

BDS Performance Measurement Framework

by

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CHAPTER ONE

PERFORMANCE MEASUREMENT FRAMEWORK OVERVIEW

This Performance Measurement Framework proposes a set of indicators and methodologies for collecting and reporting performance information for Business Development Services programs focused on micro enterprises. The framework is presented in a summary matrix, followed by a detailed description of each category of indicators. Although the framework has implications for establishing best practice standards, at this stage it does not contain implicit performance standards, nor should it contain biases towards any particular type of BDS or implementation methodology. The particular level of performance that is appropriate for each type of BDS may be established later. In addition, there is no attempt at this stage to prioritize the importance of various indicators. Rather, the framework proposes a wide range of indicators, based in practice, that should capture a wide range of benefits.

The Framework categorizes these indicators according to common goals that BDS programs seek to achieve and common players they hope to affect. The goals and objectives observed to be important to BDS practitioners and donors include:

1. Reaching large numbers of people (Scale),
2. Reaching under-served markets, particularly the poor (Outreach),
3. Improving people's live through poverty alleviation and enterprise growth (Impact),
4. Doing so at the least cost possible (Cost-effectiveness), and
5. Ensuring that services and benefits continue in the long run (Sustainability).

In addition, the framework is organized around four groups of players that practitioners and donors typically analyze:

1. The "customer" being served or benefiting from the service, usually entrepreneurs or farmers;
2. The service providers, who directly interact with the customers to supply the service. These may be private businesses, government agencies, non-governmental organizations or cooperatives;
3. The service facilitator, who designs and develops the service, and raises and manages funds to do so. This player is usually a non-governmental organization or government agency, but there is no reason it needs to be. Sometimes the "facilitator" is also the "provider," depending on the service delivery channels being established. These two functions are separated in the framework, however, to reflect the many programs that have both players, and to indicate the different roles that have implications for sustainability; and
4. The "market," by which is meant the general population of people exchanging goods and services whose businesses might be affected by the introduction of the service into their commercial lives. Often, BDS programs attempt to demonstrate the commercial viability of a service, for example, in hopes that others will copy and replicate it throughout the market.

The framework examines relevant goal categories for each player being assessed, or each level of analysis. In the summary matrix (see Table 1), the goal categories are on the vertical axis and the player is on the horizontal. The boxes in the body of the matrix contain the summary of the proposed indicators for each goal category and beneficiary level.

Table 1: BDS Performance Measurement Framework: Summary

Player:	MSE Customer	Direct Service Provider	Service Facilitator	Market Place
Goal: Scale	<ul style="list-style-type: none"> • Cumulative number of entrepreneurs or farmers <u>acquiring</u> the service through commercial transactions. • Number acquiring per year. • Same, Annual growth rate. 	<ul style="list-style-type: none"> • Cumulative number of entrepreneurs <u>providing</u> business development services directly to micro entrepreneurs (or farmers) • Same for NGOs or government institutions. • Number of “copy cat” providers 	None: scale is measured at the MSE and provider level.	None: scale is measured at the MSE and provider level.
Outreach	<ul style="list-style-type: none"> • % owned by women • % poor • % w/ other barriers 	<ul style="list-style-type: none"> • Number of service delivery locations 	None: outreach is measured at the MSE and provider level.	<ul style="list-style-type: none"> • Geographic spread of services.
Impact	<ul style="list-style-type: none"> • % of MSE Customers who <u>USE</u> the service as intended. • % of MSE Customers who <u>BENEFIT</u> as intended, and the extent of those benefits, when applicable. • satisfaction level (scale of 1-5). • % Repeat Customers. • % of MSE Customer reporting standard business benefits, percent change in these (profits, assets, etc.). Timeframe of analysis 	<ul style="list-style-type: none"> • % of <u>providers</u> acquiring facilitative services who <u>USE</u> them as intended; • % of <u>providers</u> acquiring facilitative services <u>BENEFIT</u> as intended. • satisfaction level (scale of 1-5). • % <u>of providers</u> who report standard business benefits, percent change in these, and timeframe of analysis. 	None: impact is measured at the MSE and provider level.	None: impact is measured at the MSE and provider level. If there is a practical indicator, displacement affects could be assessed here.
Cost-Effectiveness	<ul style="list-style-type: none"> • Total Transaction Costs to acquire and use the service. 	<ul style="list-style-type: none"> • For private sector or cooperative providers: Up-front investment costs to provide the service. • For non-profit providers: Service provision costs to be included in Facilitator indicators. (For discussion of Operating Efficiency, see p. 12) 	<ul style="list-style-type: none"> • Cost per MSE Customer <u>Acquiring</u>, annual and cumulative. • Cost per MSE Customer <u>using</u>, annual and cumulative. • Cost per MSE Customer <u>benefiting</u>, annual and cumulative. Cumulative and last year’s cost per person who increased sales, profits, assets, employees, number of customers, product or service lines, or who reduced costs. • Same for providers. 	None: Cost-effectiveness is not measured at the market level.
Sustainability	<ul style="list-style-type: none"> • Payback Period: average amount of time it took for an entrepreneur’s or farmer’s investment in the BDS to pay for itself in increased income, as reported by the entrepreneur/farmer. 	<ul style="list-style-type: none"> • Annual profits or cost-recovery of the BDS and facilitative services provided, broken down by activities ranging from pure facilitation to direct service provision. • Institutional independence of service provision and facilitation. 		<ul style="list-style-type: none"> • Comparison of number of people serviced to program costs. • Number of copy cats

Compiled by Mary McVay, Marshall Bear, Candace Nelson and Joan Parker; October, 1998

General Issues in BDS Performance Measurement

There are many challenges in general to assessing performance of BDS programs. The following are some that the framework has attempted to address:

