



# Enterprise Impact News

## What is EDIAIS?

The Enterprise Development Impact Assessment Information Service is a new service for DFID and the wider development community. It is managed on behalf of DFID jointly by the Institute for Development Policy and Management at the University of Manchester, and Women in Sustainable Enterprise (WISE) Development Ltd.

Our aim is not only to help Enterprise Development Advisors to design and carry out impact assessments (IAs) but also to help ensure that lessons learned through IAs have an impact on policy development. We will do this by disseminating information and encouraging debate through this monthly newsletter and our web site at [www.enterprise-impact.org.uk](http://www.enterprise-impact.org.uk). Please see page 3 for a description of the site. We hope you will find EDIAIS useful - we welcome your comments, complaints, enquiries and suggestions to [info@enterprise-impact.org](mailto:info@enterprise-impact.org) - please help us to help you to make an impact. ■

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# Enterprising urban development

Theo Schilderman, Intermediate Technology Development Group

The following article summarises a new text on the EDIAIS website called "Bringing the DFID Urban and Enterprise Development Agendas Closer Together".

**Urban poverty is complex with many causes, and solutions demand a holistic approach. How can enterprise development contribute to combating poverty in towns and cities and how can its impact be assessed?**

Key stakeholders include:

- those living in informal settlements
- those who work for, or operate, small-scale enterprises (SSEs)
- community organisations and NGOs
- research and training institutions
- local and central authorities

A thorough analysis of stakeholders' interests will identify the issues to consider when planning enterprise involvement in urban development projects. These may include:

- How can interventions generate more jobs and income for the urban poor?
- How can markets for the informal sector be diversified and enlarged?
- What popular knowledge can be used?
- How can the vulnerability of the informal sector be reduced?

## The informal sector

In many countries the modern sector is contracting due to structural adjustment so achieving growth increasingly depends on the informal sector. SSEs, many home-based and run by women, play a key role in combating urban poverty. Home-based enterprises (HBEs) are flexible and cheap because they can avoid regulation. Other SSEs use communal areas such as pavements or green spaces. These enterprises can harm the environment and health but SSEs can also get involved in waste removal and recycling. SSEs are vulnerable, for instance, to eviction or the imposition of environmental regulations. Some sectors also face market saturation.

## Opportunities and constraints

The private sector is increasingly important in urban development: it may be involved in designing, financing, building and maintaining trunk infrastructure and service networks. This offers great potential for SSEs to contribute by implementing minor works or services and, as subcontractors, using labour intensive methods or community procurement. Enterprise development interventions can help build public- ▶



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private partnerships. For example DFID supports private sector health centres in Nairobi slums.

Building housing also creates jobs in construction and the production of materials. By using the right technologies, every construction job could generate another in producing and supplying materials. Unfortunately SSEs' potential is often untapped due to obstacles such as poor access to land and services, inappropriate regulations and institutions, lack of water, and an inadequate supply of appropriate materials.

### Access to land and services

Residents and small entrepreneurs need security on the plot where they live or work - without the constant threat of eviction hindering investment in their businesses. Poor people, particularly women, often cannot use their property to guarantee loans because they do not hold the legal titles.

The argument that the poor cannot afford improved services is flawed because, when low income settlements are badly serviced, the poor often end up paying a lot more than the better off. If the poor do risk having to leave an upgraded neighbourhood, more earning opportunities should be developed. SSEs often need more power and water and generate more traffic and waste than domestic units; this needs to be recognised when making servicing arrangements.

Many regulations, being complicated and expensive, are hostile to the informal sector. Compliance takes up valuable time which could otherwise be spent productively. Requirements to use modern materials discriminate against local job creation because of the need to import such materials. Zoning restrictions prevent SSEs being legally established in residential areas.

### Environmental sustainability

Pollution caused by some SSEs particularly affects the informal settlements where they are located. Poor sanitation means human waste spills into malfunctioning drains, which also carry industrial waste. On top of that there is often not enough water. The involvement of small local contractors in providing services to these settlements would help. Imposing onerous environmental regulation seldom works; win-win



Susan Taplokoi Maina, Integrated Urban Housing Project, Nakuru, Kenya

Photo: Ziti

solutions are needed which benefit both the enterprises and the environment, for example the application of occupational health and safety principles. Investments in energy saving technologies can lead to lower costs eventually, although sometimes technological innovation will be required.

