

## **DEVELOPING POVERTY ASSESSMENT TOOLS**

### **BDS NOTES**

Unlike microfinance, the phrase Business Development Services (BDS) doesn't provoke an image of a finite and distinct set of services. Instead, BDS represents a broad category of activities that focus on microenterprise growth and job creation. This presents a challenge to the poverty assessment project, in designing tools that will prove useful and cost effective for the BDS community to implement. A key question for the poverty assessment project is how you get from BDS programs, with their focus on enterprises, groups of enterprises (clusters, sub-sectors, value chains), markets (input markets, product markets, business service markets), and the enabling environment for enterprise development (policies, infrastructure, etc.) to the ultimate beneficiaries: MSE owners, MSE employees, and their associated households.

Adding to this challenge is the fact that BDS is an ever changing field. Just a few years ago most BDS activities focused primarily on skills based training or one-on-one technical assistance, provided primarily by practitioners. The field gradually shifted to focus on providing sustainable markets for BDS services by developing the capacity of commercial BDS providers. Therefore, many practitioners began to transition into BDS facilitators, providing funding and technical assistance to commercial BDS providers. In the past few years the paradigm has begun to shift again, and BDS facilitators have begun to address the micro and small enterprise as members of a value chain, or of a larger market. BDS facilitators may work directly with a commercial actor in the value chain, in order that the value chain itself will begin to provide BDS services to MSEs. BDS programs today include this entire range of programs. While designing poverty assessment tools that fit today's BDS practitioners, it is important to be aware that BDS is continuing to evolve as a field.

A second area of consideration when dealing with BDS programs is that they tend to interact with an enterprise rather than a household. While microfinance often considers the household as an income generating unit, BDS practitioners tend to deal solely with the enterprise and its environment, whether it is home based or off site. Some programs focus on providing assistance to enterprises or groups of enterprises, such as training, technical assistance, technology, other activities focus on the environment for enterprise development, such as business services markets, input markets, product markets, information, policies, or sector constraints. In many cases, because BDS programs view themselves as more market-oriented, there is a reluctance to interact at the household level as this might be perceived as unprofessional. Indeed, some end users may not even be aware that they are receiving BDS services, as they may come embedded from a member of the value chain. Even in cases where the end user is aware of the BDS service being provided, a time consuming household survey may distort the market, in that it increases the cost to the end user in receiving the service. New thinking in BDS impact assessment is refocusing on the household as the correct level of analysis. As this new thinking evolves, the challenge will be to clearly understand the causal model for the intervention and define the level of assessment based on that model.

In order to understand some of the issues surrounding poverty assessment and BDS, IRIS conducted a survey of prominent BDS providers, and conducted a series of interviews with Jennefer Sebstad, who is currently reviewing BDS impact assessment data collection methods. IRIS is trying to understand some fundamental issues facing BDS in order to better design our poverty assessment tools. These issues include:

- Description of the various BDS models.
- What is meant by participation in BDS programs?
- Current BDS data collection methods for impact assessment, including information on time of collection, frequency of collection and technology requirements

## **BDS Models**

One of the challenges for the poverty assessment project is the variety of BDS models. The impact evaluation program has identified some BDS categories as follows: BDS market development, trade and export promotion, and competitiveness programs.

BDS market development projects started by focusing on privatizing technical assistance and training. They have evolved to include all service providers, particularly input providers. A classic model for this activity is in Kenya, where small scale businesses that sell pesticides and fertilizer are trained to provide information on how to use fertilizer more effectively. The cost of these services is typically embedded in the product price.

Trade and export activities attempt to increase private sector growth and link MEs with larger businesses. In Mali the AFE value chain activities work to link handicraft exporters with small producers. AFE works with the exporters, the exporters provide business services such as product design, access to new buyers, quality standards and even finance to the small producers. In Bangladesh BRAC has begun sub sector activities, working along the value chain to identify which industries attract the poorest.

In Sri Lanka, Nathan Associates has addressed competitiveness through cluster development. The program creates producer association and then clusters of those associations in order to increase their ability to compete in the export market.

A common theme in BDS, especially in Africa, is high-value agricultural products that can be produced for export. Many programs focus on ways to link the small scale producer with larger markets. In some cases programs focus on developing the capacity of the producers, say through cluster development programs, in other cases they focus on developing the markets for their products, in trade and export activities.

In many of the market driven BDS models, practitioners have shifted from being BDS providers to being facilitators. As a facilitator, the practitioner focuses in increasing the capacity of sustainable, market oriented firms to provide BDS services. In the Fintrac example above, the lead firm, commercial nursery and demonstration farms are all BDS

providers. Fintrac provides technical assistance to all three in agricultural as well as business areas.

This facilitator vs. provider distinction is an important one, as it removes the USAID funded practitioner from direct contact with the small scale enterprise. It therefore makes it more difficult for the practitioner to collect data from the households that make up the small enterprises. There is no established bond of trust between the household and the practitioner. The practitioner also may not have the staff resources to measure all households.

