series of other benefits, such as a scholarship fund for their children, or access to other services. Controlling late payments is one of the most difficult and important tasks that all the organizations face, since most seek to maintain arrearage levels no higher than 15%. As of the end of 1986, arrearage levels (defined as late or delinquent payments as a percentage of total outstanding portfolio) ranged from 2% to 29% (Accion/AITEC, 1987).
- o **Credit is Linked to Training and Technical Assistance:** All programs provide training to solidarity group members on a variety of topics related to the micro-enterprise, to the management of credit, and to the functioning of a solidarity group. Not only is the training vital for the solidarity group members, but it also brings the beneficiary and the organization closer together, and helps improve mutual collaboration in the implementation of the program.

## **B. The Training Component:**

All the training conducted as part of the SGP contains sessions that address social issues as well as financial and economic ones. Each program devises its own training strategy and objectives and implements this part of the program with less uniformity than the credit component. Training may be weekly or monthly, coordinated by outsiders or by staff. Most programs accompany the training with individual technical assistance offered by the field worker in the micro-entrepreneur's place of work.

Some programs have developed materials for a complete training plan which they have compiled and shared with other programs. Colombia, for example, has designed nearly 25 hours of participatory sessions, complete with audiovisuals, games and role plays on a variety of topics including group collaboration, simple accounting and improved marketing techniques (Guzman, 1986). The twelve Colombian programs use this material in their training sessions. In this way duplication of efforts is avoided and the material can be upgraded constantly.

At this stage of the evolution of SGPs, the collective experience they have amassed has started to yield studies, guides and manuals which benefit all the programs. This document, on the collective effort to design an evaluation of impact for all SGPs, represents another step in this direction.

## **III. IMPLEMENTING INSTITUTIONS**

Since late 1985, when thirteen organizations with Solidarity Group Programs met for the first time, the network of participating organizations has grown to 23,

with new programs emerging in Paraguay, Bolivia, Brazil, Guatemala and Mexico. These local, private, development organizations funded through national and international donors, can be grouped as "intermediary development organizations," but they otherwise escape rigid classification or categorization.

Some organizations involved in Solidarity Group Programs are fashioned after the national development foundations of the 1960's, such as the Fundacion Ecuatoriana de Desarrollo (FED) and the Fundacion Paraguaya de Cooperacion y Desarrollo, with close ties to the local industrial sector and an emphasis on strong local contributions and support. Others, such as Women's World Banking in Cali, Popayan and other Colombian cities, are small autonomous institutions affiliated to a world-wide network of organizations that channel financial resources to low-income women. Asociacion Para el Desarrollo de la Micro-empresa (ADEMI) in the Dominican Republic and Fundacion para la Promocion y Desarrollo de la Microempresa (PRODEM) in Bolivia are organizations formed by local private sector leaders with the expressed mission of reaching the growing informal sectors in those countries.

As its name attests, the Cooperativa de Produtores Artesanais de Sao Paulo (COOPART) in Brazil is a multi-service urban-based cooperative that has incorporated itself to the SGP in the last year. Accion Comunitaria del Peru (ACP) and Asesores Para el Desarrollo (ASEPADE), in Honduras, are examples of development organizations with prior experience in credit and education programs which have gravitated towards this model and have adapted it, making their SGPs an intrinsic part of their activity. Finally, others such as Fundacion Familiar (FF) and Cruzada Social in Colombia, originated as service or community development organizations involved in other activities and also chose to participate.

The heterogeneity of these organizations is striking. Their philosophies, sense of mission, history of growth, size and capacity vary, and their diversity is recognized as a strength of the strategy because it brings with it a wealth of perspectives, greater capacity for learning and more opportunities for creative problem solving.

In spite of their distinctness, these organizations adhere to basic premises which shape the common language they speak. Two key priorities cut across organizational and contextual differences: building programs in which the beneficiary is his own agent of change, and assuring that programs generate enough income to become partly or totally self-sufficient in the long term.

Table one below, consisting of three pages, provides some comparative institutional information regarding SGPs, including sources and uses of funds, personnel characteristics, and key program elements.<sup>4/</sup> We can highlight the following:

<sup>4/</sup> Brazil's COOPART began operations in the last few months, but does not appear in the table. Its support comes primarily from the IAF and local private sources. ADIM, from Peru, and ADMIC from Mexico are not included in the table due to lack of information.

- o The majority of programs are at least two years old, with the oldest, in Peru, going back over four years. Bolivia, started in 1987, is the newest program listed in the table.
- o Most programs have received funding support from PACT and AID. The remaining funders are quite varied and include other U.S., Canadian, European and national organizations. In many countries local support, especially from private sector sources, has helped finance the programs. Finally, every project generates income, primarily through interest earned on lending activities, and also through investments and membership fees. There is a growing trend among these programs to promote increased local private support and to seek as diverse a funding base as possible.
- o In the majority of institutions, there are about 4 or 5 persons who implement the SGP, with the numbers of solidarity groups handled by each field worker –called “asesor” or “promotor” –ranging from 5 to 200, and averaging about 55. Peru, with a portfolio of over \$1 million employs 16 persons in its program, and operates at a very different scale from the remaining sixteen programs shown in the table.
- o Most of the programs cover the capital cities, and some such as ADEMI and ASEPADE have also expanded into the secondary cities. Program coverage evolves along the “Dominican Republic” model, that is, one institution decentralizes operations and assumes coverage of a large region or of the whole country. Programs such as Paraguay, Honduras and soon Bolivia are relying on this approach. The “Colombia” model, on the other hand, features a dozen different institutions which work in unison to each cover a specified city or cities. An institution can choose either approach, or experiment with a combination of the two to implement its program.
- o The total portfolio of these institutions is about US \$1.7 million, with the majority ranging between US \$30,000 to US \$40,000. Their total lending during the last year of activity (1986) was equivalent to over US \$7 million in working capital loans.
- o With the exception of ADEMI, all institutions provide training for program beneficiaries. Duration and content vary according to perceived and expressed need, with most program participants receiving an average of three hours each month. Likewise, all programs receive direct technical assistance from Accion Internacional/AITEC through a full-time country representative who works directly with all the SGP institutions in that country.
- o While all institutions are collecting some impact information, not all have a structured evaluation plan in place. In this area, the twelve Colombian programs are the most advanced, since they not only have an evaluation plan, but they have designed uniform instruments and methodology which are applied regularly. All programs plan to conduct an impact evaluation in the course of the coming year.

TABLE 1  
KEY CHARACTERISTICS OF INSTITUTIONS AND SOLIDARITY GROUP PROGRAMS

COUNTRY PROGRAM DETAIL	PERU ACP	BOLIVIA PRODEM	COSTARICA AVANCE	PARAGUAY Fundacion Paraguaya	DOMIN. REP. ADEMI	ECUADOR FEE	HONDURAS ASEPADE	COLOMBIA Ten Programs
Duration (YRS.)	4.5 yrs.	3 months	1 year	1 yr. 3 mo.	3.5 yrs.	3 yrs.	3.5 yrs.	Aver. 2 yrs. 3 mo.
I. SOURCES OF FUNDS								
A. Donations/Loans	AID	AID Loan	AID	AID IDB	AID IDB GTZ Germany	AID	PACT AID	PACT, CRS, AID IAF, CIDA, WWB UNICEF, FES Austria Embassy Chambers of Comm. Caja Social
B. Local Funds		Private Sector		Private Sector	Public and Private Sector			Private Sector
C. Funds Generated by Program (interest, fees, investments)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
D. Other			Guarantee Fund			Guarantee Fund		
II. PERSONNEL								
A. Number Full-time Paid Staff	41	6	15	17	60	26	43	Aver. 10
B. Staff of SGP	16	3	4	5	2	7	6	Aver. 4
C. Number of SG per Field Worker	200	5	35	80	59	57	40	Aver. 41

Source: Information provided by conference participants.

**TABLE 1 (CONTINUED)**  
**KEY CHARACTERISTICS OF INSTITUTIONS AND SOLIDARITY GROUP PROGRAMS**

COUNTRY PROGRAM DETAIL	PERU ACP	BOLIVIA PRODEM*	COSTA RICA AVANCE	PARAGUAY Fundacion Paraguaya	DOMIN. REP. ADEMI	ECUADOR FEE	HONDURAS ASEPADE	COLOMBIA Ten Programs
<b>III. PROGRAM</b>								
A. Coverage	City LIMA	City LA PAZ	City SAN JOSE	City ASUNCION	Country	City GUAYAQUIL	Country	Country All Programs
B. Current Portfolio	\$ 1,130,000	\$ 1,500	\$ 30,000	\$ 75,000	\$ 40,000	\$ 30,000	\$ 100,000	\$ 257,000
C. Interest Rate	comm.	comm.	comm.	comm.	comm.	comm.	comm.	comm.
D. Total amount Disbursed (1986)	\$ 4,431,000	\$ 4,000	\$ 60,000	\$ 423,400	\$ 155,000	\$ 101,500	\$ 335,000	\$ 1,523,000
<b>IV. TRAINING</b>								
A. Training Prior to Credit (Avg. Hrs.)	5	4	12	6	0	3	2	Avg. four
B. Training During Credit (Avg. Hrs./Month)	5	in planning stage	as needed	3	0	5	3	Avg. three
C. Technical Assistance, Follow-up	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>V. OTHER CHARACTERISTICS</b>								
A. Total Number of Solidarity Groups	3,200	21	70	280	278	115	420	1,688 (10 Programs)
B. Solidarity Groups Currently Active	3,000	21	50	240	60	60	280	774 (10 Programs)
C. Avg. No. of Persons in Solidarity Gr.	5	5	4	4	n.i.	5	3	3-4
D. Direct T/A from Accion/AITEC	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

\* Program in Bolivia started February 1987.

TABLE 1 (CONTINUED)  
KEY CHARACTERISTICS OF INSTITUTIONS AND SOLIDARITY GROUP PROGRAMS

COUNTRY PROGRAM DETAIL	PERU ACP	BOLIVIA PRODEM	COSTA RICA AVANCE	PARAGUAY Fundacion Paraguay	DOMIN. REP. ADEMI	ECUADOR FEE	HONDURAS ASEPADE	COLOMBIA Ten Programs
<b>VI. EVALUATION OF IMPACT</b>								
A. Program conducts Impact Evaluation Now	No	Yes	No	Yes	Yes	No	Yes	Yes
B. Types of Impact Information Measured to Date								
1. Changes Income	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2. Changes Jobs (strengthened; generated)	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
3. Changes Skills Knowledge	No	No	No	Yes	No	Yes	No	Yes
4. Social Changes	No	Yes	No	Yes	Yes	Yes	Yes	Yes
5. Institutional Changes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
6. Organizational Capacity of Beneficiaries	No	No	Yes	No	No	No	Yes	Yes
C. Plans an Impact Evaluation for this Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

#### **IV. RESULTS OBTAINED BY THE SOLIDARITY GROUP PROGRAMS**

SGPs maintain uniform monitoring systems of their credit delivery and training components which enable them to collect information on a monthly basis and to obtain an individual as well as an overall picture of their accomplishments to date.

Tables 2 and 3 comprise this section. Table 2 depicts a representative month of activity for 18 existing SGPs --September 1986--and summarizes the results of credit lending in each program (Bolivia, Brazil and Guatemala do not appear because they had not started credit lending activities at the time). The information is based on the data collected by each program and made available to Accion/AITEC in Boston for processing and analysis. Several points are worth highlighting:

- o Each month these programs disburse over 1,100 loans and a total of over US \$700,000 to micro-producers and micro-vendors. The size of these loans fluctuates in the hundreds of dollars for the majority of programs, with an average just over US \$500 per loan. Table 3 shows that in one year these programs reached about 8,500 people with over US \$7 million in loans.
- o Data collected is disaggregated by sex, showing that of the nearly 800 new persons incorporated into the programs each month, about half are women.
- o The programs that include a savings mobilization scheme collect about US \$60,000 in savings each month, which are deposited in local banks or in the organization. Table 3 shows that in a given year, these programs can generate over US \$600,000 in savings deposits from micro-entrepreneurs.
- o The average level of arrearage for these programs is about 12%, with some of the newer ones showing higher repayment than the more established programs. While this is a pattern that evolves in most programs, a notable exception is ACP in Peru, which is the largest and one of the oldest programs, and yet maintains an arrearage below 5%.
- o Indicators of the efficiency and self-sufficiency of these programs appear in Table 3, and show that on the average they spent 20 cents for every dollar they lent, and generated enough interest income in 1986 to cover about 63% of the salaries, materials, overhead and other expenses associated with the programs. This last figure is skewed by the very high level of self-sufficiency of ACP, which at 187% registers well above other programs. For most, a 40-45% level of self-sufficiency prevails, and increases as the size of the portfolio grows.

**TABLE 2**  
**EXAMPLE OF ONE MONTH'S ACTIVITY IN EIGHTEEN SOLIDARITY GROUP PROGRAMS**  
**IN SEVEN COUNTRIES (US\$)**  
**SEPTEMBER 1986\***

/COUNTRY DETAIL /PROGRAM /STARTING DATE	PERU	DOMINICAN REPUBLIC	COLOMBIA	ECUADOR		HONDURAS	COSTA RICA	PARAGUAY	TOTAL
	ACP Nov. 82	ADEMI Dec. 85	ELEVEN PROGRAMS** See below	FED May. 84	FEE June 84	ASEPADE Sep. 84	AVANCE Apr. 86	FUNDACION PARAGUAYA Jan. 86	18 PROGRAMS
1. New groups formed	70	2	56	21	4	16	7	10	186
2. Number of loans disbursed	483	4	406	53	22	125	20	58	1,171
3. Average size of loan	\$989	\$724	\$356	\$218	\$422	\$245	\$462	\$732	\$518
4. Total amount disbursed	\$478,000	\$3,000	\$147,000	\$12,000	\$9,000	\$31,000	\$10,000	\$42,000	\$732,800
5. Total amount recuperated	\$382,000	\$16,000	\$127,000	\$12,000	\$10,000	\$34,000	\$14,000	\$39,000	\$634,000
6. Interest earned	\$19,000	n.i.	\$5,400	\$1,400	\$500	\$2,000	\$150	\$1,500	\$29,900
7. Arrearage (%)	4.2%	0%	8.5%	25%	8.5%	26%	25%	3.5%	12.6%
8. Savings mobilized	---	\$3,000	\$48,000	\$7,000	---	\$3,000	---	---	\$61,000
9. Cost per US\$	\$02	\$31	\$11	\$30	\$26	\$07	\$19	\$22	\$18
10. Self-sufficiency (%)	253%	n.i.	68%	41%	20%	60%	9%	16%	66.7%
11. Total number of beneficiaries reached	358	12	238	52	0	50	24	49	783
% women	49%	0%	57%	73%	0	54%	21%	57%	53%

\* Represents a typical month in Solidarity Group Programs.