1. General BDS Indicators vs. Service-Specific Indicators: On the one hand, it is useful to have general BDS performance indicators in order to capture the benefits of multi-service programs and in order to compare the performance of different services. On the other hand, service-specific indicators would capture the benefits of particular services more accurately. This framework attempts to do both by establishing a general framework with some general indicators, into which service-specific indicators can be placed. The framework is designed so that service-specific indicators should emerge as significant numbers of programs report their performance indicators within the context of the framework. For example, the impact section asks BDS programs to both DEFINE and REPORT the “benefits” of their programs, while at the same time asking programs to report the standard business benefits of their program such as increased profits and assets.
2. Assessing Institutions vs. Assessing Products and Services: Many BDS programs are still in their product development phase. They are trying to scale up, and a few are developing strategies for sustainability. As a result, some of the performance indicators relevant to the more developed field of microfinance do not capture the benefits of BDS programs. This framework selects indicators that are relevant for the product development phase of a program, in particular indicators that reflect customer satisfaction and expected program outcomes, rather than broad impact and longer term sustainability. At the same time, the framework assesses cost-recovery and sustainability at a range of levels. In this manner, the framework reflects small steps that the field is currently making toward financial sustainability, and, as BDS programs mature, it will reflect increasing levels of sustainability.
3. Level of Analysis: Enterprise, “Provider”, “Facilitator” and “Market”: In microfinance programs, the primary process in performance assessment is analyzing the operational efficiency and financial sustainability of the microfinance institution. Very few BDS programs engage in this type of performance assessment. One reason is the difference in institutional arrangements often involved in BDS programs. These arrangements obscure the unit of analysis for assessing key variables such as scale, cost-effectiveness and sustainability. For example, if an international non-profit organization works, over a period of 3 years, with fifty cooperatives to assist them in managing an oil press, each of which serves hundreds of micro-enterprises, which institutions can be expected to become financially sustainable? The microenterprises, yes, the cooperatives, yes, but the BDS provider? No. Yet, some international BDS providers work with similar cooperatives and market their handicrafts, indeed, hoping to earn a profit. Thus, performance expectations depend significantly on program design and intent. This framework gets around this issue by defining the levels of analysis as clearly as possible, and, in particular, differentiating among “Micro or Small Enterprise (MSE) customers,” “BDS providers,” who directly service those customers, and “BDS facilitators,” who provide temporary assistance to providers and facilitate the market for BDS services. The “provider” and “facilitator” are sometimes the same organization, but this framework encourages BDS organizations to differentiate between these roles in order to apply appropriate performance indicators to each function and, in particular, to separate sustainable from unsustainable activities.
4. Quantitative or Qualitative Indicators: Many BDS programs, particularly programs that focus on structural changes such as gender relations, or policy changes, use qualitative indicators to assess performance. However, quantitative indicators are more easily compared across programs and in different program contexts. This framework accommodates qualitative program indicators by allowing BDS facilitators to define their objectives in either quantitative or qualitative terms, and then to aggregate the percent of beneficiaries that are realizing those outcomes. At the same time, the

framework tracks some standard quantitative indicators, and, over time, additional common indicators may emerge as more programs report their outcome goals and results.

CHAPTER TWO REVIEW OF EACH PERFORMANCE MEASURE

SCALE

What information does the indicator provide? How many entrepreneurs and farmers have received the business development service? How many enterprises or other institutions have been strengthened to deliver those services? How many people received the service each year? Has the number of enterprises and farmers being served increased over time? Is a competitive market for services developing?

Who is most concerned with this information? Facilitators, Donors.

How will this indicator motivate BDS practitioners towards achieving results? To serve the largest possible number of micro entrepreneurs and farmers, through commercial transactions (customers purchasing services or selling products through commercial agreements). To facilitate a competitive market for services.

Proposed Indicators (level):

- Cumulative number of entrepreneurs or farmers acquiring the service through commercial transactions – paying a fee for services or selling products through a service provider (customer level).
- Number of entrepreneurs or farmers acquiring the service through commercial transactions *per year of service provision* (customer level).
- Annual and Cumulative number of enterprises providing business development services directly to entrepreneurs or farmers (provider level).
- Annual and Cumulative number of NGOs or government institutions providing business development services directly to entrepreneurs or farmers (provider level).
- Number of “copy cats”: service providers started through a demonstration effect (market level).

Proposed Methodologies:

Figure 1: Sample Report on Program Scale

	Yr 1	Yr 2	Yr 3	Total	Avg/Yr
Clients Served					
a. New	100	200	250	550	183
b. Repeat	50 (50%)	100 (50%)	150 (60%)	300 (55%)	100 (55%)
c. Total	150	300	400	850	283
d. Growth Trend		100%	33%		28%
Service Providers					
a. private sector		2	3	3	
b. NGO	1	1		1	
c. Cooperative					
d. Total	1	3	3	4	
Copy Cat Providers				0	

A BDS facilitator who is also a direct provider tracks the number of entrepreneurs and farmers who have paid a fee for a service, or sold goods or services through the facilitator/provider, annually since the beginning of the project or program.

A BDS facilitator who works through separate providers tracks the providers who paid a fee for services or sold goods or services through the facilitator, annually since the beginning of the project or program. The providers then track the microentrepreneurs or farmers who purchased services or sold goods or services through providers since the project or program began. In tracking providers, the facilitator will distinguish between commercial enterprises, cooperatives and non-profit institutions (NGO or government agencies).

Both types of BDS facilitators will distinguish first-time and repeat customers.

The cumulative figure is then broken down into years, and an annual and average annual percentage growth rate is calculated .

The cumulative number of enterprises acquiring the service is then divided by the number of years the program has been in existence. This helps compare older programs with younger programs more fairly.