Poor urban residents and entrepreneurs need transport but, unable to afford motorised versions, usually walk, cycle or use tricycles or pushcarts. These transport services generate employment and are environmentally friendly and their adoption should be encouraged by planners.

### Stimulating innovation

Informal sector growth is constrained by lack of capacity and willingness to take risks and innovate. Business development services (BDS) can help strengthen the sector but cannot stop copycat entrepreneurs causing market saturation. New markets then need to be found and opened up. On the other hand, when markets suddenly expand, local industry may not be able to cope.

What is needed either way is local capacity to innovate, to develop or adapt technologies and to develop and promote new products. This suggests a service different from conventional BDS and possibly not feasible commercially but which might be delivered through NGOs or research institutions, with the ultimate aim of building capacity for innovation locally.

### Impact assessment

How should projects fostering urban enterprise development assess their impact? A number of established approaches can be considered and possibly combined.

The **Sustainable Livelihoods** approach, although developed in a rural context, is now being adapted to urban situations. Obviously there are important urban/rural differences; for example those in urban areas have better access to services and facilities but these require cash. Therefore the reliance on illegal solutions is greater thus increasing the risk of eviction. The urban asset base is different; for example because there is more dependence on cash and less on natural resources there is less chance to reduce poverty by increasing productivity, and housing plays a major role as an economic resource.

Urban development initiatives can be measured against the **Habitat Agenda**. This is an internationally agreed framework and set of indicators relating to shelter, social development and poverty eradication, environmental management, economic development, governance and international cooperation.

The ILO has developed **RASP (Rapid Assessment Surveys of Poverty)** as an inexpensive method to regularly monitor changes in poverty. RASP is particularly geared towards measuring the impact of labour intensive projects and uses community level questionnaires and household level surveys.

**Human Rights** issues are particularly important. Equitable access to credit might be monitored against the existence of appropriate credit guarantees or how income group and gender affect credit allocation.

The urban context is dynamic and projects deal with many different issues. The temptation to respond with meticulous planning and setting detailed outputs and indicators should be resisted. Too much detail eliminates the flexibility required to meet new challenges and opportunities. Instead, more effort should go into continuous learning and a regular revision of plans. This requires impact assessment to be better integrated within projects. Information about progress towards goals, including consultation with stakeholders, should be collected routinely.

Small scale enterprise could make a huge contribution to fighting urban poverty but the constraints are many and diverse. For the sake of millions of deprived people in towns and cities throughout the developing world this is a challenge which must be tackled. ■

# Recent publications on impact assessment



## **Gender impact assessment in microfinance and microenterprise: why and how.**

*Johnson, S. Development in Practice, Vol 10, No 1 Feb 2000*

This paper offers a brief overview of the constraints women face when taking up and repaying credit, developing their own businesses and responding to policy initiatives. A number of questions are suggested to help understand the way a particular project has approached gender, e.g. what analysis has been carried out of gender relations in the project's specific context? An outline of the different steps involved in carrying out an impact assessment is provided.



## **Impact assessment using participatory approaches; "starter pack" and sustainable agriculture in Malawi.**

*Cromwell, E.; Kambewa, P.; Mwanza, R.; Chirwa, R.; KWERA Development Centre. Produced by Agricultural Research and Extension Network (AgREN) (2001)*

This paper describes how participatory approaches can be used for impact assessment and the kind of information that emerges from such an approach. It is based on a study undertaken as part of the Malawi Starter Pack Evaluation Programme and explores how farmers themselves perceive the concept of sustainable agriculture and how this relates to their livelihoods.