\*\* The eleven programs in Colombia are: CIDES, Bogota; WOMEN'S WORLD BANKING, Cali; FUNDESCOM, Cali; CDV, Cartagena; ACTUAR, Medellin; CORFAS, Bucaramanga; CRUZADA SOCIAL, Manizales; WOMEN'S WORLD BANKING, Popayan; WOMEN'S WORLD BANKING, Medellin; ACTUAR, Tolima; and CORFAS, Bogota. The first four started in August 1983; three additional ones started in mid 1985; and the remaining four in 1986.

SOURCE: ACCION/AITEC, "Statistics for 1986."

**TABLE 3**  
**SUMMARY RESULTS OF NINETEEN SOLIDARITY GROUP PROGRAMS IN SEVEN COUNTRIES**  
**YEAR 1986**  
**(IN US \$)**  
**(Preliminary Data)**

/COUNTRY DETAIL /PROGRAM /STARTING DATE	PERU	DOMINICAN REPUBLIC	COLOMBIA	ECUADOR		HONDURAS	COSTA RICA	PARAGUAY	TOTAL
	ACP	ADEMI	TWELVE PROGRAMS*	FED	FEE	ASEPADE	AVANCE	FUNDACION PARAGUAYA	19 PROGRAMS
	Nov. 82	Dec. 85	See below	May. 84	June 84	Sep. 84	Apr. 86	Jan. 86	
1. New groups formed	1,023	39	540	94	81	165	80	109	2,131
2. Number of loans disbursed	5,233	128	4,849	596	280	1,139	142	688	13,055
3. Average size of loan	\$938	\$1,160	\$520	\$265	\$391	\$363	\$312	\$551	\$563
4. Total amount disbursed	\$4,431,000	\$155,000	\$1,523,000	\$139,000	\$102,000	\$354,000	\$60,000	\$423,000	\$7,187,000
5. Total amount recuperated	\$3,500,000	\$135,000	\$1,340,000	\$141,000	\$75,000	\$334,000	\$52,000	\$292,000	\$5,869,000
6. Interest earned	\$150,000	\$2,100	\$93,000	\$17,000	\$12,000	\$20,000	\$1,400	\$15,500	\$341,000
7. Arrearage (%)	3.6%	0.8%	12.2%	21.3%	5.0%	27.1%	24.2%	3.7%	12.7%
8. Cost per US\$	\$02	\$13	\$13	\$21	\$27	\$07	\$50	\$30	\$20
9. Self-Sufficiency	187%	54%	68%	82%	60%	63%	4%	20%	63%
10. Total new bene- ficiaries reached	4,100	246	2,194	260	256	540	178	747	8,521
-% women	52%	40%	59%	69%	49%	62%	31%	49%	45%

\* The twelve programs in Colombia are: CIDES, Bogota; WOMEN'S WORLD BANKING, Cali; FUNDESCOM, Cali; CIDV, Cartagena; ACTUAR, Medellin; CORFAS, Bucaramanga; CRUZADA SOCIAL, Manizales; WOMEN'S WORLD BANKING, Popayan; WOMEN'S WORLD BANKING, Medellin; ACTUAR, Tolima; CORFAS, Bogota; and WOMEN'S WORLD BANKING, Puerto Tejada. The first four started in August 1983; three additional ones started in mid 1985; and the remaining five in 1986.

SOURCE: ACCION/AITEC, "Statistics for 1986".

The tables attest to the considerable magnitude of these programs, whether in comparison to other similar efforts, or on their own merit. By disbursing over 13,000 loans, the programs have lent out over US \$7 million for working capital in 1986 alone. Perhaps just as striking is the fact that they have recuperated nearly US \$6 million during the same period, and have maintained an average arrearage rate below 13%.

These data alone enable one to draw important preliminary conclusions regarding this sector. Across national boundaries, micro-producers and micro-vendors behave in a similar fashion: they borrow money to meet their working capital needs, and they repay it on a regular basis, thereby signaling a generalized ability to manage credit, and put it towards productive use. In the aggregate, the informal sector constitutes an enormous untapped market which financial institutions, accustomed to traditional demand for credit and daunted by the apparent high risk of the sector, continue to eye from a distance.

The program results also point towards a capacity to generate interest and thereby cover program transaction costs. The level of self-sufficiency we observe in these programs -- ranging from 187% in Peru to 4% in Costa Rica and showing an average of about 50% -- indicates that, all else being equal, their dependence on development subsidies can decrease as the size of the program increases. Over time, large scale self-sufficient programs could exist in each country, reaching tens of thousands of the self-employed.

In sum, the results recorded here on the latest activity of Solidarity Group Programs point to the possibility of establishing massive, region-wide, self-sufficient programs that can address in a substantive manner the income and employment needs of the millions of urban poor in Latin America and the Caribbean.

**CHAPTER II**  
**A CONCEPTUAL FRAMEWORK FOR IMPACT**  
**EVALUATION OF SOLIDARITY**  
**GROUP PROGRAMS**

## **I. INTRODUCTION**

In all development efforts, determining the value of a given program strategy assumes the capacity to measure the benefits it distributes. Recording the results that appear in tables 2 and 3 above clarified the range and breadth of these programs, but it did not record the economic and social change experienced by the beneficiaries as a result of participating in a program.

While the task of assessing benefits may appear straightforward, it is rife with complex philosophical and practical questions which the daily demands of implementing a program often relegate to a secondary position. How to define benefits, what is an acceptable level of benefits obtained through a program intervention, and who should measure these are issues any program must resolve before embarking in a quest for answers. Likewise, considerations of time, money, staff and information frame all efforts to measure benefits even before one begins the task.

In the case of Solidarity Group Programs, the above issues acquire an urgency defined in part by the nature of the strategy itself: the programs' success is measured as much by the hard, quantifiable economic changes sustained by the beneficiary, as by other broader benefits that are harder to define, measured in qualitative terms, and subject to interpretation. Further, the strategy also includes the implementing institutions as agents that benefit from the program, and attempts to define how program implementation itself affects a project's evolution. Finally,

SGPs should also touch the broader community in which the project activities unfold, and this type of impact should be included in the measure of benefits.

The need to understand the impact of the Solidarity Group strategy prompted the organizations to pause from the rigor of daily project activity and gather to design and institute a uniform method of evaluating the impact of their work in a systematic and in-depth manner. Because SGP organizations share similar values regarding development work, adhere to a common methodology, use a uniform monitoring system, and in the last year have achieved a new dimension in collaboration through annual conferences and exchange of materials, it became imperative that the assessment of the programs impact also transcend the current periodic and individual efforts at evaluation and rely on a collective, well considered plan.

Other factors also entered into the decision to evaluate impact more closely. SGPs, now established and flourishing, continue to explore ways to improve the strategy and to add or remove program features as beneficiary needs and requests evolve. They are, in an individual and collective sense, learning from their implementing experience, and using this experience to modify future actions.

To be useful, this learning must reflect a growing understanding of the potential the Solidarity Group strategy holds but must also recognize the limits of its reach. Only in this way will the impact of current day programs open the way for improved and more effective approaches in the future.

Accountability before the donor community represents a final, important catalyst to conducting evaluation. As Table 1 showed, SGPs have received funds from a wide array of donors whose continued interest in supporting programs will be related closely to the availability of documented impact information.

## **II. WORKSHOP OBJECTIVES**

The week-long conference attended by representatives of 22 organizations of Solidarity Group Programs focused exclusively on the issue of impact evaluation. The objectives set forth at the outset of the conference can be summarized as follows:

- o To arrive at a clear and shared definition for impact evaluation for Solidarity Group Programs.
- o To design a guide for use by all Solidarity Group Programs in the planning and implementation of impact evaluation.
- o To design a format for presenting the information obtained in an impact evaluation.
- o To clarify existing concepts, identify outstanding questions and incorporate into each program the experiences from other Solidarity Group Programs.

This document attempts to capture the essence of the conference and report on it in detail for three reasons. First, it serves the conference participants as a resource for planning their evaluations, and assuring greater uniformity in the

evaluation design. Second, the document records the evolution and current standing of the Solidarity Group Programs as a way of informing the broader development community on this approach to reaching the informal sector.<sup>5/</sup> Finally, the document builds on the existing literature on evaluation, particularly that produced by the U.S. Private Voluntary Organizations (PVOs) in the last few years, and hopefully adds to these efforts in a significant way.<sup>6/</sup>

The rest of this chapter summarizes the conference participants effort to arrive at a consensus framework for impact evaluation, the first step in designing an evaluation plan. The participants developed a conceptual framework centered around the following five key questions:

1. How do we define impact evaluation?
2. What should or can be evaluated?
3. How do we conduct an impact evaluation?
4. For whom do we evaluate?
5. What are the limitations that frame an impact evaluation?

### **III. A CONCEPTUAL FRAMEWORK FOR IMPACT EVALUATION**

#### **A. Towards a Working Definition of Impact Evaluation**

Constructing a conceptual framework for impact evaluation requires first of all, a clear consensus on the definition of evaluation. Arriving at a common definition, in turn, assumes that there are shared values regarding the purpose of development and the way one undertakes it. Otherwise, the discussion must by necessity address these broader philosophical questions in order to establish a common ground.

As explained earlier, institutions involved in SGPs by and large share a common definition of development and their role in it. Therefore, conference participants were able to address the issue at hand from the outset, without requiring consensus building at a theoretical level.

The ensuing discussion yielded fundamental commonalities in the way impact evaluation is interpreted by the institutions, but it also reinforced the difficulty of defining the topic in one catch-all phrase. Instead the group sought to disaggregate the concept into its most important elements and discuss each in depth.

Participants identified impact evaluation as an intrinsic part of project implementation which can be defined as:

<sup>5/</sup> See Otero, **The Concept of Solidarity Groups: Characteristics and Significance for Urban Informal Sector Activities**. New York: PACT, 1986.

<sup>6/</sup> See especially Santo Pietro, ed. **Evaluation Sourcebook**, 1983; Lassen, **A Systems Approach for the Design and Evaluation of PVO Small Enterprise Development Projects**, 1984; Buzzard and Edgcomb, eds. **Monitoring and Evaluating Small Business Projects: A Step by Step Guide For Private Development Organizations**, New York: PACT, 1987.

- o a **system** that makes use of a conglomerate of tools and instruments to determine the results obtained through a project and to feed this information back into the project.
- o a **process of inquiry** that is conducted parallel to implementation and that permits one to assess the positive and negative changes brought about by the project, and to compare these to its stated objectives.
- o an **activity** that assigns a value to a given project and enables those interested to learn from the experience in order to affirm, revise, or end it.

The participants did not try to draw fine lines between evaluation as an overall concept and impact evaluation as a subset of this concept. Likewise, issues related to monitoring of a program were not discussed as necessarily separate from impact evaluation. As will become clearer below, the participants chose to define impact evaluation in the broadest manner possible, and in some cases included components that in the purest sense belong under the rubrics of program monitoring or process evaluation.

## **B. What Should or Can Be Evaluated?**

The participants identified four levels at which programs must measure their impact. These form the basis for the evaluation framework discussed in the upcoming chapters.

1. **The Beneficiary:** the members of the solidarity groups who are direct participants in the programs constitute the first and most important level of impact to be measured. If it is possible to establish causal relationships between a program intervention and observed or documented change, it is at this level that the relationship is most direct.

Assessing the program's impact on the beneficiary by necessity also includes studying the impact of the program on the micro-enterprise itself, on the family of the beneficiary, and where relevant, on those employed in the micro-enterprise and their families. Because of the broad multiplying effect of these programs and the large numbers of beneficiaries involved, conference participants decided that the inclusion of all these players in an impact evaluation implied very high costs and complicated logistics.

Therefore, conference participants agreed that at the beneficiary level of impact, the emphasis should be on the primary beneficiary, the person who receives training and credit. As an extension of the beneficiary, the evaluation also must study his or her family, and the enterprise. Collection of social and economic variables and indicators, outlined in detail in Chapter 3, form the basis for this part of the evaluation framework.

2. **The Program:** Evaluating the program means assessing the quality and nature of the process of carrying out its activities. The manner in which a program unfolds usually is not included under the rubric of impact. SGPs, because of the large numbers of beneficiaries and the complexity of managing credit programs that

disburse up to 150 loans a month and experience daily portfolio movement, believe it is crucial to include this level of analysis in their framework, and identify those implementation areas that must be evaluated periodically.

The impact of the program on each staff member also emerges as an area to investigate. For example, what changes the field workers experience in skill level and in attitudes towards the beneficiaries are factors that ultimately will affect how the overall program evolves.

**3. The Institution:** The third level of impact assessment considers the institution to determine how it has changed as a result of its involvement in a SGP. The exigencies of running a SGP can spill over to other programs within an institution and affect the overall management, financial systems and even the decision-making processes. In some cases, an institution might change its focus, such as a shift from rural to urban-based programs, or might decide to specialize in credit and training. In the aggregate, the effect of SGPs on local institutions helps us understand if this approach to the urban poor has also contributed to creating a cadre of competent local organizations.

**4. The Local Community:** The SGP strategy, while focused on assisting individual self-employed micro entrepreneurs, also emphasizes that program impact should reach beyond the workplace and into the broader community. Here, the term “community” is used in a generic sense and could mean a geographic determination, such as the communities in which micro-enterprises operate, as well as particular groups that could be reached through the program, e.g., the banking community, policymakers, or an association of street vendors.

Each program operates in an entirely different social and economic context, dictated by the country, the type of government, the level of social unrest that exists or is tolerated, the economic conditions and many others. The impact of a program on the local context will depend both on these exogenous variables and on the objectives that each program sets in this arena. For these reasons, although all organizations underline the importance of this fourth level, it is left as the most open-ended and the one most susceptible to each organization’s interpretation.

### **C. How Do We Conduct an Impact Evaluation?**

This section required consensus on the methods and types of tools available for impact evaluation of SGPs, as well as on who should evaluate. The methodologies used most often to collect impact data for small business programs can be summed up as follows (Goldmark and Rosengard, 1985; Blayney and Otero, 1985):

- o examination of central records;
- o administration of questionnaires at the time of the evaluation to a sample of project beneficiaries;
- o on-site review of business records;
- o in-depth, open-ended interviews with a sample of beneficiaries; and
- o process documentation, conducted parallel to implementation in order to assemble and analyze data periodically during the life of the program.