A methodology needs to be developed to define and measure “copy cats.” The concept is to account for service providers who begin providing a BDS because they observed another provider, but did not benefit directly from the BDS program.

Issues:

Direct vs. indirect “beneficiaries:” Who counts? Consumers of end products, family members, employees? Only people who pay full costs, or partial costs? Is there a need to distinguish “direct” from “indirect” beneficiaries? In a proper cost-benefit analysis, or impact assessment, one would want to capture all the benefits of the program, including benefits to consumers, family members and other “indirect” beneficiaries. However, this performance framework is focused on providing practitioners with indicators and incentives to provide better business development services to customers. The narrow definition of “beneficiaries” as entrepreneurs and farmers acquiring a service through commercial transactions reflects these priorities.

“Active” vs. “cumulative” clients? Microcredit programs track “active” borrowers, or people who are borrowing at a particular moment in time. In contrast, BDS programs tend to track the number of people “served.” They may look at that figure annually or cumulatively over the life of the project. This is due to the nature of the service. Whereas borrowing takes place over a number of months or years and is often followed immediately by repeat borrowing, BDS services are sometimes one-time transactions and sometimes courses provided over a month or two, but they are not continuous and on-going the way that financial services are. Thus, the appropriate way to “count” clients is to count the number of people who have received the service over a specific period of time. The framework looks at the number of clients served annually and cumulatively, the growth rate over time and the number of repeat clients. Used together, these indicators reflect raw number served, illustrate whether programs are growing over time and allow for fair comparison of older and younger programs.

Farmers: Farmers are included as enterprises in this framework because so may a BDS program serve farmers. Does this fit with Donors’ definitions of enterprise, and if not, is that a problem?

Bias Against “Public Goods” Programs: Some services, for example policy advocacy, have the potential to affect large numbers of people who do not pay for the service. The fact that they do not “count” in this framework presents a bias against “public goods” oriented programs and an incentive for BDS providers to identify some entrepreneurs that may pay for “public goods” services for example members of a trade association – in order for that service to exist.

Tracking: What incentives can BDS facilitators provide to external providers to track the number of and demographic information about their customers? Some programs provide service providers with incentives to track. For example, ApproTEC provides brand-name quality control plates for its machines (which are inspected randomly). Each has a serial number that reflects the identity of

the manufacturer. When the manufacturer needs additional plates, they must report the customer list to ApproTEC, who in turn knows the number of customers roughly corresponds to the number of plates issued previously. Additional methodologies such as this need to be identified for other services.

Institutions vs. service delivery points: Which is more significant for scale, the number of institutions providing a service, or the number of service delivery points? This framework selected the number of institutions because it is more commonly used and easier to define. This indicator also creates an incentive to create a competitive market by creating several delivery channels, rather than serving the market through one large institution.

Comparing older and younger programs: Older programs may have larger scale. Smaller programs may have faster growth rates. It is hoped that using the combination of raw numbers, average annual numbers, and annual growth rates will present an equitable picture of programs across time and size category.

Copy cats may get help from other programs, or may have started first! Plus, how do you measure them? This remains an unresolved issue.

Table 2: Examples of Scale Indicators in Use

Organization, Program, Location	Indicator & Results
ApproTEC, Kenya: Akili training program and water pump program	76 clients trained in product development for a fee; 2,000 farmers purchased water pumps through 3 manufacturers.
EnterpriseWorks (ATI) oil press program in Tanzania	8,570 enterprises acquiring services, including oil press purchasers, sunflower seed suppliers, machine manufacturers.
IDE water pumps in Bangladesh	Over 2 million purchasing water pumps
SEWA, Vegetable Vendor's Cooperatives, India	4,578 vendors pay member dues for advocacy services
IDB/GAMA/CEPAE, Paraguayan Voucher Training Program	4,530 individuals trained for a fee; 32 providers cashing in vouchers
MEDA/PROARATE, crafts marketing company, Nicaragua	100 craftspeople selling crafts to PROARTE

OUTREACH

What information does the indicator provide? To what extent is the market for BDS being deepened by the BDS facilitator and providers? To what extent are services reaching microenterprise owners who face barriers in accessing market services? To what extent are services reaching specific target populations, for example, women, the poor, ethnic populations that have faced discrimination, rural people, etc? To what extent has the program covered an extensive geographic area?

Who is most concerned with this information? Donors, Facilitators.

How will this indicator motivate BDS practitioners towards achieving results? To use public funds to expand the flow and/or encourage the direction of service to reach people who would otherwise not have access to market services. To avoid distorting the market for services which is served or could be served by private delivery channels. To spread services to under-served or poorly served geographic areas.

Proposed Indicators:

- Percent of entrepreneurs and farmers acquiring a BDS who are women. (Customer)
- Percent who are poor. (Customer)
- Percent who are facing another barrier to self-employment. (Customer)
- Whether the program is reaching a) a community (neighborhood or village), b) a city or town, c) a state or district, d) a nation, or e) an international community. (Market Place)

Proposed Methodology:

The individual purchasing the service is a woman, or the enterprise is 50% or more owned by a woman. This may be tracked by the facilitator or service provider, or in random sample surveys. The agency will define poverty and explain their methodology for defining poverty levels in the context of the national economy and standard of living.

The agency will define other barriers to self-employment and explain their methodology for determining who faces these barriers in the context of the national culture.

The agency will use the loose definitions provided to describe their geographic outreach.

Issues:

Targeting: This framework does not set a standard around the percent of customers that should be women, poor or experiencing other barriers, but it does reflect the priority of the vast number of BDS providers to target these populations. And the need for developing cost-effective services that reach under-served populations.

How to define “Poor”: There are significant methodological challenges to measuring poverty levels, and leaving it open could lead to biased reporting. This is an unresolved issue, but it is hoped that, as BDS programs report performance in this area, standard categories and measurements may emerge.