In some cases the practitioner may choose to delegate data collection to the provider. This is the case with Fintrac, where the demonstration farmer collects information on her clients. While a practical solution to the problem, we will need to consider the added cost to the provider to collect such data and methods to ensure that the data is accurately collected.

The impact assessment review conducted by Sebstad, Snodgrass and Zandianpour highlighted the fact that in some program models it is difficult to discern a link between MSEs and the projects in some cases – especially evaluations of programs that involve MSEs but are not targeted exclusively to them. These include, for example, trade, investment promotion, capacity building, and privatization projects. Many of these evaluations did not distinguish between MSEs and other enterprises in terms of participation or impact.

**Recommendations.** Recommendations for challenges faced by the variety of BDS models include:

- When appropriate, allocate funds for outside survey firms to assess indirect participants and indirect beneficiaries rather than the providers.
- When providers are tasked with data collection, ensure that this is a recognized scope of their activities.
- When data is collected by non-practitioner providers, a system of audit and oversight must be established to ensure accurate data is collected.
- Ensure that simple tools are available to reduce the amount of data the providers need to collect on households.
- Explore the possibility of using tools that do not require the participation of the end user, such as Visual indicators of Poverty.

## **PARTICIPATION**

For the purpose of this discussion, BDS efforts will be considered in three distinct categories, programs that address firms, markets or policies. Programs that target firms are more concrete, with programs that focus on market development you first have to define what is the reach of the program, where do you draw the line on who participates. In general, recipients of BDS services can be divided into the following categories:

direct participants, indirect participants and indirect beneficiaries. The Kenya BDS program illustrates this dilemma.

The Kenya BDS program focuses on increasing smallholder participation in the avocado, mango and passion fruit value chains. It facilitates this through contracts with a variety of local entities. Kenya BDS as a facilitator provides contracts to Lead Firms involved in the sale of tree fruits to export markets. . The Lead Firms buy from and provide embedded services to smallholder MSEs that grow avocados, mangos, and passion fruits. It also facilitates the development of demonstration farms and commercial nurseries in rural areas to introduce improved passion fruit stock. Small scale producers can access information from the demo farms and buy improved stock from the nurseries. So in this scenario, who participates on the Kenya BDS program? Clearly the Lead Firm, demo farmers and nursery owners are the direct participants. But they are not the intended beneficiaries; those are the small scale producers who are the indirect participants. In this case there are also multiplier effects as other small scale producers in the community may see their neighbors benefiting from improved farming practices and better stock and adopt those techniques without ever interacting with a member of the value chain, these are the indirect beneficiaries. The poverty assessment program may also need to consider any paid labor in these small scale producer enterprises and whether they to will be considered as indirect beneficiaries.

As another example of the difficulty of defining participation and finding indirect participants: Another component of the Kenya BDS program is training agrochemical retailers in the proper handling and application of chemicals. They then pass this information on to their customers. It is the customers, the indirect participants, which are the intended beneficiaries. Therefore the Kenya BDS program will have to track down the customer. It can be problematic to locate those customers as retailers don't maintain records of customer's names and addresses. Alternatively, asking the retailers to collect and provide information about their customers may not produce credible information.

The challenges of identifying participants are clear. Obviously the more programs are able to tap into indirect beneficiaries the greater their poverty outreach. However, even at the indirect participant level, poverty assessment will be a challenge. Because Kenya BDS as the facilitator in the above examples has little to no contact with the indirect participants, they are challenged to both identify and collect data from this group.

An added challenge of BDS programs is that many have multiple components with different types of interventions (e.g., input supply, market access, policy reform) variously targeted to different types of enterprises (producers, suppliers, service providers, large scale, small scale, etc.). This makes defining participation quite complex.

There is a very real concern among BDS implementers that attempting to collect household level data from indirect participants could actually distort the BDS market. If it takes too much time, it is an added cost. Even if it's quick, it could distort the market approach many BDS implementers are trying to take, highlighting to indirect participants

that this is a donor driven rather than a purely market driven effort. In the case of both indirect participants and indirect beneficiaries, there may be some difficulty in getting them to provide the information as they have no formal ties with the facilitator.

Some practitioners assume that increases in enterprise income will translate into increases in household income and improved well being, so there is no need to focus on the household. Establishing this link, and using enterprise income as a proxy measure for household income, would be a more acceptable approach for some practitioners. Unfortunately, at this point there is no data to support this correlation between household income and enterprise income.

Issues of program participation will affect the ability of practitioners to accurately sample their beneficiaries during the testing process. In the AMAP/BDS impact assessment discussed below, no programs were doing impact assessment using rigorous sampling methods. Some market oriented programs are able to produce participant lists, for example smallholder farmers, which could be used to develop a sampling frame. However, those lists will not include the indirect participants or indirect beneficiaries. In the case of the Kenya BDS program, agrochemical retailers will be asked to produce a list of their clients in order to include indirect beneficiaries in the sample for a new longitudinal impact assessment.