In the case of SGPs, the selection of methods for evaluation are determined by the need to gather both quantitative and qualitative data, since both types are identified as valid measures of program impact.

The quantitative portion of any impact evaluation seeks to collect hard data, usually economic and financial in nature and to respond to at least the following questions: Have the program objectives been met? What is the cause-effect relationship between program inputs and documented changes? Is it possible to replicate or expand the experience? Are program resources used in an efficient way?

Without detracting from the validity of these questions and the importance of addressing them, SGPs also maintain that collection of qualitative information, linked to changes in the quality of life that cannot be measured easily, are crucial to a determination of overall impact. Their assertion supports a strong current within existing evaluation literature that highlights the importance of both quantitative and qualitative data, and emphasizes that these are not mutually exclusive but can be used in a compatible way (Cook and Reichardt, eds., 1979; Patton, 1980; Korten, 1980).

As a way of classifying the available evaluation methods, conference participants suggested two categories to encompass all the issues they believe should be included in this discussion:

- o **Formal Methods:** The use of structured, often traditional tools and instruments such as closed questionnaires for the collection of quantitative or qualitative impact data, usually, but not exclusively, on economic and financial areas. Its frequency, duration, author and cost can vary according to program circumstances. It provides straightforward and objective information but its usefulness can be limited by the level of reliability of the data source.
- o **Informal Methods:** The use of open-ended tools often for use in group settings for the collection of quantitative and qualitative impact data, usually, but not exclusively, on human and social development benefits. These methods call for a much more active role on the part of the beneficiary and often capture dimensions of impact outside the grasp of quantitative information. These data, however, are more susceptible to subjective interpretation.

It is important not to associate a higher degree of reliability with either method, since both are regarded as scientifically valid tools if used appropriately. Additionally, the question, who should evaluate, also influences the method selected. For example, the active participation of the beneficiaries in the process of evaluation -- often termed participatory evaluation -- requires tools and instruments that are very different from those as the disposal of an evaluation conducted primarily by an "outside expert".

Direct involvement of program staff in conducting an impact evaluation is considered a priority by most SGPs. Nevertheless, conference participants highlighted the important role that an outsider can play in providing insights and analyses that reside outside the grasp of the staff. Further, most donors and others

in the development community will give more credence to an evaluation that involves the more objective eye of the outsider than to one produced solely by the implementing institution. Finally, active involvement of the part of the beneficiaries is considered crucial in these programs because their continued success hinges on their capacity to be responsive and flexible to beneficiary input. Conference participants agreed that evaluators err if they perceive the beneficiary only as a subject to be evaluated, and not as a contributor to the evaluation process.

#### **D. Who Is The Evaluation For?**

Evaluations serve a variety of purposes, some of which become blurred because the audience addressed is not clearly defined. A key concern is to identify the target audience from the outset, and to frame the presentation and analysis of the information with these readers in mind.

Four different groups, each with their own set of priorities and perspectives, constitute possible users of an impact evaluation:

- o **The Implementing Institution:** On the basis of evaluation findings, the institution can make program decisions, improve its performance, change program objectives or simply learn more about its own work.
- o **The Beneficiary:** Depending on the degree of participation the beneficiary enjoys in the design and implementation of a program, the evaluation process can be a way to enable this group to affect the future of a given program.
- o **The Donor Community:** Evaluation results enable a donor to determine if the program has done what it set out to do, if funding a given program is the best use of its money, and if the program continues to fall within its funding priorities.
- o **The Development Community:** Policymakers and program implementors throughout the developing world learn from the experiences recorded in evaluation and in some cases apply this learning to their own initiatives. This group is of course the most heterogeneous and evaluations are almost never written only for this audience.

#### **E. The Limits That Affect Impact Evaluations of SGPs**

Finally, conference participants identified the major constraints that SGPs confront when they attempt to gather and analyze impact information. Some of these are straightforward and shared by many programs that evaluate their own work.

Time, the most precious commodity, is even more coveted in SGPs because the large number of beneficiaries makes the programs very labor-intensive. A field worker that handles between 40 and 70 solidarity groups barely has time to conduct periodic visits, assist in credit applications, participate in training, and monitor active groups. The collection of impact data, even if someone else tabulates and analyzes it, adds a considerable load to his/her work and often detracts from other crucial tasks. Further, the organization's staff may not have the capacity to collect

the needed information in a reliable manner, and training it requires additional time and expense.

While assigning data collection responsibilities to one qualified person appears an easy solution, this option raises costs, and still requires assistance from the field worker who is the direct link between the organization and the beneficiary. For example, in the absence of easily identified addresses, he is the key person for locating a solidarity group member. Most program implementors express a frustration with the tension inherent in carrying out the program and evaluating it at the same time, and point out that the marriage of these two functions as part of one process is a challenge faced by most SGPs.

The question of cost also limits the depth of an impact evaluation. As Goldmark and Rosengard point out, cost is the determining variable in deciding what level of an evaluation will be conducted, and though they focus on evaluations conducted by outsiders, their observations also are applicable in this case (Goldmark and Rosengard, 1985). Since a priority goal in SGPs is achieving ever-increasing levels of self-sufficiency, most programs will be reluctant to spend their hard-earned income on impact evaluation. For proper data collection and analyses, funds must be set aside -- as a line item in a grant, for example -- for this purpose.

The nature of the informal sector assisted by these programs presents another set of constraints. Many beneficiaries, such as street vendors with no fixed location, or those with workplaces in distant neighborhoods are very hard or costly to reach on a regular basis, making the collection of impact data difficult. Further, the reliability in general of the information provided varies. Fearful of taxes or fines, a micro-entrepreneur is wont to understate his sales and overstate his costs. For most, lack of formal bookkeeping, the comingling of family and business income, and the general informality of their economic activity frame the quality of the information one can obtain. Chapter 7 considers this issue at greater length.

Institutional will also comes into play as a possible obstacle in impact evaluation. To the degree that an organization sets the tone for evaluating its own work in a constructive manner, the role of evaluation will be perceived as a positive and useful internal exercise. Otherwise, the very institution that implements a program can create a defensive and negative attitude that precludes proper use of evaluation.

Finally, there are many independent variables that affect the economic activities of the urban poor and make it very difficult to determine a cause-effect relationship between a program and the changes observed. For example, a government's decision to eliminate elementary school parades on a national holiday may do more harm to shoemakers and seamstresses for whom the parade signifies the bulk of the year's product and sales than anything related to the program. While use of control groups and other mechanisms can help sort through the exogeneous variables, most programs find that frequent and sustained contact with the beneficiary -- in informal sessions, at the time of loan disbursement, or in the working place -- is one of the best ways of maintaining perspective on the program's impact.

As a visual summary, one can combine the conceptual framework emerging from the above discussion with the method for its implementation. The latter requires that by using the four levels of impact identified, one outline the types or categories of impact to consider under each level. Each category in turn requires specification of the areas of inquiry to assess, as well as the indicators of change that will provide that information. Finally, part of the methodology requires a decision on which instruments will be used to gather each piece of information.

The chart below integrates the relationship between the conceptual framework and the methodological framework which together guide the impact evaluation of these programs.

The chapters that follow take each of these four impact levels and apply the methodological framework suggested to identify what will be evaluated and how. First, the types or categories of impact to be measured under each level are selected and defined. On this basis, the main areas of inquiry are identified, and then the indicators that enable us to measure changes are outlined. Finally, the instruments that one uses to obtain the needed information are suggested, along with some of the questions and formats these could take.

CHART 1  
A CONCEPTUAL AND METHODOLOGICAL FRAMEWORK FOR CONDUCTING  
IMPACT EVALUATION IN SOLIDARITY GROUP PROGRAMS

THE CONCEPT				
DEFINITION	WHAT TO EVALUATE	HOW TO EVALUATE	FOR WHOM TO EVALUATE	LIMITATIONS IN EVALUATION
<p>Impact evaluation is:</p> <ul style="list-style-type: none"> <li>o a system to determine results and feed the information into the project.</li> <li>o a process of inquiry parallel to project implementation.</li> <li>o an activity that enables one to learn from project experience</li> </ul>	<ul style="list-style-type: none"> <li>o The beneficiaries</li> <li>o The program</li> <li>o The institution</li> <li>o The local context</li> </ul>	<ul style="list-style-type: none"> <li>o Formal Methods (usually quantitative)</li> <li>o Informal Methods (usually qualitative)</li> </ul>	<ul style="list-style-type: none"> <li>o The institution</li> <li>o The donors</li> <li>o The beneficiaries</li> <li>o The development community</li> </ul>	<ul style="list-style-type: none"> <li>o Time</li> <li>o Money</li> <li>o Informal Sector Constraints</li> <li>o Identification of Causality</li> <li>o Institutional will</li> </ul>
THE METHODOLOGY: IDENTIFICATION OF:				
LEVEL OF IMPACT	TYPE OF IMPACT (CATEGORIES)	AREAS OF INQUIRY TO TO ASSESS IMPACT IN A GIVEN CATEGORY	CHANGE INDICATORS	INSTRUMENTS
Four levels as defined in the conceptual framework above. (Beneficiaries, Program, Institution, Local Context)	Under each level, the broad categories where project intervention has led to change.	Under each type of impact, the factors to consider in order to assess change (there can be several under each category of impact).	Under each area of inquiry, a piece of information that is measurable and enables one to determine the degree of change.	The tools available to the evaluator to gather the necessary data.
EXAMPLE OF LEVEL OF IMPACT	EXAMPLE OF TYPE OF IMPACT	EXAMPLE OF AREAS OF INQUIRY	EXAMPLE OF CHANGE INDICATORS	EXAMPLE OF INSTRUMENT
BENEFICIARY LEVEL →	ECONOMIC IMPACT →	THE MICRO-ENTERPRISE →	CHANGES IN SALES → CHANGES IN NET PROFIT →	QUESTIONNAIRE

**CHAPTER III**  
**ASSESSING PROJECT IMPACT AT THE**  
**BENEFICIARY LEVEL**

## I. INTRODUCTION

In measuring the effect of a Solidarity Group Program on the beneficiaries, an evaluation must consider three categories or types of impact: **economic impact**, that is, the changes in the life and the productive activity of a person resulting from a project intervention which can be measured in monetary terms; **social impact**, those changes of a human development dimension without which the economic gains lose considerable thrust; and **impact on employment**, the determination of whether the project has affected the employment potential of the micro-enterprise. It is this combination of factors that enable us to document how changes in the economic situation of the beneficiary, changes in his relationship with the immediate surroundings in the home, the workplace and the community, and changes in his capacity to be gainfully employed translate into changes in the quality of his or her life.

To arrive at adequate measures of economic, social and employment impact, the evaluation framework in the preceding chapter suggests areas of inquiry under each category of impact, as well as corresponding indicators. Additionally, the evaluation design identifies the most appropriate instruments for the collection of information under each area, and examples of what information these instruments should gather.

This chapter presents and explains the areas of inquiry, the indicators and the instruments selected to measure the economic, social and employment impact of

a SGP on the beneficiary. The discussion is explanatory and thematic in nature, and attempts to synthesize the essence of an SGP impact evaluation at this level.

## **II. MEASURING IMPACT**

### **A. Economic Impact**

Five areas of inquiry are considered key in determining the economic impact of a project on the beneficiary. Under each area we also identify the “indicators of change”, those pieces of information that are measurable, and that enable us to quantify the effect of the project on a given area of inquiry. The discussion also presents examples of the most suited instruments for collecting the desired information.

#### **1. Income**

Changes in beneficiary and family income as a result of micro-enterprise activity are of course the most obvious indicators of how a project intervention has affected the economic condition of a beneficiary and his family. Since most low-income families have various and irregular income streams, it is important to isolate changes in income resulting from the growth or decline in the enterprise.

#### **2. The Enterprise**

Strongly linked with the above area of inquiry is the enterprise itself, and because it is the direct recipient of project resources it requires more careful study. Recording changes in the micro-enterprise, and hence the family income, requires data collection overtime on a variety of financial indicators. These can provide the information for a very simple financial statement on the enterprise, as well as highlight some of the factors that contribute to improved and increased production:

- a. Fixed Assets: The equipment and machinery owned by the enterprise;
- b. Working Capital: Money available for purchases of raw material and other items necessary for production;
- c. Inventory: Stock of finished or semi-finished products;
- d. Credit Availability and its Use: Sources and uses of finance capital available to the microentrepreneur;
- e. Level of Purchases and Sales;
- f. Net Profit: Amount remaining from sales after all production related expenses are paid;
- g. Organization of the Workplace: Adequacy of arrangement of the workplace;
- h. Locale Improvement: Additions to the workplace that enhance productive capacity.

3. **Credit Management:** For many microentrepreneurs the program provides a first experience in handling credit beyond that obtained from moneylenders and family members. Securing and managing a loan becomes an educational process that contributes to the microentrepreneur’s ability to remain self-employed, and

by extension to earn income. Further, since credit provision constitutes the kingpin of the program, it is suggested as a specific area of inquiry, although in strict terms, credit management should be included under the micro-enterprise. Two indicators are suggested for this area of inquiry:

- a. **Repayment Rate:** Ability to make loan payments as established in the terms of the loan;
  - b. **Use of Credit:** Verification that the loan was utilized for working capital or for other production related expenses.
4. **Savings:** Most SGPs have savings mobilization components to enable the microentrepreneur to develop a habit of saving, build a reserve, and begin perceiving the use of banks and other financial institutions as within his reach. Three indicators of change are suggested for this area of inquiry:
- a. Level of obligatory and voluntary savings;
  - b. Regularity of savings deposits; and
  - c. Use of savings.
5. **Family Well-being:** The changes that occur within a family resulting from an improved economic situation are of course important indicators of whether the project has impacted on the overall quality of life of the family unit. The most important indicators involve a determination of the amount the family spends in meeting its basic needs, especially in the purchase of food, and the provision of education and health. Additionally, home improvement initiatives are also indicators of improved quality of life that may result from income enhancement. In short, the effort in this section is to quantify the changes in how family lives and what services it purchases as a result of changes in income.

## **B. Social Impact**

The impact of a SPG on its beneficiaries goes well beyond the quantifiable and the economic and becomes manifested in areas that often resist categorization. Certainly participation in a solidarity group, perhaps the first time a group of persons have sought each other to resolve their needs, affects the way that each beneficiary perceives himself and the world around him. These changes in perception may translate into changes in actions, and may contribute to an improved overall situation for the beneficiary and his family.