“Other barriers” are not comparable across programs. However, this indicator provides a short-range option of at least tracking the barriers with which BDS facilitators are most concerned.

Dis-aggregating Performance, not just scale: Measuring whether people acquire the service may not be sufficient. It is better to assess use and benefits across different populations. While a few practitioners do track performance of different groups, this level of dis-aggregation is not common.

The geographic categories are very general and non-standard. These categories need to be tested and other options for assessing geographic outreach considered.

Targeting through Program Design: One way microfinance programs target the poor is to offer small loans. Is there a program design equivalent for BDS ?

Table 3: Examples of Outreach Indicators in Use

Organization, Program, Location	Indicator & Results
ApproTEC, Kenya: Akili training program and water pump program	29% of trainees are women; tracks % in lowest business bracket.
IDE water pumps in Bangladesh	85% own less than 1 hectare of land or rent
MEDA/PROARATE, crafts marketing company, Nicaragua	30% women; all but 1 with fewer than 5 employees; all rural; bottom 2 quintiles of national income range
WWB survey of BDS programs	64% rural; 64% in the bottom 1/5 income tier; 87% have less than 1 employee

IMPACT

What information does the indicator provide? Of the people acquiring the business development service, how many are changing their behavior or business practices as a result of the service? How many are improving their businesses because of changing their practices? How satisfied are people with the service? How many have returned to purchase the service again? How many are improving their business in specific business output terms, and to what extent?

Who is most concerned with this information? Donors, Facilitators, Providers.

How will this indicator motivate BDS practitioners towards achieving results? To provide services that are in high demand, that people value, that people use and from which people benefit as the program expects, and in standard business terms. To satisfy customers and keep them returning for additional services.

Proposed Indicators: (These will be tracked for BOTH MSE customers and BDS service providers.)

Customer Satisfaction: Survey with results on a scale of 1-5, and % customers that are repeat customers.

Service-Specific USE: Percent of customers using the service as intended.

Service-Specific BENEFITS: Percent of customers benefiting from the service as intended, and an indicator of the extent of the change.

General Business Benefits: Percent of customers reporting an increase in profits, sales, assets, employees, number of customers, product/service lines, and/or decreased costs. The extent of these benefits as measured by the average percentage change in these indicators that customers attribute to the BDS.

Timeframe: The BDS provider will state the timeframe of their analysis: how much time has elapsed between BDS service provision and the impact data collection.

Proposed Methodology:

Satisfaction will be assessed on a scale of 1-5, 5 being highest.

The BDS facilitator will define the service-specific “use” of a service and the service-specific “benefits” from using it.

The BDS provider will select the appropriate timeframe, after service acquisition, to assess impact.

The BDS facilitator/provider will survey entrepreneurs and/or independent service providers using random sampling techniques.

A survey tool will be developed for customer satisfaction and for assessing standard business benefits (profits, sales, assets, employees, etc., but the BDS provider will develop the tool for assessing specific service use and benefits).

The proportion of users will be calculated: (# users / # acquirers)

The proportion of people benefiting will be calculated: (# benefiting / # acquiring)

Customers will be asked their perception of how their business has changed as a result of the services. Initially, customers will be asked an open ended question about how they think the service benefited their business, and answers will be coded. Then, they will be asked specific follow-up questions to quantify specific business benefits (sales, profits etc.), in the benefit categories they have identified.

Figure 2: Hypothetical Impact Report, Product Development Training			
Customer Report, 1997	Number	Percent	Average % change*
NUMBER ACQUIRING (from SCALE)	1000	100%	
SERVICE-SPECIFIC USE			
Use 1: Conducted Market Research	800	80%	25%
Use 2: Made new or improved product	500	50%	N/A
Use 3: Changed production process	200	20%	
Total Reporting at least 1 use:	800	80%	
SERVICE-SPECIFIC BENEFITS			
Benefit 1: Sold to New Customers	500	50%	50%
Benefit 2: Increased Prices	300	30%	
Benefit 3: Reduced Costs	100	10%	
Total Reporting at least 1 Benefit	600	70%	
GENERAL BUSINESS BENEFITS			
Increased Profits	500	50%	10%
Increased Sales	600	60%	30%
Increased Assets	200	20%	10%
Increased Employees	200	20%	75%
Increased Customers	100	10%	25%
Increase Product/Service lines	500	50%	15%
Decreased Costs	100	10%	10%
Total reporting at least 1 standard business benefit	700	70%	
Percent that are repeat customers (from scale report)			50% (500)
Average Customer Satisfaction rating			4.2

Issues:

Assessing "impact" vs. "enterprise change:" Impact is notoriously challenging to measure. Rather than attempting to measure household or individual impacts on income and well-being, this framework looks at enterprise level changes which contribute to household level change. In addition, rather than surveying entrepreneurs and collecting objectively verifiable data, this framework asks entrepreneurs to articulate how the BDS has assisted them, and to what extent. Thus, the indicator functions as both a proxy indicator for impact AND a tool for gathering customer feedback that will assist the facilitator to design better commercial services. The assessment of in-depth impact in this framework is left to occasional program evaluations and the long-term development of improved impact measurement tools.

Self-Reported Data: The methodology relies heavily on self-reported financial data. Customer perceptions are highly influenced by interest in pleasing the surveyor and MSE customers often find it hard to estimate "percent change." Yet, the level of effort and expense involved in verifying business financial data is overwhelming for most BDS providers. This is an unresolved issue.

Definitions of "using" and "benefiting:" are different for different services, and may not be easy to define and assess. This is an unresolved issue, but it is hoped that, as BDS programs report performance in this area, standard categories and measurements may emerge.