## **Microfinance, risk management and poverty.**

*Cohen, M. and Sebstad, J. Assessing Impact Of Microfinance Services (AIMS), Management Systems International / USAID (2000)*

This paper seeks to improve understanding of the extent to which sustainable microfinance programmes reach poor households and contribute to poverty reduction. It focuses on selected non-income dimensions of poverty, specifically those related to risk, vulnerability and assets. The study points to ways to improve microfinance products, services and delivery

mechanisms. These include matching products, repayment cycles and loan sizes to clients' needs and broadening the range of products and services to include insurance, loans for housing and education and emergency loans. Implications for policy highlight the importance of clients' perspectives in improving impact, the critical relationship between risks facing borrowers and risks to the MFI portfolio, the need for a broader role for financial services to support the livelihoods of the poor and the need for a continued role for donor investment in microfinance products. MFIs featured are in Bangladesh, Bolivia, the Philippines and Uganda. Available from [www.mip.org/componen/aims/pubs/englis/h/wdrsynthesis1.htm](http://www.mip.org/componen/aims/pubs/englis/h/wdrsynthesis1.htm)



## **Measuring transformation: assessing and improving the impact of microcredit.**

*Cheston, S. and Reed, L. Microcredit Summit Journal of Microfinance 1(1): 20-43 (2000)*

This article examines the need for good impact assessment and asks which tools reflect paradigm shifts towards ongoing monitoring strategies. It is suggested that ongoing monitoring can provide trend analysis over time and can be implemented by existing staff. This type of impact monitoring suggests an impact audit as an internal tool of project management. Five particular assessment tools are recommended, analysed and described in detail. The authors conclude that practitioners need to reclaim impact assessment as an essential management tool, that consultants should develop expertise in applying and standardising these tools, that donors should apply funds and expertise to this area and that clients should not be just objects of study but should be users of the data generated.

Available from [www.microcreditsummit.org/papers/impactpaper.htm](http://www.microcreditsummit.org/papers/impactpaper.htm)



## **The impact of group lending in Northeast Thailand.**

*Coleman, B.E. Journal Of Development*

*Economics Vol 60 (1) pp 105-141*

Much of the literature on group lending focuses on its high repayment rates rather than its goal of promoting borrower welfare. Most studies that attempt to measure the impact of group lending neglect the issues of self-selection and endogenous programme placement, thus leading to biased estimates of impact. One reason for this neglect is the lack of data that would allow for identification of impact.

This paper surmounts these problems by using data from a quasi-experiment conducted in Northeast Thailand in 1995–1996. Programme participants were identified in six control villages one year prior to receiving loans. Surveys were then conducted of these "control" members, "treatment" members in eight older programme villages, and nonmembers in both types of village. This survey design allows for straightforward estimation of impact. The results indicate that programme loans are having little impact although "naive" estimates of impact that fail to account for self-selection and endogenous programme placement significantly overestimate impact.



## **The Monitoring and Evaluation of Empowerment: Reviewing the Concept and Practice.**

*Oakley, P. (ed) NGOMPS No. 13*

This book is based on the Fourth International Workshop on the Evaluation of Social Development held in Oxford in April 2000. It comprises a number of commissioned papers by Peter Oakley, Anisur Rahman, Musimbi Kanyoro and Frits Wils as well as papers presented by participants. It also includes presentations from the regions of Southern Africa, Asia, Central America and the Middle East and institutional statements by OFID, SIDA, ActionAid and Cordaid. The book concludes by drawing together participants' perceptions in terms of the current state of practice in the monitoring and evaluation of empowerment. For further information contact [intrac@gn.apc.org](mailto:intrac@gn.apc.org) ■

# The new EDIAIS web site

[www.enterprise-impact.org.uk](http://www.enterprise-impact.org.uk)

**This site has been designed to meet the needs of DFID's Enterprise Development Advisors, and others, for instant access to comprehensive, up to date and relevant information about impact assessment.**

## Overview of IA and ED

Because every project is different there is no easy blueprint for impact assessment. Practitioners therefore need to understand the underlying principles which inform attempts to measure the results of projects and programmes. The Core Text on our site offers a readable overview of the subject in the context of enterprise development and the main issues and methodologies associated with it.