These program benefits, here broadly classified as "social changes," are of course very difficult to measure, and many question the validity of attempting to include this level of impact in an evaluation.

Two factors persuade SGPs of the crucial importance of assessing the social impact of a project. First, evaluations and other studies of SGPs to date point to changes in attitudes, capacities and perceptions on the part of the beneficiaries which appear to result from participation in the project (Reichmann, 1984; Coto, 1983; Ashe, 1986). These areas of impact are mostly qualitative in nature, and rely on observation, interpretation and case study materials as sources of information. Second, the collection of qualitative information can follow as rigorous and

scientific a process as that used to gather quantitative data. There is a useful body of literature that emphasizes the importance of including qualitative information as part of an evaluation, and provides techniques and tools for this purpose.

Conference participants, identified four crucial areas of inquiry in order to measure a project's social impact, as well as indicators of change under each.

1. **Participation:** While misuse use has rendered this term ambiguous and all encompassing, it is used here in in a very specific way, to determine if the beneficiary's life includes more group or collective experiences than before his entry into the program. In the aggregate, these participatory experiences can help develop the abilities necessary to become involved in broader associations or organizations that can themselves become agents of change for the beneficiary. Three indicators are suggested:
  - a. Participation in the solidarity group: The dynamics of a solidarity group are a training ground for developing the skills needed to engage in collective planning and problem solving;
  - b. Participation in the program: Involvement in the overall program, including in activities other than the credit function, such as training, savings, and decision-making regarding the program;
  - c. Participation in the community: Involvement in associations or other groups that attempt to address issues of mutual concern.
2. **Attitudes:** Attitudinal change is a second area of inquiry because participation in the program can bring about changes in attitudes that have a positive or negative impact on the beneficiary's life. The suggested indicators in this area are changes in attitudes towards:
  - a. Self-help, or "auto-gestion:" The ability to generate responses to perceived problems without the need of an outsider;
  - b. Self-esteem: Perception of self, strengths and weaknesses, in relation to the outside world;
  - c. Communication: Articulation of problems and solutions in a group setting.
3. **Solidarity:** This term refers exclusively to a beneficiary's participation in a solidarity group, and the behavior that he manifests which enhances or weakens the cohesion of the group. Three indicators emerge in this area:
  - a. Collective activities: Whether related to the provision and management of the loan, a solidarity group determines how often to meet, what other topics to discuss, and what other actions to take as a group.
  - b. Cooperation: Mutual support efforts that emerge within the group, either as consequence or an emergency or as a way to solve problems;
  - c. Economic Support: Instances in which group members assist each other financially, whether in the repayment of the loan or in other areas.
4. **Family Well-being:** Although this area of inquiry appears under economic impact, issues related to changes in housing, education, health and food also should be considered from a social perspective, identifying both quantitative

and qualitativ: changes that enable us to paint a more complete picture of the quality of life of the family, before and after the project.

### **C. Impact On Employment**

Considered by many the most important contribution of SGPs to alleviating urban problems, the impact of a project on employment levels merits careful consideration. It should be noted that employment questions do not relate exclusively to the beneficiary, since a project's impact in this area can extend well beyond the primary beneficiary, into the micro-enterprise workers, and even into those indirectly affected by the aggregate growth or decline in the productive activities of micro-enterprises.

Measuring the impact on employment of SGPs is not an easy task, in part because the standard methods for assessing employment generation are designed for formal sector studies of larger industrial efforts, and fall short when applied to the informal sector. There are no uniform definitions of job creation, of how to differentiate displacement versus job creation, or how to account for jobs that are sustained versus jobs that emerge for the first time. Especially in the case of tiny, high-risk businesses, buttressing an existing job which would otherwise disappear, or turning a part-time position into a full-time one, are important distinctions to draw and highlight.

An example can illuminate the discussion. A baker, as a result of a loan for working capital, turns two part-time positions into full-time ones, raising to four the number of full-time employees. Periodically, she also brings in two school-age youths to work in the afternoon. Because of expanded production, she no longer distributes the bread to small shops, but instead sells it directly to six women who come to the bakery to retrieve the bread, and then sell it in the street. Previously, these women were working at odds jobs, sometimes involved in commerce, sometimes going for long periods without employment. Assessing the impact on employment of the baker's working capital loan at each step in this chain emphasizes both the complexity of the task and the importance of differentiating between creating new jobs and strengthening existing ones, not only in the area of production, but in commerce as well.

Three indicators are suggested to measure changes in employment:

- a. New Jobs Created, both part-time, and full-time; it is also important here to consider seasonal employment generated through the project.
- b. Jobs sustained, both part-time and full-time.
- c. Cost per job generated or sustained, that is, the amount of credit and operating costs associated with the creation or the maintenance of a job.

### **III. INSTRUMENTS FOR ASSESSING IMPACT AT THE BENEFICIARY LEVEL**

Chart 2 summarizes the content of an impact evaluation at the beneficiary level for Solidarity Group Programs. In designing its tools for data collection and analysis.

a SGP can make use of this chart as a guide for organizing the information that will be sought in the evaluation.

The most important instruments available to the evaluator in this section of the impact evaluation are:

- structured questionnaires conducted one-to-one with a sample or with all the beneficiaries;
- open-ended questionnaires conducted one-to-one with a sample of beneficiaries;
- open-ended interviews or conversations with groups of beneficiaries;
- files available on each beneficiary or Solidarity Group with base line data.

Each program must determine what instruments are most useful, the frequency of their application, and the size of the sample. For example, some programs may choose to collect impact information on all beneficiaries every three or six months, and then to select a smaller sample for more in-depth analysis. Others may choose to work only with a sample, carefully selected to avoid bias in any direction, and concentrate on gathering information about this group.

Likewise, each program must design its own instruments in the manner most suited to its needs and context. For example, some programs may choose to design the instrument with the program beneficiaries, while others may prefer to design and then field test. The material presented in this chapter will guide the design of the instrument so that impact information across programs is uniform.

In assessing the economic impact of a project, SGPs probably will rely on questionnaires to obtain as reliable information as possible on the five areas of inquiry. Some programs have designed two to three-page simple, closed questionnaires to be completed with the Solidarity Group or beneficiary in the place of work. One can formulate the questions by studying the indicators of change proposed here and summarized in Chart 2 below.

This same method of design applies to the area of employment creation. In the latter, it is important that the institution determine ahead of time how it will define job creation and job sustainability, and that its data collection differentiate between full-time part-time, and seasonal employment.

Measuring the social impact of the program will require additional tools. The use of more participatory techniques through which the beneficiaries interact with the evaluator and with each other, and analyze how their lives have been affected, will enrich our understanding of the program's impact on participation, solidarity and other less quantifiable areas. Informal, periodic meetings guided by open-ended questions also will surface impact information.

As illustration, one program in Colombia, CIDES, has devised a very simple tool to assess the level of consolidation within the Solidarity Group. Each group member identifies the social leader and the economic leader of the group. The groups then discuss the results, and they, along with the program staff can assess better the quality of integration among each group's members. Also, they can pinpoint with

greater objectivity to the problems the groups may be experiencing, and therefore can address these more effectively.

Finally, there are factors that guide the design of any instrument for impact measure. Some of these are discussed in Chapter 7, and are highlighted here as follows (Buzzard and Edgcomb, 1987):

1. Clear focus: the questionnaire should not try to collect large amounts of varied information.
2. Few and objective questions: the phrasing of a question should not presuppose an answer.
3. Questions should rely as little as possible on memory.
4. Appropriate use of language: questions should make use of local idioms, as well as local dialects.
5. A questionnaire should be field tested before it is finalized.

**CHART 2  
MEASURING IMPACT AT THE BENEFICIARY LEVEL**

LEVEL OF IMPACT	TYPE OF IMPACT	AREAS OF INQUIRY	INDICATORS	INSTRUMENTS
I. BENEFICIARY	A. ECONOMIC	1. Income	a. In the enterprise b. In the family	1. Structured questionnaires to all or to a sample of beneficiaries at the place of work. 2. Existing files on Solidarity Groups 3. One-to-one conversations 4. Observation 5. Interviews with field staff
		2. The Enterprise	a. Fixed Assets b. Working Capital c. Inventory d. Purchases & Sales e. Net Profit f. Organization of the Workplace g. Improvement of Workplace	
		3. Management of Credit	a. Repayment Rate b. Use of Credit	
		4. Savings	a. Voluntary b. Forced	
		5. Family Well-being (Quantitative)	a. Education b. Housing c. Health d. Food	
	B. SOCIAL	1. Participation	a. In a group b. In the program c. In the community	1. Structured questionnaire to a sample
		2. Attitudes	a. Self help b. Self-esteem c. Communication	2. Informal interviews with a group of beneficiaries 3. Observation
		3. Solidarity	a. Collective activities b. Cooperation c. Economic Support	4. Interviews with field staff
		4. Family Well-being (Qualitative)	(same areas as above)	
	C. EMPLOYMENT	1. New Jobs Created	a. Full-time b. Part-time	1. Structured questionnaires 2. Visits to place of work and informal conversations with workers
		2. Jobs Sustained	a. Full-time b. Part-time	
		3. Costs per Job	a. Capital investment	

**CHAPTER IV**  
**ASSESSING IMPACT AT THE PROGRAM LEVEL**

## **I. INTRODUCTION**

The process of implementing a project is not in itself a measure of impact. Some would rightly argue that a study of the program itself falls under the rubric of program monitoring, and does not belong in impact evaluation. The case of SGPs, conference participants insist, is different. In this instance, the process of implementation affects the nature of the program in very specific ways which are defined from the outset, and which themselves become a measure of the program's effectiveness independent of the benefits it has brought to microentrepreneurs, the broader community or the institution. To establish the full impact of a program, one also must consider how its unfolding affects the program's capacity for growth and sustainability.

In SGPs, the methodology outlines the three key factors that determine the internal health of a program: the capacity to generate revenue to cover its costs; the potential to reach an ever increasing number of beneficiaries; and the establishment of appropriate administrative and financial systems. The impact of project implementation on the program itself becomes one variable in the overall impact equation. Three types of impact are suggested for assessing impact at the program level: financial, social, and administrative. These are detailed below, with corresponding areas of inquiry and indicators at each level.

This chapter follows the same format as the preceding one and details the conference participants' consensus on how to assess a Solidarity Group Program itself as part of an impact evaluation.

## II. MEASURING IMPACT

### A. Social Impact

The first type of impact at the program level requires documenting key information on project beneficiaries. Three main areas of inquiry surface here: overall coverage of the program, quality of that coverage, and beneficiary satisfaction, all considered from the point of view of how they affect the general functioning of the project.

1. **Coverage:** In relation to coverage, the evaluation should include the following indicators:

a. **Number of beneficiaries:** Documenting how many persons the program reaches, and when these persons entered into the program for the first time will enable the evaluator to determine the program's growth in terms of numbers reached. The patterns of growth, whether sporadic, sudden or gradual, help identify the circumstances that contribute to program expansion or contraction.

b. **Number reached as percentage of goal:** Nearly all programs establish annual goals expressed as number of beneficiaries to be reached. The degree to which this goal is accomplished translates into the degree of impact, both social and economic, that the program has at the beneficiary level.

c. **Geographic areas covered:** Program implementation will be affected greatly by whether the program operates in one city or in a broader area of the country. With some exceptions, such as Peru, SGPs often expand by increasing the geographic zone attended, rather than by concentrating more resources in the same city or region.

d. **Typology of borrowers:** Key beneficiary information will enable the program implementors to determine the income level and other characteristics of the beneficiaries, and thereby also establish if the SGP is reaching the desired population. This indicator is particularly important for programs such as SGPs, which try to reach the poorest of the economically active poor.

2. **Quality and Quantity of Services Provided:** The following indicators provide information in this area of inquiry:

a. **Number of beneficiaries reached under each program component** (credit provision, training, organization of beneficiaries);

b. **Type of services provided under the project, as well as their content** (the above three constitute the essential components, but the majority of SGPs include additional components);

c. **Methodology for service delivery, as well as the flexibility with which the services are provided** are also indicators of their quality.

3. **Beneficiary Satisfaction:** The degree to which program beneficiaries believe the program responds to their needs will in part determine the program's

potential for growth. If beneficiaries believe the program is insensitive to their needs or makes unreasonable demands, they will either leave the program or stop promoting it among their peers, or both. The following indicators can be included in this section:

a. System for integrating beneficiaries requests into program methodology: Either through periodic meetings, visits to the place of work or informal conversations, the program must gradually evolve in a manner that reflects the participants' expressed needs.

b. Degree of identification with the program: Often expressed in direct and indirect ways -- degree of participation in the solidarity group, quality of relationship with the field worker, willingness to promote the program -- this factor contributes greatly to the "reputation" the program develops among those it seeks to reach, and hence on its overall success.

## **B. Financial Impact**

In this context, financial impact refers to how the implementation of the program has strengthened or hindered the program's own financial standing. The most important area of inquiry in this regard is the issue of program self-sufficiency, that is the degree to which the program generates the income it needs to continue operating.

1. **Self-sufficiency:** Six indicators are suggested here:

a. Level of arrearage: The amount of outstanding loans or payments due as a percentage of overall portfolio. The higher the arrearage rate the more the program is losing in interest not collected, and the less its loan fund can rotate. Both factors affect its ability to become self-sufficient.

b. Credit Policy: Appropriateness of the rules that guide credit lending activities, especially the interest rate and the terms of the loans, help determine the level of self-sufficiency that can be attained. The clarity and detail of the credit policy must also be reviewed.

c. Size of Portfolio: Self-sufficiency is also affected by the size of a portfolio. The pattern of its development over time -- if it is growing, decreasing or stabilized -- will point towards the program's potential to sustain itself. High portfolio rotation also contributes to overall program growth and stability.

d. Savings: Depending on how an institution utilizes captured savings, this factor may also impact on its self-sufficiency, by increasing the available funds for lending, or by enabling it to leverage additional moneys.

e. Financial Resources: The problem of liquidity is one that can sink a credit program in a short time, and demolish its potential for self sustainment. Access to guarantee funds or emergency sources of capital to replenish the credit fund, especially if it encounters great demand, are important indicators of longer-term viability.

f. **Losses:** Percentage of overall portfolio that is written off is a final area that must be considered when reviewing the program's financial standing.

All the indicators suggested here contribute directly or indirectly to the income earned through the program activity. Ultimately, it is this capacity to generate revenue that enables a Solidarity Group Program to continue expanding and to plan in the long-term. Without exception, the most important internal source of revenue emerges from interest earned, and the review of a program's self-sufficiency concentrates in this area. In some cases, however, service and administrative fees charged by the program may also need to be reviewed.