Scale vs. intensity of impact: The indicators focus more on the number of people using and benefiting from the service, than on the intensity of the benefits. Thus, the indicator may provide an incentive to serve a large number of people with a low return service. The framework attempts

to address this by asking MSE customers the extent to which they benefited in percentage terms. Is this a sufficient measure of the intensity of program impact? This is an unresolved issue.

Attribution: The methodology does not suggest using a control group, or comparing business benefits to general business trends. Rather, it suggests asking MSE customers to attribute business changes to the services they acquired. Is this sufficient to ensure that the framework is not measuring impact of the BDS and not just measuring general business trends in the market?

Benefit: Cost analysis is a more complete assessment tool than the one presented here, but too complex and costly for most BDS facilitators. In addition, cost-benefit analysis is primarily concerned with assessing the “economic” costs and benefits, rather than the financial costs and benefits from the point of view of a BDS provider. As a result, the information it provides to help practitioners deliver better commercial services is limited.

Table 4: Examples of Impact Indicators in Use

The proposed indicator is a compilation of indicators tracked by typical BDS programs. The following illustrate some of the sources for this indicator.

Organization, Program, Location	Indicator & Result
ApproTEC, Kenya: Akili training program ApproTEC water pumps and oil presses	USE: 81% developed new products. BENEFITS: 35% increase in income compared to -4% in control group; 70% reduction in # of entrepreneurs that are poor; 9% increase in employees compared to a -11% in control group; PERCEIVED VALUE: 19% of increased sales due to new products. Asked technology investors what % their income increased as a result of the investment.
ENTERPRISEWORKS (ATI) oil press program in Tanzania	USE: 47% proven sustainable enterprises; BENEFITS: Total monetary benefits \$3.5 million; income gains per enterprise \$653.
IDB/GAMA/CEPAE, Paraguayan Voucher Training Program	Average number of trainings purchased by microentrepreneurs, 2.5; business owners increased productivity, lowered costs, increased sales.
ILO,SIYB, global	USE: 30-60% of people trained start a business. BENEFITS: 80% are still in business one year later.
SEROTEC, Chile, cluster networks	USE: 75% made expected changes in processes, products, sales strategies, and financial management
INSOTEC, CENTRIMA, Ecuador	BENEFITS: 15-35% cost savings to businesses from inputs supplied by the cooperative.
K-MAP consulting services, Kenya	BENEFITS: 106% increase in employment, 292% increase in assets, 189% increase in employment

COST-EFFECTIVENESS

What information does the indicator provide? Is the program a wise use of funds? How much does it cost to help an entrepreneur access services? To help an entrepreneur use them? To help an entrepreneur benefit from them? To help an entrepreneur realize specific, standard business outcomes?

Who is most concerned with this information? MSE Customers, Donors, Facilitators, Providers.

How will this indicator motivate BDS practitioners towards achieving results? To create the greatest impact on the largest possible number of MSE customer businesses for the least cost. To design services that minimize transaction costs for MSE customers and providers.

Proposed Indicators:

Transaction costs per MSE Customer to acquire the service. (*Customer*)

Transaction costs per BDS Provider, if a private sector businesses. (*Provider*)

Net, cumulative program costs per cumulative MSE Customer acquiring, using, and benefiting from the business development service, tracked separately. (Cost per number acquiring; cost per number using; cost per number benefiting) *(Facilitator & Provider tracked separately if different institutions)*

Last year's net program costs per new or repeat MSE Customer acquiring, using and benefiting last year. *(Facilitator & Provider tracked separately if different institutions)*

Same, for number of MSE customers increasing their sales, income, assets, number of customers, number of product or service lines, or reducing costs. *(Facilitator & Provider tracked separately if different institutions)*

Proposed Methodology: *(see Figure 3)*

Facilitator Program costs will be the most inclusive definition possible: Cumulative, start-up and recurrent, international and local, fixed and variable, overhead as well as direct service provision, research and development, etc. Costs of the BDS facilitator or providers will be net of fees collected by non-profit institutions. Costs of private sector entrepreneurs acting as service providers will not be included.

Program costs will be translated into one currency and deflated to 1990 values. The steps taken in currency translation will be noted.

Total program costs will be divided by each impact indicator as illustrated in Figure 3: Hypothetical Cost-Effectiveness Report.

Figure 3: Hypothetical Cost-Effectiveness Report, Product Development Training				
Customer Report: 1997 (A separate, cumulative report would also be compiled)	Number	Percent	Average % change*	Cost-per Impact Unit
NUMBER ACQUIRING (FROM SCALE)	1000	100%		
TOTAL PROGRAM COSTS USE				\$300,000
Use 1: Conducted Market Research	800	80%	25%	\$37.50
Use 2: Made new or improved product	500	50%	N/A	\$60
Use 3: Changed production process	200	20%		\$150
Total Reporting at least 1 use:	800	80%		\$37.50
PARTICULAR BENEFITS				
Benefit 1: Sold to New customers	500	50%	50%	\$60
Benefit 2: Increased Prices	300	30%		\$100
Benefit 3: Reduced Costs	100	10%		\$300
Total Reporting at least 1 benefit:	600	70%		\$50
STANDARD BENEFITS				
Increased Profits	500	50%	10%	\$60
Increased Sales	600	60%	30%	\$50
Increased Assets	200	20%	10%	\$150
Increased Employees	200	20%	75%	\$150
Increased Customers	100	10%	25%	\$100
Increase Product/Service lines	500	50%	15%	\$60
Decreased Costs	100	10%	10%	\$300
Total reporting at least 1 standard business benefit:	700	70%		\$42.85
Percent that are repeat customers (from scale report)			50% (500)	
Average Customer Satisfaction rating			4.2	

Transaction costs are defined here as the financial and non-financial expenses an MSE customer (or private sector BDS provider) invests in order to acquire and use the BDS service. A methodology needs to be developed for assessing the transaction costs of MSE customers and private sector BDS providers. This may include a range of costs such as time required to attend training courses, or cash required to purchase sunflower seed to operate a press, in addition to the actual cost of training or purchasing the oil press.