## Information resources

Under Case Studies, you will find a collection of clear and accessible reports on particular impact assessments carried out across a range of relevant projects. Much useful information can be gleaned from these - they illustrate many of the difficulties and constraints in this

type of work and demonstrate some possible solutions. We hope to collect information on many more such case studies and eventually to make summarised information available via an on-site database as well as through reports.

On the Applications Guidance page are a number of papers which look in more depth at specific applications of good practice in impact assessment to different types of projects. e.g. Fair Trade, Business Development Services, Rural Enterprise and Regulatory Impact Assessment. Future papers here will include Innovations in Micro Finance and Strategic Impact Assessment Methodologies.

In our Toolbox is to be found more information about methodology. We look at the Project Management Cycle, Stakeholder Analysis, Quantitative and Qualitative Methods, Participatory Research etc. Forthcoming papers include Selecting and Using Indicators, Social Auditing, and Questionnaire Design.

## DFID's approach to development

Here we consider enterprise development's contribution to DFID's

Target Strategy Papers. Currently this includes papers on Human Rights, Sustainable Livelihoods and Making Markets Work Better for the Poor. Soon we will be adding papers on urban development, the water crisis, health and education.

## Additional resources

These consist of a glossary of acronyms and organisations and a listing of useful web sites.

## Enquiry desk

## Discussion forum

## Feedback

We want the enterprise-impact site to become an interactive information tool - we invite you to comment, make suggestions and raise issues for discussion. We want to feature your case studies, your views on current issues, your experiences of impact assessment (positive and negative) and your ideas on how we can improve our service. For registered users we operate an enquiry point at [info@enterprise-impact.org.uk](mailto:info@enterprise-impact.org.uk). ■

## Web sites

### Microfinance

The web site of the Consultative Group to Assist the Poorest [www.cgap.org](http://www.cgap.org) has an extensive collection of material on microfinance. Click on The Microfinance Gateway to access information on conferences and training, jobs and consultants, newsgroups and mailing lists and a library of 12,000 items (2,000 of which are reviewed).

### African Microfinance

Visit [www.microsave-africa.com](http://www.microsave-africa.com) to find out about MicroSave-Africa, a unique project that promotes the development of savings and other more client-responsive financial services among MFIs in Africa. The project combines primary level field research with the poor, action research with MFIs, curriculum development and information dissemination.

### Monitoring and evaluation

MandE NEWS at [www.mande.co.uk](http://www.mande.co.uk) is a news service focusing on developments in

monitoring and evaluation methods which are relevant to development programmes with social development objectives. The site includes Work in Progress, New Documents and Web Sites, Newsletters and Journals, an Open Forum and contacts for M&E practitioners and academics. Updates by email are available.

## Conferences

### Shifting gears in women's enterprise, University of Durham UK

10-12 September 2001

The aim of this international conference is to bring together professionals and academics working in the area of women's entrepreneurship and enterprise development. For details contact Dinah Bennett at [dinahbennett@durham.ac.uk](mailto:dinahbennett@durham.ac.uk)

### Emerging good practice in business development services, ILO

10-14 Sep 2001 Turin, Italy

Discuss the opportunities and challenges with many people doing pioneer practical work and hear perspectives from funding

agencies, host governments, enterprises and others. For details contact Jim Tanburn at [tanburn@ilo.org](mailto:tanburn@ilo.org)

## Courses

### Impact Assessment for Sustainable Development Training Programme, Institute for Development Policy and Management, University of Manchester

Module 1 Environmental Impact Assessment and Economic and Social Appraisal for Development Projects.

17 Sep - 12 Oct 2001

Module 2 Strategic Environmental Assessment and Economic and Social Appraisal for Sustainable Development Planning. 22 Oct - 16 Nov 2001

For details, contact Professor Colin Kirkpatrick at [colin.kirkpatrick@man.ac.uk](mailto:colin.kirkpatrick@man.ac.uk) or phone 0161 275 2808. ■

Enterprise Impact News was produced by Sarah Mosedale, Project Research Officer, as part of the Enterprise Development Impact Assessment Information Service (EDIAIS), which is managed jointly by the Institute for Development Policy and Management at the University of Manchester, and Women in Sustainable Enterprise (WISE) Development Ltd.

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