### **C. Administrative Impact**

The administrative systems established to operate the Solidarity Group Program have a great deal of influence on whether the program attains the intended impact at the level of the beneficiaries, the institution and the local context. In this sense, evaluating impact at the program level, unlike the other three levels suggested in this evaluation, is not an end in itself, but a means of gathering information that will enable us to have a more complete assessment of the program at all levels considered.

Because the daily volume of activity, especially in the credit component, often is quite large -- many programs disburse upwards of 150 monthly loans, and process three times as many payments -- SGPs must pay careful attention to their administrative procedures, and must be able to establish the relationship among administrative systems, achievement of program goals, and level of impact attained.

The most important area of inquiry under administrative assessment is program efficiency. Ultimately, it is the efficiency of the program that will permit it to continue operating in the long term. The issue of efficiency -- here defined as a program's ability to cover its operating costs from income earned -- is closely related to self-sufficiency, discussed earlier in this chapter. This term should not be confused with "cost-effectiveness", which enables one to compare costs and determine the value of the resources used in a project in relation to the magnitude of the benefits resulting from these resources, and which itself can be a measure of efficiency (Nathan Associates, 1986).

1. **Efficiency:** Several indicators, in addition to the ones that appear under "Financial Impact" in this chapter assist in determining program efficiency:
  - a. **Staff Capacity:** SGPs require staff with knowledge of community and social development issues, as well as with a solid grasp of business and financial concepts. In most cases, one or the other area is learned on the job, and an evaluation must determine the adequacy of staff's knowledge in both general areas.
  - b. **Level of staff motivation and identification with program objectives:** Closely related to productivity, and therefore achievement of project goals, a staff's commitment to the project plays an important role in keeping recuperation high,

rapid portfolio turnover, and other factors that directly relate to program efficiency.

c. Management capacity: As in any other program, especially one involving movement of credit, the quality of its management directly contributes to its efficiency. It is important to separate this indicator from the ones above, which focus on field staff and their capacity. A situation can arise in which a committed and motivated staff, for lack of proper management, squanders the program's efficiency and overall impact. Delegation, strategic planning, review of financial issues, decision-making patterns and relationships with staff are all areas to consider under program management.

d. Cost per unit of service: A quantitative measure of efficiency, this indicator requires that a program calculate the operating and administrative costs of implementing a credit and training program, and determine a unit cost for each loan. This measure enables a program to compare its unit costs to those of other SGP and to what studies show are adequate unit costs for similar programs.

### **III. INSTRUMENTS FOR ASSESSING IMPACT AT THE PROGRAM LEVEL**

While the input of an outsider can be extremely useful in assessing the process of program implementation, each institution can conduct such an assessment periodically. The tools available for this task must emerge primarily from its own records and system of controls. Information gathered regularly on a monthly, quarterly and semester basis as part of the monitoring of the program should provide the bulk of the information needed in this section, in particular those factors related to program self-sufficiency and coverage. If a program is unable to obtain this information from its own existing records, this in itself indicates that its monitoring function is weak, and must be upgraded. Additionally, a program can rely on informal questionnaires, meetings with beneficiaries, self-evaluation techniques among staff and short surveys with a sample of beneficiaries to complement the information obtained from records.

Perhaps the most difficult task in this portion of the evaluation relates to determining management capacity. It is in this area that an outsider can help identify strengths and weaknesses with greater clarity than anyone who is directly involved in the management and implementation of the program.

Chart 3 suggests several instruments for impact analysis at this level. Internal records in the areas of accounting and program statistics or monitoring are the most useful for addressing all three types of impact suggested -- the social, financial and administrative. Here again, the indicators presented under each area of inquiry guide the type of information one should obtain.

Observation also represents a powerful tool for impact analysis at this level. The evaluator must know what to observe and be aware of the situations that foster the use of this tool, such as exchanges between staff and beneficiaries, training courses, flow of program information, and decision-making procedures.

**CHART 3**  
**MEASURING IMPACT AT THE PROGRAM LEVEL**

LEVEL OF IMPACT	TYPE OF IMPACT	AREAS OF INQUIRY	INDICATORS	INSTRUMENTS
II. PROGRAM	A. SOCIAL	1. Coverage	<ul style="list-style-type: none"> <li>a. Number of Beneficiaries</li> <li>b. Number Reached as % of Goal</li> <li>c. Geographic Areas Covered</li> <li>d. Typology of Borrowers</li> </ul>	<ul style="list-style-type: none"> <li>1. Internal Records                             <ul style="list-style-type: none"> <li>a. Statistics</li> <li>b. Planning Documents</li> </ul> </li> </ul>
		2. Quality and Quantity of Services	<ul style="list-style-type: none"> <li>a. Number of Beneficiaries Reached under each Program Component</li> <li>b. Type of services Provided</li> <li>c. Methodology for service delivery</li> </ul>	
		3. Beneficiary Satisfaction	<ul style="list-style-type: none"> <li>a. Integration of Beneficiary Needs Into Program</li> <li>b. Beneficiary Identification with Program</li> </ul>	<ul style="list-style-type: none"> <li>1. Observation</li> <li>2. Sample Survey</li> <li>3. Informal Meetings</li> </ul>
	B. FINANCIAL	1. Self-Sufficiency	<ul style="list-style-type: none"> <li>a. Level of arrearage</li> <li>b. Credit Policy</li> <li>c. Size of the Portfolio</li> <li>d. Savings</li> <li>e. Financial Resources</li> <li>f. Losses</li> </ul>	<ul style="list-style-type: none"> <li>1. Internal Records                             <ul style="list-style-type: none"> <li>a. Accounting</li> <li>b. Statistics</li> </ul> </li> </ul>
	C. ADMINISTRATIVE	1. Program Efficiency	<ul style="list-style-type: none"> <li>a. Staff Capacity</li> <li>b. Level of Staff Motivation and Identification with Program</li> <li>c. Management Capacity</li> <li>d. Cost per Unit of Service</li> </ul>	<ul style="list-style-type: none"> <li>1. Internal Records                             <ul style="list-style-type: none"> <li>a. Accounting</li> <li>b. Statistics</li> </ul> </li> <li>2. Self-assessment</li> <li>3. Use of External Facilitator</li> </ul>

**CHAPTER V**

**ASSESSING THE IMPACT OF A SOLIDARITY  
GROUP PROGRAM ON THE IMPLEMENTING  
INSTITUTION**

## **I. INTRODUCTION**

The preceding chapter concentrated on looking at the effectiveness of the program to determine if it reaches the people it set out to assist, its level of sustainability, its monitoring system, and other areas that reveal its quality.

In this chapter the focus turns towards the organization itself and addresses the following question: what impact has the program had on the institution that implements it? At any point in time, all the elements that together comprise an institution –its philosophy, definition of mission, strategy of action, management capacity and inner workings – are evolving and changing. The process of carrying out a given project by necessity plays a role in shaping the institution and contributes to the manner in which it evolves.

It appears logical that if a program is effective, the institution is also strong. However, institutional development is a complex area of study and assuming that this simple relationship exists may overlook factors crucial to institutional stability. Because the emergence of strong, local development institutions is such an important ingredient in promoting self-sustained development, conference participants agree that this subject merits special attention.

Two broad categories of impact are suggested in assessing how institutions change as a result of implementing a Solidarity Group Program. The first category considers the internal changes brought about as a result of program implementation,

and focuses on the inner workings of the institution. The second category, the external changes, considers if the relationship of the institution to the outside world has been affected by the experience of carrying out this program.

## **II. MEASURING IMPACT**

### **A. Internal Impact**

The growth and development of an institution are affected by a wide variety of variables which are beyond the scope of this effort to systematize. What is of importance here is to isolate those factors related to the implementation of a Solidarity Group Program which have impacted on how the institution as a development entity has evolved. While this endeavor encounters the recurring problem of determining causality, one can nevertheless obtain important insights in this area that contribute to our understanding of the relationship between program implementation and institutional development.

In this pursuit, conference participants suggest four areas of inquiry, each with its respective indicators and instruments for data collection.

**1. Institutional Mission:** Four indicators are identified in this area of inquiry:

a. **Stated Philosophy:** Each institution develops a system of ideas that guides its work, and it maintains this system as the unifying force behind all its activity. The clarity among staff regarding the institution's philosophy, the manner it has evolved during the time of program implementation, and the time given to reflect on issues that pertain to this subject all provide information for this area of inquiry.

For example, all Solidarity Group Programs, by reaching the poorest of the economically active population while emphasizing self-sufficiency in credit provision require that a balance be struck between social gains and financial concerns. If an institution does not address the inherent tension created by these two seemingly conflicting objectives, its own underlying philosophy can become unclear or contradictory.

b. **Goals and Objectives:** The long and short-term goals and objectives of an institution are the link between stated mission and established programs. The clarity of these statements and the level of congruence between them and the stated philosophy give an insight into the institution's coherence.

The experience of a Solidarity Group Program can affect the overall goals and objectives of an organization. It may be that greater emphasis is given to institutional self-sufficiency, or that provision of credit has become a new stated goal, or that the target population has been redefined.

c. **Institutional Memory:** The degree to which an institution records its evolving sense of mission allows it to develop an institutional history that outlives staff and contributes to cohesion in thought and deed. Documents such as strategy

plans, evaluations, and minutes from staff retreats are examples of ways in which institutions attempt to build their own history.

d. **Capacity to Learn:** In order to grow, an institution must have an established system that allows it to review its work periodically, to identify its strengths and weaknesses, to learn from its mistakes and to experiment with new approaches. If the institution does not conduct learning and feedback exercises on a regular basis, chances are that its capacity to learn from its own experience is minimized considerably.

2. **Institutional Structure and Management:** This area of inquiry encompasses a wide range of indicators, and the pursuit of answers could become needlessly time consuming and complex. To keep the task manageable, the evaluator must keep in mind that the objective is to determine the impact of program implementation on this area, and not to conduct a full blown institutional analysis. Six indicators of change guide this part of the evaluation:

a. **Planning Process:** An institution that develops annual plans, establishes program goals, draws annual budgets, and in general spends time preparing for the future is more likely to determine its own course of action in a coherent manner. Who participates in this planning process and the integration of program planning and program implementation are also important to consider.

b. **Communication Flow and Information Systems:** Each institution creates its own formal and informal fora for information exchange among staff regarding its activities, and different people within the institution have access to these. To the degree that open communication is an important methodological component of the institution, there will be formal mechanisms in place that include all staff.

The type of communication flow will affect the quality of the relationship between staff and supervisors. Institutional ability to create a communication system that is responsive to staff needs and also enhances institutional efficiency constitutes an important measure of institutional strength. Finally, paper flow, its direction and frequency, is another important component of communication.

The information systems within an institution pertain primarily to the methods and procedures used to gather relevant information regarding its operations. The degree of systematization, simplicity, and adherence to these systems are factors to consider in this area.

c. **Decision-making Systems:** Hundreds of decisions are made in an institution every day, and invariably, each staff member, from the messenger to the executive director, know the range and limits of their power of decision. How clear the delegation of decision-making is among staff and the level of decentralization in making decisions are two issues of importance.

In the case of Solidarity Group Programs, it may be that program growth, expansion into new cities, or the demands of day-to-day program monitoring

has influenced the organization in the direction of decentralized decision-making, or has increased the importance of mid-level or field staff.

d. **Methodology and Established Rules and Procedures:** Institutions define their methodology of work in relation to their goals and objectives, and in some cases identify specific procedures that guide staff in implementing this methodology. Solidarity Group Programs suggest a well-defined methodology for working with the urban poor, and, in the case of institutions that don't conduct other programs, can become the institution's primary approach to conducting its work. In other cases, where the institution also implements other programs, the experience of assuming a Solidarity Group Program could lead to a revision of institutional methodology.

e. **Evaluation System:** As in the case of planning, the nature and quality of an institution's internal evaluation system is an indicator of its level of maturity. Its design, frequency of application, and level of staff participation contribute to its effectiveness as a feedback and learning mechanism.

f. **The Role of the Board of Directors:** Although often overlooked, the composition of the Board of Directors and its involvement in the institution's activities significantly affect the health of the institution. The support the Board gives to the Solidarity Group Program, and the degree to which the Board has learned and changed through the program experience can provide good indication of future institutional direction.

**3. Financial Management and Status:** Because of their importance, issues pertaining to the institution's financial situation are considered as a separate area of inquiry, always keeping in mind that the subject is studied from the point of view of the program's impact on institutional evolution. Four indicators are suggested here:

a. **Financial Analysis Capacity:** Not only is it important for an institution to have a sound and up-to-date accounting system in place, but it is also crucial to have the capacity to produce reports that analyze and summarize the financial condition of the institution. The evaluation should determine if implementation of a Solidarity Group Program has upgraded, or diminished, the institution's capacity to generate necessary financial information.

b. **Sources and Uses of Funds:** Organizations with a diversified funding base tend to be more stable than those that depend on one or two donor institutions. Implementation of a Solidarity Group Program can have considerable impact in this area by either concentrating dependence on a donor or expanding the funding base. Additionally, the ability to fundraise from new or existing donors can change as a result of the SGP.

c. **Liquidity:** Private development institutions almost always depend on grant or soft monies for the majority of their funds. While on paper the institution may appear to be in a sound financial situation, in reality it could experience liquidity

problems due to over extension of credit or lack of fund reserves. By growing too fast, a Solidarity Group Program can contribute to a liquidity problem.

d. **Self-Sufficiency:** Institutions that generate income from their programs decrease their dependency on concessionary monies. It is important to determine the degree to which a Solidarity Group Program contributes to increasing the institution's ability to generate its own income base. More importantly, the program may have contributed to increasing the institution's emphasis on self-sustainment and on exploring creative ways to attain it.

3. **Staff:** While the previous chapter considered staff from the program perspective, in this section, the question of staff is addressed as an area that contributes to or detracts from institutional stability. Three indicators are utilized here:

a. **Commitment to Institution:** Knowledge of and agreement with institutional philosophy, goals and objectives is one way in which staff projects its commitment to the institution and to its work. Degree of program ownership assumed by the staff also reflects commitment.

Many programs define staff commitment as "mistica," which enables staff to dedicate themselves to the activities of the institution with enthusiasm in spite of the few material or economic incentives available.

b. **Human Quality:** Closely linked to the above, this indicator considers staff attitude towards program beneficiaries, such as their perception of the poor, and their capacity to communicate respect and trust to the beneficiaries. The beneficiaries perception of their relationship with the institutions' staff is a good indicator of the human quality among staff.

c. **Technical Expertise:** The staff's level of technical knowledge in specific areas will change as a result of implementing a Solidarity Group Program. This change may occur among all staff, even those not directly involved in the program. Also important is a determination of whether the level of technical expertise available to the institution is appropriate for its own growth and stability.