Issues:

Operating Efficiency: This framework defines cost-effectiveness primarily as the cost per unit of impact, as defined above. It does not look at operating efficiency. This reflects current practice among BDS providers. Unlike microfinance programs, in which a low staff to client ration is generally positive, such measures in BDS could be equally reflective of poor quality service – because the service itself is often made up of staff time in the form of training and counseling. Sometimes, the lowest cost/impact ratio will be achieved by a high staff/client ratio. Yet, in order to achieve a low cost/impact ratio, BDS providers need to monitor some intermediate indicators of efficiency that are more readily available on a daily basis. More research is needed to identify the “best practices” in this arena. One option that has been suggested is to include in the framework and opportunity for BDS facilitators to report their “operating efficiency” indicators, which would enrich the framework but also add to its complexity.

Allocating Costs: It is challenging to define what costs to allocate to a particular program or service, especially where facilitators are engaged in multiple BDS or a mix of BDS and other development oriented services. This framework suggests the most inclusive definition possible to avoid leaving out costs due to definition errors. Unfortunately, there will be significant room for manipulation here. This remains an unresolved issue.

Transaction Costs: This framework includes transaction costs to entrepreneurs or private sector BDS providers. This is simply a cost indicator, not a cost-effectiveness indicator, and the data is challenging to collect. One may argue that these costs are taken into consideration under sustainability, where the framework looks at profitability of private sector businesses. Nevertheless, many BDS facilitators do assess up-front investment costs to MSE customers and BDS providers that will invest in the service or in service provision. Unfortunately, these are usually estimates made during the program design phase, rather than actual data. This remains an unresolved issue.

Comparing Financial Data Across Programs and Currencies: There are different strategies for ensuring that financial data are comparable over time and across currencies. In general, BDS program costs occur in several currencies – donor currencies and implementing country currencies. The costs need to be reported in one currency, and deflated to a single year. The results often vary depending on the order in which these steps are carried out. What is the most practical way to standardize? This is an unresolved issue. Eventually, these values may be translated into US dollars to compare across programs. US dollars have very different values in terms of local GDP in different countries. Is it useful to express these costs in terms of GDP? This remains an unresolved issue.

(See Table 5 below for case examples)

Table 5: Examples of Cost-Effectiveness Indicators in Use

The proposed indicator is a compilation of indicators tracked by typical BDS programs. The following programs track indicators that suggest their capacity to use the indicators in the framework.

Organization, Program, Location	Indicator & Results
Technoserve, Santa Valley	Benefit to Cost Ratio, 24.95
IDE Water Pumps, 4 countries	Net Present Value of benefits \$190M for a \$4.5 M investment
ACA/AFE training in Senegal	Cost per enterprise trained, \$150
IDB/GMA/CEPAE, Paraguayan Voucher Training Program	Cost per person trained, \$19.50
ATI oil presses in Tanzania	Cumulative cost per cumulative enterprise acquiring service, \$152; Annual cost per newly assisted enterprise \$128. Benefit: Cost ratio 4.65

SUSTAINABILITY

What information does the indicator provide? Did the entrepreneur or farmer's investment in the service pay for itself quickly and will it be a profitable investment? To what extent did the different program activities, ranging from BDS facilitation to direct BDS provision, recover the costs of providing the service? To what extent were the business development services provided by institutions that are independent from subsidized BDS facilitators? To what extent are these institutions covering the cost of service provision? To what extent is a competitive, growing market for the BDS developing?

Who is most concerned with this information? MSE Customers, BDS Providers, BDS Facilitators, Donors.

How will this indicator motivate BDS practitioners towards achieving results? To provide MSE customers with affordable services that have a rapid pay-back period. To assess costs and subsidies for specific BDS programs. To deliver services efficiently, through independent, potentially sustainable institutions, particularly private enterprises. To establish a dynamic service in the market so that, over time, larger numbers of service providers are entering the market and increasing numbers of people are accessing the service, while program costs are declining and eventually eliminated. To develop programs that will not require on-going subsidies.

Proposed Indicators (level):

Payback period: average amount of time it took for an entrepreneur or farmer's investment in the BDS to pay for itself in increased income (*customer level*).

Annual profits or cost-recovery of the BDS facilitator activities, broken down by activities ranging from pure facilitation to direct service provision. (*provider and facilitation level*)

Type of institution providing a service (whether subsidized facilitators or commercial enterprises) broken down by activity ranging from facilitation to direct service provision. (*provider and facilitator level*)

Number of MSE customers, compared to net program costs, over time. (*market place level*)

Number of "Copy cats," service providers that entered the market without assistance from the BDS facilitator (*market place level*).

Proposed Methodology:

The methodology for determining a payback period will be developed along with the customer impact survey. It is likely to be assessed in random sample surveys, and may be simply the entrepreneur's opinion of how long it took to recover the investment. An effort will be made to have the customer calculate both the cash paid to the service provider and the other costs of the investment, including transaction costs.

The activities involved in developing and delivering the BDS to the entrepreneur will be broken down in a table. For each activity, the table will indicate the institution carrying out the activity and whether the activity is intended to be commercial or subsidized, temporary or on-going. Then, for each activity, the previous year's costs and revenues will be listed and compared in a ratio with a percentage format. It is understood that the most facilitative, subsidized activities may not recover any costs. In contrast, entrepreneurs providing a BDS should be making a profit. Institutions will define their own "steps" according to their programs and their capacities to break down costs. All program costs incurred in the previous year will be considered, including estimates of overheads, which may be a separate activity such as "management." (See Table 6 below.)