Sampling of BDS program will also be affected by the resolution of the debate regarding assessment of new vs. existing clients. In programs focusing on firm growth, firms may join the program and stay with it for the duration of activities, meaning there will be few “new” clients after the first year. BDS records also may make it difficult to pinpoint exactly when a firm or client joined the program. In some cases their ultimate decision to participate may not be known until the end of the program. For example, FINTRAC runs a program of demonstration farms for improved mango tree varieties. It won’t be until the end of the program that FINTRAC can assess how many local smallholders have decided to plant the new variety of mango trees. For baseline data, FINTRAC and other programs sometimes sample the village or target community as a whole, participant impact can then be judged against the community baseline.

## **Recommendations**

- At the outset of BDS programs, practitioners along with their USAID counterpart will need to define the level of outreach that will be assessed. When indirect beneficiaries are included, the criteria for outreach will have to be defined. Will it be enough that they have received information, or will they have to have used that in some way, such as using a new seed variety, selling to an exporter, regularly listening to a radio program. Including indirect beneficiaries will likely increase the poverty outreach of the program, but may include additional costs in terms of identifying beneficiaries and collecting their data. It is important to note that from a poverty assessment perspective, programs would only need to identify that their activities reach the beneficiaries, not to what extent the beneficiaries benefit from the activities, although it would seem reasonable that USAID would expect the same population to be used from impact assessment as is used for poverty

assessment. And of course the challenge of proving impact on indirect beneficiaries is much greater.

- Model the range of BDS programs and provide guidelines for defining participation in different types of programs to ensure consistency. These models should be discussed, debated and vetted with the BDS practitioner community.

## **CURRENT DATA COLLECTION**

As part of the AMAP/BDS Knowledge Generation activities Lily Zandinapour, Jennefer Sebstad and Don Snodgrass have been working to assess current impact assessment methods of BDS programs. Jennefer Sebstad has provided some insight to the poverty assessment project on the data collection activities of BDS programs and the challenges poverty assessment will face.

In general, current BDS implementers have much less experience in rigorous data collection, particularly impact assessment than their microfinance colleagues. Preliminary results from the the AMAP/BDS assessment of impact methods indicate the following:

- BDS programs are often complex. Many evaluations focused on implementation issues, and didn't reach the point of assessing impact.
- Most monitoring systems did not follow through in collecting data systematically. In some cases baseline data was collected but there was little follow-up.
- Most programs did not allocate resources or develop a concrete plan for who was going to collect data.
- Many programs confused performance monitoring systems with impact assessment.
- Practitioners are reluctant to collect data at the household level, preferring to focus on the enterprise.
- Systems for storing and analyzing data aren't good, and resources are not available for these systems.
- Some programs collect good data on bad indicators. In general impact monitoring systems are not strong and have little research indicating their accuracy.
- Programs had weak definitions of their indicators. In many instances indicators were not designed to prove targets were reached. This is particularly highlighted by the fact that most programs had identified poverty alleviation as a goal, but few monitored indicators that would address the project impact on poverty.
- There is very limited emphasis on poverty impacts.
- Many programs have goal statements focused on poverty reduction, employment generation, and/or economic growth, but the evaluations did not focus on impacts at this level.

The evaluation of Chemonics Peru PRA program is an exception in that it offers anecdotal evidence on poverty impacts. Clients and other PRA beneficiaries expressed the view that PRA is contributing to the alleviation of poverty and that this contribution will likely increase over time. NGO representatives also described the positive role that

PRA has contributed to reducing poverty in different corridors. However, their concepts about the nature and magnitude of the project's poverty impacts are quite variable. No quantitative data was being collected to assess poverty impacts.

Many of these findings can be remedied by the fact that USAID will provide practitioners with a tested tools and instructions on how to implement the tool. However, the reluctance to collect data at the household level will remain a valid concern. BDS providers have several concerns:

- The time involved for the indirect participants and indirect beneficiaries may distort the cost of the services received. This may distort the market for the services, as increasing the time cost to the consumer may make the services less desirable.
- As these are market based activities in most cases, indirect participants and indirect beneficiaries may not even realize that they are receiving donor subsidized services.
- As these are market based activities, many practitioners feel that requesting detailed household level data is inappropriate.
- Many practitioners feel income is a valid predictor of poverty, especially if it can be verified by sales figures provided by lead firms.

In part this concern may be alleviated by the fact that the thinking on BDS impact analysis is beginning to focus again on the household as the correct level of analysis. New thinking in impact assessment seeks to understand the causal model along which BDS programs are developed. Once the causal model is understood, practitioners would then determine where along the model is the correct place to measure impact. Again using the Kenya BDS program as an example the level of measurement would be the households growing the fruits in a particular geographic area, though the program works at several levels along the value chain.

**Recommendations.** Recommendations to address data collection concerns include:

- Ensure that tools are available which require minimal time from the household member.
- Recognize the resources required for data collection and storage.
- Explore geographic assessment, which may be particularly useful in communities that receive services such as demonstration farms which make it difficult to distinguish participants from non-participants. As a refinement on straight geographic assessment, explore assessing specific market communities. For example, passion fruit growers operating in the geographic target area. In this way all intended indirect participants and indirect beneficiaries can be captured.