The above discussion comprises the portion of the evaluation that will help determine changes in the institution: what it represents, what it does, and how it does it. The systematization of this information seeks to simplify the task of institutional analysis and to focus on those areas where objective assessment is possible.

## **B. External Impact**

The second category under institutional impact addresses the ways in which the program has affected the interaction between the institution and its environment. Because effective institutions do not operate in a vacuum but seek to shape policy and issues of debate in the national scene, it is important to determine what leverage or voice an institution has gained or lost as a result of the Solidarity Group Program.

Two areas of inquiry with respective indicators of change follow:

**1. Image:** The strength and viability of an institution is in part determined by the perception and opinion others hold of the institution. A great deal of this public opinion is formed by the way in which the institution projects itself -- through its publications, its public statements, its staff, and its participation in events. It is suggested that an institution's image be considered from four vantage points which serve as indicators in this area of inquiry:

a. **From Peers:** Most countries have large numbers of private development institutions, and the degree of cohesion, cooperation or competition among them varies considerably from setting to setting. Invariably, there are organizations that emerge as leaders and are called upon by their peers to play that role.

The image of an institution may change as a result of implementing a Solidarity Group Program and may increase or decrease its leadership potential and thereby its ability to affect or shape policy and other issues related to development.

b. **From Beneficiaries:** How beneficiaries perceive an institution directly relates to its ability to bring about change. More than likely the implementation of a Solidarity Group Program will increase the institution's visibility as a credit provider. The manner in which it conducts its programs will determine the level of trust expressed by the beneficiaries.

c. **From the Government:** Generally, local and regional governments rather than national ones are more likely to become aware of an institution's activity in Solidarity Group Programs. However, many factors can also lead a national government to express interest in the institution, whether because of the methodology utilized, or because it restricts the political space allowed to organizations working with the poor, or because of the government's own interest in addressing these issues.

The degree to which an institution operates without government restrictions and controls will contribute to its growth and stability. Depending on the political climate, the institution must determine the most appropriate relationship it should maintain with the government.

d. **From the Donor Organizations:** Institutions implementing SGPs rely on grant funds for their operations, even in the case when they have achieved a high level of self-sufficiency. The opinions held by members of donor organizations about the institution will affect its fundraising capacity and hence its survival.

**2. Linkages:** Part of an institution's success depends on its ability to establish relationships with a wide array of organizations and individuals who will increase its leverage and capacity to influence others. When an institution is well-connected and respected, policy-making bodies, financial and banking institutions, export-oriented organizations and others who can impact on the informal sector are more likely to listen carefully to the institution's assessment

of what barriers must be addressed to improve the working conditions of the informal sector populations.

In certain political contexts where self-help efforts are viewed with suspicion, strong ties with other organizations will also serve as protection and coverage for the institution.

Three indicators are suggested here: linkages at the government level, which includes legislative and policy making bodies; linkages with local private institutions, which may include the media, research organizations, universities and other private development and base organizations; and linkages with international organizations, such as research centers, private development organizations, human rights groups, and government and private donors.

### **III. INSTRUMENTS FOR ASSESSING IMPACT AT THE INSTITUTIONAL LEVEL**

The most important tools for institutional assessment are the institution's files and records, and its staff. Review of the information that an institution produces routinely, the written documentation on philosophy, policy, methodology and procedures, program results and financial data are key sources of information. Additionally, conversations with staff members will yield some of the most useful insights for evaluation. Finally, conversations with representatives from other institutions will provide a broader perspective on where the institution fits in the overall context.

The objectivity and experience of an outside evaluator is particularly useful in this portion of the evaluation. While staff members can contribute a great deal to this process, it is recommended that the institution, at the request of the donor agency or on its own initiative, contract an outside evaluator to develop this section of the impact assessment.

**CHART 4**  
**MEASURING IMPACT AT THE INSTITUTIONAL LEVEL**

LEVEL OF IMPACT	TYPE OF IMPACT	AREAS OF INQUIRY	INDICATORS OF CHANGE	INSTRUMENTS
III. INSTITUTION	A. INTERNAL	1. Institutional Mission	a. Stated Philosophy b. Goals and Objectives c. Institutional Memory d. Capacity to Learn	1. Records and Files 2. Documents and Publications
		2. Institutional Structure and Management	a. Planning Process b. Communication Flow and Information Systems c. Decision-making Systems d. Methodology e. Established Rules and Procedures f. Evaluation System g. Role of Board of Directors	1. Records and Files 2. Interviews with Staff 3. Observation 4. Interviews with Board Members 5. Planning and Evaluation Papers
		3. Financial Management and Status	a. Financial Analysis Capacity b. Sources & Uses of Funds c. Liquidity d. Self-sufficiency	1. Accounting and Financial Documents 2. Budgets 3. Financial Reports
		4. Staff	a. Commitment to Institution b. Human Quality c. Technical Expertise	1. Informal conversations with staff 2. Observation of Field Work
	B. EXTERNAL	1. Image	a. From Peers b. From Beneficiaries c. From Government d. From Donors	1. Interviews with Representative Members of these Four Groups
		2. Linkages	a. Political/Policy-Making Bodies b. Organizational c. International	1. Interviews, Informal Discussions

**CHAPTER VI**  
**ASSESSING A PROGRAM'S IMPACT ON**  
**THE LOCAL CONTEXT**

## **I. INTRODUCTION**

The full impact of a Solidarity Group Program must be considered in relation to the socio-economic and political environment in which it operates. A program's ability to participate in shaping the factors that affect the lives of the urban poor is a measure of its importance as a development strategy. For this reason, Solidarity Group Programs seek to influence events at the community, local and national levels and their success in these arenas must be analyzed in an impact evaluation.

The three levels of impact addressed in preceding chapters focus on well-defined "targets groups:" the beneficiary, his family and his immediate community; the program; and the institution. Existing experience in applying the Solidarity Group methodology in these areas guide the work of current programs. However, affecting the environment in which it operates, requires that the Solidarity Group Program contain four ingredients:

- an understanding of the factors – social, economic and political -- that make up the universe in which the informal sector functions;
- the capacity to analyze how the unfolding of current events will affect the economic activities of the urban poor;
- the capacity to participate in whatever political and legislative debate pertains to the informal sector;
- the clarity to define the nature of a Solidarity Group Program's activity in the local context.

Just as relevant is the recognition of the limitations a program faces when trying to make a contribution in this broad arena, and an acknowledgment that its direct impact is likely to be minor. What is of greater importance is to determine if a program, rather than operating in isolation and perceiving its sphere of influence as limited to its immediate beneficiaries, also establishes itself as an active player in the events that ultimately shape its own work, and understands its own potential to impact on the economic and social conditions of the country.

Governmental awareness of and response to informal sector issues will help determine the role that a Solidarity Group Program plays in its local and national context. In many countries there is very little knowledge about the informal sector. For example, it is not unusual for street vendors to face recurring hostility from local authorities whose only contact with this self-employed population surfaces during periodic and often violent sweeps to remove them from the city's streets.

Other countries, such as Colombia, recognize the importance of the informal sector and its potential for helping solve severe unemployment and income distribution concerns. In these different contexts, Solidarity Group Programs can become active players, though their role will vary and may include educating the public, advocating on behalf of the street vendors, or helping to set the national agenda for the informal sector.

The discussion that follows suggests four categories of impact at which Solidarity Group Programs can operate in the local context. These are provided here to guide the impact evaluation at this level, though each organization and evaluation team must determine which are most applicable in the given setting studied.

## **II. MEASURING IMPACT**

### **A. Economic Aspects**

Two areas of inquiry with respective change indicators and instruments for data collection are identified in this section:

#### **1. Informal Sector Contribution to the Economy:**

The degree to which a Solidarity Group Program impacts on the local and national economy is very hard to determine, because there are many exogenous variables to consider and because the data collected by most programs does not permit this level of analysis. Nevertheless, the following indicators can be pursued:

a. **Job Creation and Sustainability:** Especially in the areas of job creation and maintenance of precarious jobs, the informal sector contributes to the national economy. To the degree that a program has assisted in job generation or sustainability, its impact has reached beyond the program beneficiaries.

b. **Backward and Forward Linkages:** Especially in the production of raw materials, such as leather, wood and textiles, and in the creation of marketing channels, informal sector activities play a considerable role. These linkages,

however, are not understood clearly, and it is difficult to determine how participation in a Solidarity Group Program increases the demand for these goods and services.

c. **Contribution to Gross Domestic Product:** This is another indicator of the importance of this sector, and one should consider the degree to which a program increases the beneficiary capacity in this area. Some studies show that while the informal sector absorbs a considerable percentage of the labor force, its contribution to the country's value added is relatively small (Carbonetto, 1985). Others suggest that in fact the informal sector comprises a significant percentage of value added in the large cities (de Soto and Ghersi, 1986).

2. **Resources to the Informal Sector:** A Solidarity Group Program can contribute to increasing the flow of resources available to the urban poor, by engaging other institutions in this area, by maintaining its own program healthy, or by expanding it.

a. **Resources Allocated by Public Institutions:**

Especially in the area of training, a Solidarity Group Program can assist public institutions to consider reaching this sector through existing programs, or modifying their training approach to allow access to those employed informally.

b. **Resources Allocated by Private Institutions:** Most private institutions in the financial, banking or industrial sectors simply ignore the needs and potential of the self-employed. A Solidarity Group Program can enhance the degree of attention and resources that flow from private for-profit and private development institutions, as well as from the banking sector.

## B. Social Aspects

Four areas of inquiry are suggested under this category of impact. The topics here are even harder to measure than above, but through data collection, observation and conversations one can determine what has happened in these areas, and what role, if any, a Solidarity Group Program has played in these changes.

I. **Migration:** While a program itself could hardly claim to impact on the country's migration patterns, this issue is of enormous importance when one studies the situation of the urban poor. It is useful to consider the manner in which the program analyzes this social factor. For example:

a. **Programs in Secondary Cities:** Helping create job opportunities in the smaller cities and towns, could, in the aggregate, decrease the concentration of urban poor in the capital cities.

b. **Street Vendors as a Percentage of Program Beneficiaries:** It is at the level of street vendors, often the poorest among the self-employed, that we find a concentration of the newest arrivals to the city. While most programs require a year or more in a given activity, it is useful to determine if program beneficiaries tend to be first generation migrants.

2. **Negotiating Power:** Also understood as increased leverage or voice, this is an area in which both the beneficiaries and the implementing institution can experience changes as a result of a program. Several indicators are relevant:
  - a. **Creation of Associations or Groups:** It may be that through participation in a Solidarity Group Program, both the beneficiaries and the implementing institutions achieve a new level of organization which expands their existing spheres of influence. By joining with other institutions involved in similar programs, an organization may be able to speak publicly with more authority, or to secure previously unattainable commitments from public or private institutions. Likewise, program beneficiaries may organize along trade activity or region and begin to exert more control over their immediate situation.
  - b. **Linkages and Influence:** Solidarity Group Programs can help forge linkages with institutions or sectors of the economy which can in turn help increase the attention given to the informal sector. Organizations working with women, progressive elements within the industrial sector, church and other service organizations are examples in this area.
3. **Community Development:** While this topic is broad and hard to define, the discussion here can be guided by two indicators:
  - a. **Participation in Community Programs:** Especially in the areas of housing, legal education and non-formal education, Solidarity Group Programs can create linkages with other existing efforts and help mobilize resources in a coordinated manner.
  - b. **Linkages with Grass-Roots Organizations:** Many poor neighborhoods or places of economic activity of the poor have internal organizations that speak for the community and play a variety of functions. Solidarity Group Programs can choose to establish links with these and in the process to strengthen their own effectiveness. In some cases, community organizations may be considered political party tools, and the program may choose to maintain a cautious distance.
4. **Public Awareness About Informal Sector Populations:** A Solidarity Group Program can have a strong public education component depending on the circumstances within which it operates. In many cases, this activity may be a necessary first step. Several indicators enter into this area of inquiry:
  - a. **Information disseminated through the media:** Articles in local newspapers, interviews on the radio and other means of exposure can increase the public's knowledge and interest in this sector.
  - b. **Focus on Specific Audiences:** Other mechanisms, such as conferences, roundtables, or discussions aimed at specific audiences can generate debate and interest among academic, development, church, government or business groups who otherwise may not consider this issue.
  - c. **Research and Other Studies:** Baseline data and research on relevant areas

can help to increase the knowledge base in a country and to bolster arguments that highlight the importance of informal sector activities.

### **C. Political and Legislative Aspects:**

Much of what a Solidarity Group Program does is geared ultimately towards creating a more equitable society in which the rights and needs of the working urban poor appear on the national agenda and are addressed in a serious manner. While no program pretends to accomplish this task quickly or alone, many assert that one must not lose sight of this underlying objective. Several areas of inquiry arise here:

1. Knowledge of Policies that Affect the Informal Sector: The policy environment in most countries consists of a myriad of confusing regulations and procedures based on laws that are often contradictory, obsolete or arbitrarily enforced. The Solidarity Group Program's responsibility in this area is in the first instance, to have a clear grasp of the fiscal, financial, trade, labor and other policies as they relate to the economic activity in the informal sector, and to be able to speak with some authority on these issues.

In unusual cases, the Solidarity Group Program may be strong enough, or the environment accepting enough, that there may be room for direct participation in policy debates and policy formulation.

2. Political Space: Linked to the discussion in other sections of this chapter, the political space created by a Solidarity Group Program can enable an organization or group of organizations to increase their capacity to leverage changes from the system. One can consider links at the community, local, and national levels as indicators in this area.

What emerges from the above discussion is a dimension of Solidarity Group Programs that should not be overshadowed by the demands of day-to-day project activity. These programs are also conceived as vehicles for creating change at the economic, social or political levels in ways that will improve a society's response to the needs of the urban poor.

Each program must determine its role within the local context, and proceed with enough political savvy so that its actions do not backfire.

### **III. INSTRUMENTS FOR ASSESSING IMPACT AT THE LOCAL CONTEXT LEVEL**

Unlike the three impact areas identified above, there are few established tools for analysis at this level. Further, understanding the relationship between a program and the context in which it operates requires data collection from a wide variety of sources, including government ministries, private sector institutions, other development organizations, and local or municipal authorities.