Program costs will be translated into one currency and deflated to 1990 values.

Table 6: Examples of Sustainability Indicators in Use: Cost recovery in each part of ApproTEC's service for the oil press: non-adjusted values

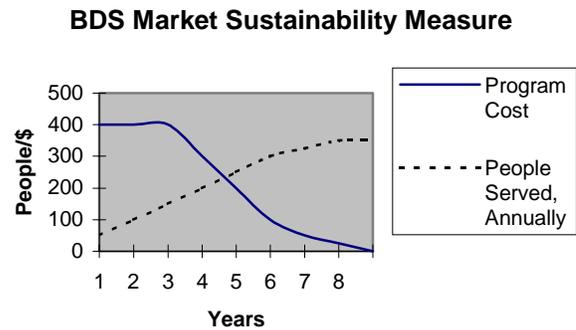
(This framework was adapted from ApproTEC's oil pressing program in Kenya.)

ACTIVITY	Institution	Commercial? Temporary?	Cost (\$)	Recovery (\$)	Recovery (%)
Business Opportunity Identification/ Market Research (Facilitator)	ApproTEC	Temporary, Non-commercial.	N/A	N/A	N/A
Technology Design and Development (Facilitator)	ApproTEC	Temporary, Non-commercial.	94,882	0	0%
Selection, Training and Equipping of Manufacturers (facilitator)	ApproTEC	Temporary, Non-commercial.	7,548	4,000	53%
Marketing and Promotion (Facilitator?)	ApproTEC	On-going, Non-commercial.	142,744	14,667	10%
Machine Manufacturing (Provider)	Independent enterprises	On-going, Commercial.	19,500 KSH per machine	23,500 KSH per machine	Ksh.4,000 or 121%
Machine Distribution (Provider)	Independent enterprises	Yes	23,500 KSH per machine	26,500 KSH per machine	Ksh.3,000 or 113%
Oil Pressing Business	MSE Customer	Yes			
Impact Monitoring (facilitator)	ApproTEC	No	6,191	0	0%

After adjusting the program costs for inflation, the total annual program costs will be plotted on a graph. On the same graph will be plotted the number of people acquiring the service each year. In early stages of a project, the lines are likely to be in parallel upward directions. As a program matures, if a sustainable market for the service is developing, program costs should decline while the number of entrepreneurs acquiring the service continues to increase on an annual basis. (See Figure 4 below.)

Figure 4: Proposed Sustainability Indicator, Market Level

The following is a hypothetical example of what it might look like to compare annual program costs (net) to annual entrepreneurs acquiring services. Since most agencies collect both data sets, the indicator would be easy to apply. If a service is becoming sustainable, then over time, more people would continue to be served as net program costs, or subsidies, decline.

**Issues:**

Is “payback period.” as assessed by customers, a reasonable reflection of sustainability of BDS usage? It would be more reflective of the value of the service to assess how long the person continues to reap profit from the investment, or what the return on the investment is. However, these are both more complicated to measure. This is an unresolved issue.

“Sustainable Service Delivery” vs. “Sustainable Institution” Many BDS providers differentiate between the sustainability of the “service” and the sustainability of the “institution.” If a program is designed to build the capacity of cooperatives or private sector businesses to provide services, then the institution managing the program, the “facilitator” is unlikely to capture the bulk of fees for services – rather, these will be captured by the businesses or cooperatives. Thus, the focus of these programs is on the sustainability of the “service” or the “provider,” rather than the institution managing the program. In other programs, however, the BDS facilitator is an active provider, perhaps marketing MSE customer products, and also hopes to become financially sustainable. The framework incorporates both types of program designs by differentiating between “provider” functions and “facilitative” functions and examining cost-recovery in both categories. A remaining challenge is to define clearly which activities are “facilitative” and which “provider” and ensure that costs are appropriately allocated.

BDS Institutions are not sustainable yet: BDS institutions are still developing appropriate services and delivery mechanisms; this process is expensive and cost-recovery is minimal when the non-profit institution is assessed. Because business development services are often quite specific to particular markets and sectors, service development and facilitation costs are likely to remain high. At the same time, it is important for BDS programs to work toward financially sustainable models. The framework addresses this issue by breaking costs down into specific activities. The activities themselves can be assessed for financial sustainability, and subsidies can be identified and justified.

Capturing costs in Public Goods Programs: Some BDS activities are “public goods” or are addressing “market failures” for which it is difficult to capture fees for service. Activities supplying “public goods” will be reflected in the framework as on-going activities that are not financially sustainable. This is a bias in the framework yet also an incentive for BDS providers to identify paying MSE customers.

Entrepreneurs can’t afford BDS services: Unlike credit programs, Business Development Services usually require that entrepreneurs pay first, and benefit later. Cash flow, and the high costs of services, often prevent entrepreneurs from paying the full cost of services. This reality will also be reflected in the framework, which will encourage BDS facilitators to find financing solutions other than on-going subsidies.

Copy Cats: The definition and methodology for assessing “copy-cats” needs to be developed.
Long-Run Market Sustainability: Is it a reasonable expectation, as the “market sustainability” graph projects, that in the long run, subsidized costs will be eliminated while increasing number of people benefit? Also regarding the graph, what unit should be placed on the vertical axis so that currency values of costs can be compared to units of people served?