The issue of time is particularly relevant here, since merely obtaining basic data on employment levels, financial policy, trade legislation and other can require a small army of evaluators. However, if the impact evaluation develops clear guidelines for this section, it can obtain enough information to make an important contribution to existing knowledge in this area. The most useful tools suggested are:

- o Fact-finding and data collection interviews with key persons representing as wide a spectrum of issues as encompassed in the evaluation;
- o Basic data publications from ministries, the Central Bank, financial institutions, trade unions and others;
- o Research and other studies from universities, donor organizations, or independent organizations;
- o Case studies of one or several micro-producers with a view to addressing some of the issues that pertain to this area; and
- o Interviews with implementing organizations and other development organizations regarding their own assessment of impact in these areas. In many cases, the implementing institution will either be able to provide considerable data or identify documents and persons who can.

**CHART 5  
MEASURING IMPACT AT THE LOCAL CONTEXT LEVEL**

LEVEL OF IMPACT	TYPE OF IMPACT	AREAS OF INQUIRY	INDICATORS OF CHANGE	INSTRUMENTS
IV. LOCAL CONTEXT	<b>A. ECONOMIC</b>	<ol style="list-style-type: none"> <li>1. Resources to Informal Sector</li> <li>2. Informal Sector Contribution to Country's Economy</li> <li>3. Policies in Support of Informal Sector</li> </ol>	<ol style="list-style-type: none"> <li>a. Amounts allocated by Public Institutions</li> <li>b. Amounts allocated by Private Institutions</li> <li>a. Job Creation</li> <li>b. Jobs Sustained</li> <li>c. Contribution to GDP</li> <li>d. Backward and Forward Linkages</li> <li>a. Financial Policy</li> <li>b. Trade Policy</li> <li>c. Fiscal Policy</li> <li>d. Licensing Procedures</li> <li>e. Incentives</li> </ol>	<ol style="list-style-type: none"> <li>1. Data from Ministries</li> <li>2. Interviews</li> <li>3. Data from Central Bank</li> <li>1. Census Data</li> <li>2. Data from Ministries, Demographic and other Institutions</li> <li>1. Central Bank Data</li> <li>2. Data from Banks and Financial Institutions, Research Organizations</li> <li>3. Interviews</li> </ol>
	<b>B. SOCIAL</b>	<ol style="list-style-type: none"> <li>1. Migration</li> <li>2. Negotiating Power</li> <li>3. Community Development</li> <li>4. Public Awareness Regarding Informal Sector Issues</li> </ol>	<ol style="list-style-type: none"> <li>a. Programs in Secondary Cities</li> <li>b. New Settlements</li> <li>c. Increase in Number of Street Vendors</li> <li>a. Creation of Associations</li> <li>b. Linkages (Influence, Legitimacy)</li> <li>a. Participation in Community Organizations</li> <li>b. Participation in Community Programs</li> <li>a. Information through Media</li> <li>b. Other Public Education</li> </ol>	<ol style="list-style-type: none"> <li>1. Research studies</li> <li>2. Census Data</li> <li>1. Interviews</li> <li>2. Questionnaires</li> <li>3. Organization's Records and Files</li> </ol>

**CHAPTER VII**

**FACTORS THAT AFFECT IMPACT  
EVALUATION IN SOLIDARITY GROUP  
PROGRAMS**

## I. INTRODUCTION

Evaluation is a complex and arduous process. Designing a conceptual framework and outlining the guidelines for collection and analysis of data, as has been done here, are only the first steps. Before converting this material into a useful tool for studying a Solidarity Group Program and for understanding its impact at the various levels suggested, the institution in question must make a series of decisions which will determine the range and breadth of its evaluation effort.

This chapter presents the most important factors which over time frame the quality, depth and usefulness of an impact evaluation of SGPs. The emphasis has been placed on identifying those factors that are at least partly within the control of an institution, and which require that the institution make choices based on established priorities. The five topics presented here do not represent an exhaustive list but reflect the consensus of the conference participants on the most relevant and are: reliability of data; costs of evaluating; integration of the impact evaluation function into the project cycle; quality of analysis and; timing of evaluation activities.

Who conducts the evaluation, an issue introduced as part of the conceptual framework, emerges anew in this discussion because it cuts across the five topics presented in this chapter. The objectives here are:

- o to link who evaluates to other factors that an institution must address before embarking on an evaluation process; and

o to demonstrate that each of the topics discussed below is affected by whom the institution or donor selects to conduct the various stages of the evaluation.

There are a variety of options and combinations of persons available for an evaluation. A foreign "expert" or team of "experts," sometimes in combination with local persons often are selected by the donor agency to spend a predetermined amount of time collecting and analyzing data and producing an evaluation report. Staff familiar with the program and involved in its implementation, or other staff from the institution may also participate in the evaluation activity, often in the data collection stage. Occasionally, an institution may hire students or interns to collect data and conduct the initial data analysis. Finally, the program beneficiaries themselves may contribute to the evaluation process, often by participating in the design of the evaluation and in the collection of data.

This chapter suggests that because each of the factors that affect an evaluation is in turn influenced by who conducts the evaluation, at every step in the decision-making process, the institution and the donor must weigh the advantages and disadvantages of whom they select to participate in the evaluation.

## **II. RELIABILITY OF DATA**

The data that is available for collection and analysis in great part determines the validity of the evaluation. Who collects the information and who provides it are the main factors that affect the reliability of the data. Since in most cases the main sources of information is the microentrepreneur himself, determining the reliability of data is to some extent beyond the control of the institution. Often unaccustomed to keeping records or maintaining written documents regarding the production or commercial activity, the microentrepreneur relies on recollection or on guesses to provide information. The evaluator can complement this data source with observation, secondary information and a variety of other techniques which will improve the reliability of the information but will not guarantee its total accuracy. Even the most tenacious data collector will recognize the futility of attempting to verify beyond doubt the information obtained from a program beneficiary, and will accept the limitations imposed by the informal nature of the micro-enterprise activity and by other factors beyond his control.

There are several steps, however, that an institution can take to ensure that the data it uses for analyzing program impact manifests an acceptable level of reliability.

First, the institution can select who will collect the information, and must understand the consequences of the decision. A person familiar to the beneficiary may inspire more trust and be more adept at obtaining data. However, since that person most often is the field worker, adding data collection to his many other tasks may compromise the quality of the program, or run the risk that data collection compete unfairly for the field worker's limited time. Further, a field worker may feel a conflict of interest in evaluating beneficiaries under his or her responsibility.

An outsider, especially a foreigner, is less likely to develop the necessary trust relationship with the beneficiary in a short period of time, and yet may have the

expertise to supplement the information provided by the microentrepreneur with observation, carefully worded questions and secondary material. Time constraints and excessive costs advise against using an outside evaluator to collect and analyze all impact data.

Other issues must also be considered. The tool or instrument used for data collection greatly affects the reliability of the information recorded. Clear, straightforward questions decrease the possibility of misinterpreting the intent of the question. Short questionnaires that do not overburden the interviewee tend to enjoy greater receptivity. Additionally, questions that ask the beneficiary to recall information from too distant a past, such as six months or a year ago often lead to inaccuracy (Buzzard and Edgecomb, 1987). Scant or nonexistent records on micro-enterprise activity will mean that the beneficiary will approximate, even quite randomly, rather than provide no information, and the evaluator, in turn, will tend to welcome any data given and assume or imply its validity.

It is this last point that argues for data collectors that are either program staff, or available with regularity to collect information in a systematic, scheduled manner. In this case, these persons must be trained to assume the role of data collection, which requires careful and persistent training. It may be that the most suitable manner of assuring reliability of data is by combining local persons, preferably program staff, with an outside evaluation expert, with each assuming those functions that they can best perform in the most cost-efficient manner.

### III. THE COSTS OF AN EVALUATION

In development programs in general, the emphasis given to evaluation of impact remains alarmingly low. At the risk of overgeneralizing, one indicator of this attitude is the reluctance on the part of the donor agencies and the implementing institutions alike to recognize evaluation as a separate cost inherent to proper implementation. The current pattern of resource allocation tends to limit the implementing institution to conducting project activities. In many cases, the donor decides when to evaluate and assigns a team of outsiders the task of evaluating the project, in a predetermined, usually short time span.

Some donor agencies keep the costs of evaluation separate from the program, and retain control over selection of the evaluator and determination of the evaluation content. While this approach may have some merit from the donor's perspective, it nullifies the systematic and regular participation of the institution in the process of evaluating its own work, and in this sense, negates the learning potential inherent to evaluation.

Acknowledging that adequate impact evaluation brings with it added program costs is a necessary first step, especially in programs such as SGPs, which pursue self-sufficiency in program implementation as an underlying goal. It may be that in the majority of SGPs, the marked emphasis on program self-sufficiency, one of the methodology's most laudable characteristics, has a counterproductive effect on the evaluation process. Attempting to keep costs to a minimum, an efficient

program manager will think twice before spending hard earned income on impact evaluation, and in the process may seriously compromise this facet of a program.

One solution to this dilemma involves a commitment on the part of donor agencies and implementing institutions to recognize the importance of impact evaluation as a joint venture, and to determine an acceptable level of costs from the outset. Including evaluation as a separate line item in every proposal will enable the implementing institution to plan for this program component in the same way it plans for all others. The donor agency, in turn, can assist the institution in this area by requiring a detailed evaluation plan and methodology that also responds to its needs, and agreeing to cover its cost.

A second consideration involves perceiving program staff and even beneficiaries, as will be discussed below, as appropriate resources for the collection and initial analysis of impact data. Staff involvement not only maintains costs low, but has the added advantage of applying with greater effectiveness the lessons learned through evaluation. Finally, clarity from the outset regarding purpose, audience and level of effort will avoid designing an evaluation which tries to "be all things to all people", in itself a costly endeavor.

#### **IV. INTEGRATION OF EVALUATION INTO THE PROJECT CYCLE**

A third important issue an institution must address is the degree to which impact evaluation and its many functions will constitute an intrinsic part of SGP implementation.

Few will argue with the assertion that planning, implementation and evaluation are the main components of the project cycle, and that as such these three areas must operate as an integrated whole, with each part of the project cycle feeding the others.

Putting this theory into practice, however, presents an enormous challenge. In the case of SGPs, the methodological emphasis remains on verifiable results in credit lending and training, all of which emphasize evergrowing number of beneficiaries and higher and higher levels of efficiency. Integration of impact evaluation functions to this methodology will occur only if and when impact evaluation is understood as one useful tool towards achieving the underlying goals of the programs. If, however, impact evaluation is perceived as an imposition or a fringe activity, it will remain outside the project cycle and the richness it yields will have little effect on the program.

There are steps an institution should take to integrate impact activities into day-to-day program implementation. The first one involves the inclusion of evaluation as integral to staff responsibilities. In addition, an institution must set time aside on a regular basis, be it quarterly or semi-annually, for the staff to analyze the program's impact on the basis of the available data. Periodic upgrading of staff capabilities in this area will also improve their capacity to extract useful information for program implementation. Finally, insisting that outside evaluators work directly with program staff, and discuss findings, concerns and

recommendations with them represents another way of facilitating integration. On those occasions where the outside evaluator assumes full responsibility for assessing impact and does not involve the staff, the integration of this function into the project cycle nearly disappears.

Involvement of beneficiaries in evaluating the impact of the program is a final and key way of making evaluation a mainstream activity. While there are a variety of important reasons why beneficiaries should participate in impact evaluation, and many have been cited throughout this document, their presence also contributes to assuring that impact evaluation plays the necessary feedback role in the program.

Some SGPs, such as ACP in Peru and the programs in Colombia, have experimented with approaches to ensure the integration of evaluation into the program. Beneficiaries in ACP assume considerable responsibility in data collection, which is later fed back into the program. In Colombia, program staff of twelve programs conduct impact data collection every six months, utilizing the same set of instruments to assure that there is the added possibility of comparing impact among programs (see Chapter 8 "The case of Colombia").

## **V. DEPTH OF ANALYSIS ATTAINED**

Who is assigned the responsibility of analyzing and interpreting impact data is of course the most important factor to consider in this area. It is also here that the strengths and expertise of an outside evaluator can best serve the program.

Two additional issues enter into this discussion. First, the quality of the baseline data and of that collected throughout the program's implementation will shape the contours of the analysis. It is still not uncommon to find small enterprise programs that rely on the annual or end-of-project evaluator to gather all the data used for impact analysis, thereby dramatically decreasing the raw material available for this task. The issues highlighted above regarding staff participation in data collection also directly affect the depth of the analysis attained. Additionally, the quality and range of the analysis may be improved when there is computer capacity available for data analysis.

Resource availability also affects level of analysis. For example, when assessing program impact at the local contextual or community level, access to a well-qualified professional who can delve into the intricacies of this subject and yield useful information on issues such as backward and forward linkages, comparative profitability levels, broader social benefits, and others, requires time and expertise, both costly and perhaps beyond the reach of the institution.

What does fall within the institution's domain, however, is the responsibility of laying the groundwork for adequate analysis of its program's impact. A well-defined evaluation plan, complete with methodology, target dates and beneficiary input, constitutes the first essential step in this direction.

A management information system that gathers and organizes information in a regular and useful manner will facilitate data collection. Additionally, the institution

can assign a staff member the responsibility of coordinating the evaluation function, including periodic checks for data reliability, initial data analysis, preparation of documents and interaction with outside evaluators.

## **VI. TIMING**

While this document argues that impact evaluation is a constant ongoing process parallel to program implementation, there are nevertheless moments during this process when the evaluation function merits special attention. These moments vary from program to program, and each institution must determine the most valid for its purposes.

The important consideration here is that the institution make conscious decisions regarding the timing and the level of effort of its impact evaluation activities. There are crucial moments in every program-- the hiring of a new program coordinator, the expansion into new regions, the introduction of computers -- which bring with them the possibility of reinforcing the program's capacity to assess its own impact. To the degree that impact evaluation is properly integrated into the implementation function, the program staff and managers will naturally integrate these into their daily activities.

The pages that follow attempt to summarize the essence of this discussion in chart form. The chart outlines the five issues discussed above highlighting those factors that tend to strengthen an impact evaluation, as well as those that affect it in a negative way.

In summary, one can conclude the following from this discussion:

- o The implementing institution retains the primary responsibility for generating reliable data essential for impact evaluation;
- o Program staff represents an important resource for conducting an effective impact evaluation; and
- o There are a variety of ways in which an institution can ensure that its impact evaluation function is a strong and integrated component of the project cycle.

**CHART 6**  
**FACTORS TO CONSIDER IN AN IMPACT EVALUATION OF SOLIDARITY GROUP PROGRAMS**

ISSUES	FACTORS THAT STRENGTHEN THE EVALUATION PROCESS	FACTORS THAT HAVE A NEGATIVE EFFECT ON THE EVALUATION PROCESS
<b>1. RELIABILITY OF DATA</b>	<ul style="list-style-type: none"> <li>o Design of simple instruments with clear questions,</li> <li>o Consensus in interpretation of questions for data base collection;</li> <li>o Trained staff or local persons in data gathering,</li> <li>o Relies on observation, conversations, secondary data, not just answers from the beneficiary,</li> <li>o Collects same data periodically,</li> <li>o Depends on some combination of an outside evaluator and local or program staff.</li> </ul>	<ul style="list-style-type: none"> <li>o Lack of records kept by the microentrepreneur;</li> <li>o Infrequent collection of information;</li> <li>o Poorly trained person collects the information,</li> <li>o A stranger is hired to collect the data on a "one shot" basis.</li> </ul>
<b>2. COSTS OF IMPACT EVALUATION</b>	<ul style="list-style-type: none"> <li>o Inclusion of impact evaluation as a line item in the project;</li> <li>o Production of a detailed budget for costs of the evaluation;</li> <li>o Use of local human resources may decrease costs;</li> <li>o Judicious use of outside "experts" who are usually very expensive,</li> <li>o Negotiations with donor agency prior to initiation of the project to secure their support in the area of evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>o Poor planning omits evaluation costs from program budget;</li> <li>o Heavy reliance on outside "experts" increases costs;</li> <li>o Reluctance by donors to include evaluation as a project cost;</li> <li>o Collection of inordinate amount of information requiring a large team,</li> <li>o Lack of clarity regarding purpose and audience for evaluation.</li> </ul>
<b>3. INTEGRATION OF EVALUATION INTO THE PROJECT CYCLE</b>	<ul style="list-style-type: none"> <li>o Evaluation functions assumed by staff as part of their ongoing work,</li> <li>o Periodic upgrading of staff skills in evaluation,</li> <li>o Establishment of evaluation goals parallel to project goals,</li> <li>o Collection of impact data as part of loan provision,</li> <li>o Outside evaluator works directly with program staff and beneficiaries.</li> </ul>	<ul style="list-style-type: none"> <li>o Exclusive reliance on outsiders makes integration of recommendations more difficult,</li> <li>o Perception of evaluation as a separate activity geared to an outside audience,</li> <li>o No plan to enable staff to analyze results of impact evaluation,</li> <li>o Staff does not participate in designing evaluation plan, methodology, or instruments.</li> </ul>
<b>4. ADEQUATE LEVEL OF ANALYSIS</b>	<ul style="list-style-type: none"> <li>o Detailed evaluation plan developed by staff, preferably with beneficiary input, including methodology;</li> <li>o Selection of one person to coordinate data collection, analysis and document production,</li> <li>o Reliance on persons with previous experience in evaluation of small enterprise programs,</li> <li>o Some familiarity with the SGP methodology.</li> </ul>	<ul style="list-style-type: none"> <li>o Ill-defined objectives, plan and methodology;</li> <li>o Unclear audience;</li> <li>o Poor baseline data;</li> <li>o Complicated, time-consuming instruments that are misinterpreted easily,</li> <li>o Emphasis on qualitative or quantitative data at the expense of the other.</li> </ul>
<b>5. TIMING</b>	<ul style="list-style-type: none"> <li>o Data collected is analyzed based on a scheduled plan of evaluation activities;</li> <li>o Informal interviews with beneficiaries are conducted regularly as part of the evaluation process,</li> <li>o Evaluation activities begin at same time as project implementation.</li> </ul>	<ul style="list-style-type: none"> <li>o The institution lacks an evaluation plan, thereby forfeiting valuable opportunities to gather information.</li> </ul>

**CHAPTER VIII**

**THE IMPACT OF SOLIDARITY GROUP  
PROGRAMS: SOME EXPERIENCES TO DATE**

## **I. INTRODUCTION**

The current effort among SGPs to design a uniform framework for assessing their collective impact should not suggest to the reader that their work in impact evaluation is a *tabula rasa*. Individual programs in most countries have established systems of impact assessment which they currently utilize to inform themselves and the broader community of the programs' strengths and weaknesses.

This chapter summarizes in brief terms, some of the existing efforts in this area, and highlights, by way of illustration, some of the impact results obtained to date.

All the programs that have instituted an impact evaluation system – Colombia, Peru, the Dominican Republic, Paraguay and Honduras among others – have focused impact assessment on the beneficiary. Determining the social and economic changes on the beneficiary brought about by the programs has been the overriding objective to date. In some cases, especially when outside evaluators are involved, the efforts to measure impact have also extended to the contextual level. Institutional analysis for the most part has been limited to measuring the program's self-sufficiency.

## **II. THE CASE OF COLOMBIA**

With no doubt the twelve Solidarity Group Programs found in Colombia are the most advanced in the area of impact evaluation. In April 1986, these programs came together to develop a methodological guide for an evaluation system to be

used by all Colombia programs. Its stated objectives focused on the beneficiary, and outlined the uses of evaluation within each program.

The evaluation design is straightforward and easily applied. Every six months each program selects a sample of beneficiaries based on a suggested formula that considers three independent variables: sex, tenure in the program, and type of activity. The field workers then apply a simple three-page questionnaire that addresses nine impact areas: income, employment, savings, the enterprise, participation in the program, participation in the community, quality of life, level of solidarity and changes in attitude. As can be seen, the impact evaluation suggested here at the beneficiary level draws heavily from the Colombian experience.

Once the data is collected, each program tabulates the information and produces a report using a standardized set of tables and charts for presentation of findings. Finally, the programs share this information periodically to discuss the programs' collective impact and determine if the data shows improvement in the lives of beneficiaries.

By way of illustration, the table that follows shows the findings of three programs in Colombia -- Women's World Banking in Cali, Fundacion Familiar in Cali and ACTUAR/Tolima -- regarding the impact of their activities. All three programs work with micro-producers -- furniture makers, shoemakers, seamstresses -- and micro-vendors who sell vegetables and fruits, processed food and clothing from a fixed location or on the street. The data collection is disaggregated by sex and by number of months in the program: less than six, six to twelve, and more than twelve.

Table 4 provides a comparative summary of impact on the quality of life of beneficiaries in these three programs. The field workers asked beneficiaries if participation in the program has contributed to improvement in the family's diet, housing, and overall living conditions as indicators of changes in the quality of life.

All three programs appear to have contributed to improving the quality of life of these beneficiaries, many of whom have participated in the program for at least one year. On the average, nearly 76% of respondents said their quality of life had improved some, 5% said it had improved a great deal, and 16% said it had not improved.

The area that appears most affected by participation in the program is the family's nutrition, with an average of 66% of beneficiaries stating that they experienced improvement in this area. Housing, on the other hand, shows lower improvement rates, averaging about 33% for all programs. This result is not surprising since an increase in disposable income among very poor populations is more likely to be spent on food rather than on home improvement.

It is important to note that for all three programs, the increase of income was due largely to the growth of the productive or commercial activity supported by the programs. An average of 73% beneficiaries attributed their improved situation to this factor, while an average of 14% pointed to other sources of income in the family. It is also interesting that a significant number --26%--in the one program

where information existed, recognized savings as a contributor to increased family well-being.

TABLE 4  
IMPACT OF THREE PROGRAMS ON THE QUALITY OF LIFE OF BENEFICIARIES  
(Preliminary Data for 1986)

AS A RESULT OF THE PROGRAM: (Percentage of respondents)	WOMEN'S WORLD BANKING (Cali)	FUNDACION FAMILIAR (Cali)	ACTUAR TOLIMA (Tolima)
1. The family eats better			
YES	76%	74%	50%
NO	24%	26%	50%
2. Housing has improved			
YES	18%	35%	46%
NO	43%	65%	54%
3. The family lives better			
YES	86%	n.i.	92%
NO	14%	n.i.	8%
4. Level of improvement in the family's life			
VERY MUCH	14%	2%	0
SOME IMPROVEMENT	73%	79%	75%
NO IMPROVEMENT	3%	19%	25%
5. Reasons for Improvement			
INCREASED INCOME FROM BUSINESS	57%	73%	85%
OTHER FAMILY INCOME	3%	38%	11%
INCREASED SAVINGS	26%	n.i.	n.i.
OTHER	14%	n.i.	n.i.

Table developed from material presented in three internal impact evaluations for 1986. This table summarizes only one of several impact areas covered in the evaluations, which also include economic indicators, and analysis of impact at the local context level.

The evaluation approach of the Colombian programs is an important point of departure for assessing impact in the manner outlined in this document. From a methodological perspective, it indicates that it is possible to design a low-cost and uniform system of impact measure and to apply it in a systematic manner across organizations. Further, it highlights the importance of integrating impact evaluation

into the cycle of program activity by relying primarily on program staff to conduct data collection and analysis and by emphasizing that evaluation results can be used by the institution both to understand and to improve the program.

From the point of view of program impact, the data collected in Colombia -- there have been three "impact cuts," one every six months -- tends to indicate that the three programs have had a general positive effect on the lives of the beneficiaries, and that it is the beneficiaries themselves who identify their participation in the programs as a factor in their improved situation.

### III. THE CASE OF ADEMI

The program in the Dominican Republic has been collecting quantitative impact data from the beginning. The approach here has been to isolate several economic impact indicators at the beneficiary level -- changes in fixed assets, sales, savings, salaries, and employment -- and to measure these changes on an annual basis. The information is gathered and processed, disaggregating it by type of activity and sex, the two variables that ADEMI considers important for impact analysis. Most of the beneficiaries are micro-producers, who in the case of ADEMI receive individual loans or group loans. The data provided below includes beneficiaries who are members of Solidarity Groups.

TABLE 5  
ECONOMIC AND EMPLOYMENT IMPACT OF PROGRAMS: THE CASE OF ADEMI  
January-December 1986  
(Percentage Increase)

DETAIL	SEAMSTRESSES TAILORS		FOOD PROCESSING AND SALE		CARPENTERS WOODWORKING	
	Men	Women	Men	Women	Men	Women
1. FIXED ASSETS	50%	21%	27%	8%	29%	40%
2. SALES	23%	30%	36%	18%	54%	35%
3. SAVINGS	1389%	557%	543%	10589%	2265%	62347%
4. SALARIES	11%	-21%	42%	9%	10%	10%
5. EMPLOYMENT	21%	16%	23%	22%	27%	2%
NUMBER OF BENEFICIARIES	386 (61%)	242 (39%)	295 (72%)	157 (28%)	408 (97%)	12 (3%)

This Table was developed from the statistics compiled by ADEMI and from the material presented in the Gomez and Saladin 1987 evaluation.

The impact evaluation completed by outside evaluators in February 1987 used this material for analysis of impact at the beneficiary level (Gomez and Saladin, 1987). Additionally, it assessed impact at the program and institutional levels by concentrating on self-sufficiency and costs of lending as measures of program efficiency.

Table 5 above uses the 1987 evaluation and other ADEMI statistics for 1986 to summarize the percentage change during 1986 in five impact areas for 1,500 beneficiaries who are seamstresses, tailors, carpenters, woodcarvers, and food preparers. The table is meant to serve as illustration of the impact of ADEMI on the nearly 7,000 micro-producers and micro-vendors on whom this same information is available. It also shows impact results for selected areas of productive activity, since ADEMI beneficiaries are employed in a wide variety of manufacturing and commercial endeavors.

A brief review of this table highlights the positive impact of the program on the activities of the micro-enterprises and on the well-being of the beneficiaries. In most cases, for example, sales increased considerably during the year, registering more than 50% increases in the case of male carpenters. Likewise, employment grew significantly across the board, by about 21% in most cases.

Most striking is the dramatic increase in savings among beneficiaries. We note that among women who process and sell food on the streets, their aggregate savings grew from RD\$ 240 at the beginning of the period to RD\$ 25,653; for tailors it grew from RD\$ 7,871 to RD\$ 117,189. Other activities record similar increases, reinforcing the argument that savings mobilization among the poor is possible and that, given the opportunity, their propensity to save is much greater than ever assumed.

The impact evaluation concludes, not surprisingly, that the program has had positive short-term effect on the beneficiaries. It also highlights that the credit program is self-sufficient, having reduced its cost to under ten cents for every dollar lent. Finally, the evaluation highlights that one of the positive aspects of the methodology is that it has enabled ADEMI to reach thousands of people in a short time. The combination of impact at the beneficiary level with efficiency at the operational level with potential for massive outreach makes this program an important alternative for addressing the problems of the urban poor.

#### **IV. CONCLUSION**

This paper has documented the efforts in the area of impact evaluation of 22 Latin American organizations which share common goals and objectives. In the process it has highlighted with considerable detail how these organizations approach the subject and the type of information that they recommend comprise an impact evaluation. The document also has summarized the factors that influence the quality of an impact evaluation and has suggested ways to take these into account in the various evaluation steps. Finally, it has provided a glimpse into some of the impact results in two countries, as a way of describing not only

methodologies currently in use, but also impact results available on Solidarity Group Programs.

The subject of impact evaluation will continue to gather importance as scarce resources are mobilized to respond to the growing needs of the urban and rural poor in developing countries. All national and international organizations involved in distributing funds or in using these funds to reach the poor must examine the wisdom of their decisions and must constantly seek to learn from their experiences.

The impact evaluation framework designed by the 33 members of 22 organizations and documented here is an important step in this direction. The challenge to these organizations is to utilize this framework and to begin producing data and analysis that can enable us to understand better the relationship between Solidarity Group Programs and the living and working conditions of the urban poor.

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**APPENDIX**

## APPENDIX 1 CONFERENCE PARTICIPANTS AND AFFILIATION

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PRODEM: Fundación para la Promoción y Desarrollo de la Microempresa

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### BRAZIL

COOPART: Cooperativa de Produtores Artesanais de São Paulo

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CDV: Centro de Desarrollo Vecinal "La Esperanza"

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CS: Cruzada Social

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FF: Fundación Familiar

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11. Maria Clemencia Castro, Director of Administration

WWB/Medellin: Women's World Banking

12. Ruth Miriam Garzon, Advisor, Solidarity Group Program

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## MEXICO

ADMIC: Asesoría Dinámica a Microempresas

23. Angel Gomez

## PARAGUAY

FPCD: Fundación Paraguaya de Cooperación y Desarrollo

24. Martin Burt, Executive Director\*
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