Table 7: Examples of Sustainability Indicators in Use

Organization, Program, Location	Indicator & Results
Enterprise Level	
ApproTEC water pumps and oil presses	Surveyed entrepreneurs report recovering costs in 1-2 planting seasons
ENTERPRISEWORKS (ATI) all programs	47% of participants are associated with enterprises and farms of proven sustainability
INSOTEC/CENTRIMA supply of inputs to woodworkers in Ecuador	Cost of inputs breaks even after 6 months
ITDG oil presses in Zimbabwe	Return on investment for oil processor, 51%, 2 years to recover costs
Provider/Facilitator Level	
ACA/AFE training in Senegal	100% of recurrent costs recovered for bakers; 50% for tailors
ILO SIYB training	50-100% of operating costs recovered
Yasan Dian Desa, Indonesia	42% cost-recovery in 1992

ANNEX A: ACRONYMS AND DEFINITION OF TERMS

Aquisition, Acquirers: People purchasing a service, or obtaining it through commercial transactions such as selling a product through a marketing company, as differentiated from those who are known to make use of it or those who are known to benefit from it.

Barriers to Self-Employment: Constraints faced by disadvantaged people in trying to become self-employed, including gender, ethnicity, geographic location, education level, disability, political status, etc.

BDS: Business Development Services – Non-financial microenterprise development support, for example training services, technology development and dissemination, marketing assistance, policy advocacy, etc.

BDS Facilitator: Organizations identifying, developing and disseminating business support services for microentrepreneurs or farmers.

BDS Provider: Organizations or enterprises supplying a business development service directly to microentrepreneurs or farmers.

Best Practices: The most effective means to organize, select, deliver, monitor business development services for microenterprises currently in use.

Benefits, People Benefiting: Intended improvements resulting from the use of a business development service. People who have procured a service and are known to be experiencing intended improvements as a result. The customers objectives are satisfied by the use of the service.

Commercial Transactions: paying a fee for a service, or selling goods or services.

Copy-Cats: Organizations or enterprises that begin providing a service because they observed another organization or enterprise doing so; rather than through specific training or technical support.

Cost-Benefit Analysis: A specific tool which compares overall program costs to overall financial and quantitative social benefits resulting from program activities.

Cost-Effectiveness: A specific tool which compares a program's costs against some measure of program output, such as the quantity or the value of goods sold.

Cost-Recovery: The practice of collecting fees for services to pay for the expenses incurred in providing the services to customers.

Deflated: Adjusted to real values; adjusting for inflation.

Impact: Changes in people's lives as a result of achieving the benefits of a business development service.

Indicator: Data that reflects the assessment of a particular outcome or result.

MBP: The Microenterprise Best Practices Project, a research program of the United States Agency for International Development, implemented by Development Alternatives, Inc through a contract with USAID's Microenterprise Development Office.

Methodology: process for collecting and analyzing data to produce an indicator.

MSE: Micro and small enterprises.

NGO: Non-governmental organization.

Outreach: The spread of services in the market, particularly the spread of services to under-served populations and throughout a wide geographic area.

Payback Period: Average amount of time it takes for an investment to pay for itself in increased profit.

Performance Standard: A specific level of an indicator that represents best practices.

Repeat Customer: Entrepreneur or farmer who procures a BDS through a commercial transaction more than once.

Scale: The number of people a service reaches.

SEEP: Small Enterprise Education and Promotion Network, the association of North American based non-governmental organizations who support micro enterprise development in developing countries.

Sustainability: Ensuring that services and benefits continue in the long run.

USAID: Unites States Agency for International Development

Use, Users: Having procured business development service, using it as intended. This may be operating a new technology, developing new products, marketing to new customers, applying new accounting systems, etc.

Value: The customers estimate of the ability of the business development service to satisfy his needs.

ANNEX B: EXAMPLE CASES OF PERFORMANCE INDICATORS IN USE

ACA and Action for Enterprise: Implemented training and sector development work with tailors and bread bakers in Senegal. (Lusby, 1997)

ApproTEC: Appropriate Technologies for Enterprise Creation, Kenya. Operates the *Akili* product development training project, treadle water pump development and dissemination and oil press development and dissemination. (DFID, 1998; ApproTEC, 1997)

BRAC, Bangladesh Rural Action Committee: Reference is made to BRAC's poultry development and deep tube wells programs for rural women in Bangladesh. (Chen, 1996, Richie, 1993)

EnterpriseWorks Worldwide formerly Appropriate Technology International (ATI): EnterpriseWorks contributed their program tracking system, which is largely based on cost-benefit analysis. Specific programs referred to include the oil press program in Tanzania, and the Alpaca fiber program in Bolivia. (Hyman, 1996, 1998)

IBD, Inter-American Development Bank: Provided survey results and analysis of the BDS program portfolio. The particular program referred to in this study is the training voucher program in Paraguay. (Goldmark, 1996)

IDE, International Development Enterprises: Implemented a treadle water pump program in Bangladesh and other South Asian countries. (IDE, 1994)

INSOTEC, CENTRIMA: Facilitated supply cooperatives in Ecuador. (Dawson, 1997)

ITDG, Intermediate Technology Development Group: Reference is made to an indicator in the oil press program in Zimbabwe. (Dawson, 1997)

IYB, Improve Your Business, ILO, International Labor Organization: A few general indicators were distilled from Tolentino, 1995.

K-MAP, Kenya Management Assistance Programme: Provides business consulting and training services in Nairobi, Kenya. (Hutchins, 1998)

MEDA/PROARTE, Mennonite Economic Development Agency: Supported the development of PROARTE, a crafts marketing company in Nicaragua. (Goldmark, 1997)

SEROTEC, a non-profit business support organization that facilitates cluster networks in Chile (Dawson, 1997).

SEWA, Self-Employed Women's Association: Organizes and advocates on behalf of self-employed women in India. (Chen, 1996)

Technoserve: Contributed their performance measurement system, which is a cost-benefits analysis system. Specific reference is made to Technoserve's support for community based enterprises in the Santa Valley, Peru. (Technoserve, 1997)

WWB, Women's World Banking: Contributed their international survey of BDS program conducted in 1996. (WWB, 1996)

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