FROM IMPACT ASSESSMENT TO SUSTAINABLE STRATEGIC LEARNING

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'...Impact assessment studies keep donors happy... we don't use them very much' (director of a large Asian microfinance institution that has received substantial amounts of aid financed IA consultancy and internal IA-capacity building quoted Hulme 2000).

'so we find out that such and such a percentage of people have such and such a minor percentage of improvement in living standards. So what? It does not tell us what to do about it' (participant at Asia Micro-credit Summit)

INTRODUCTION

Impact assessment is now an established part of development activity. There are many guidelines, tools and ' Best Practices ' in different areas of enterprise development. The main focus to date has been on accounting to donors and/or within donor agencies for particular project and programme investments in preference to others. More recently there has been increasing concern with the role of impact assessment in improving programme effectiveness through innovations in stakeholder participation and practitioner-led impact assessment. Currently there has also been growing interest in macro-level strategic impact assessment for developing future policy work. This is becoming increasingly important in the context of sector-wide approaches involving networks and partnerships between governments, donors, NGOs and other stakeholders. These require not only much better project and programme-level strategic[1] assessments but also strategic sector-wide assessments

The demands and expectations currently being placed on impact assessment mean that there is now a need to move on from one-off external 'policing' exercises to assessments which:

- are capable of **capturing the complexity** of impacts of enterprise interventions. This includes impacts over a range of development goals, different stakeholders, particularly the very poor, at different levels: not only individuals, enterprises and households but also markets, communities and institutions and over different time frames.

- not only measure outcomes but **make useful recommendations** for

[1] In this paper the term ' strategy ' is used to imply an explicit attempt to design an intervention to achieve an explicit development goal. Strategies are required at all levels: projects, programmes and macro level policy and ' strategic plans ' are produced at all these levels. In this paper the term 'Strategic Impact Assessment' refers to assessments which not only assess the degree to which existing strategies achieve their goals at any of these different levels, but also assess the options for strategic improvement. This usage differs from that in some other papers where Strategic Impact Assessment refers only to macro level policy (e.g. Lee 2002). These are here referred to as macro-level or sectoral strategic impact assessments.

increasing the development contributions of enterprise interventions. Impact assessment is then not an additional extra cost, but becomes an integral part of project, programme and/or policy development.

- **contribute to the setting up of sustainable learning processes** between stakeholders. The impact assessment process should develop sustainable networks and partnerships to increase learning and capacity at different levels. These will decrease the costs of future impact assessments, increase the long-term accountability of the development process and contribute to pro-poor development itself.

In particular impact assessment will inevitably require:

- **stakeholder participation,** not only of donor communities, 'local' representatives and programme staff, but particularly of the poorest and most marginalized. This is essential not only for the reliability of the information collected but also for ensuring that the right questions are asked in the right way and to ensure downward accountability in the implementation of any recommendations.

This paper builds on the paper by Norman Lee on Strategic Impact Assessment and Enterprise Development on this website and other tools and papers by the author to argue that addressing these challenges has implications not only for:

- impact assessment **methodologies**: the ways in which they are integrated and areas where innovation is needed

and

- impact assessment **processes**: the ways in which they are designed, implemented and disseminated

but also for:

- **institutional relationships:** nature of stakeholder participation in design, implementation, analysis and dissemination of the impact assessment process, linkages between impact assessment and decision-making, the types of skills and incentives required, and the ways in which partnerships and networks are set up and managed at all stages and levels.

Innovations are taking place in all these areas. Here it is argued that addressing these challenges also implies a shift in thinking in the funding and assessment criteria for impact assessment itself, particularly the role of external 'expert' assessments. These will need to focus, not so much on assessing impacts of existing or proposed interventions at particular points in time, but on setting up and facilitating ongoing learning processes between stakeholders. These learning processes would be linked directly into strategic decision-making in projects, programmes and policies and ensure downward accountability in implementation. In this way impact assessment will not only yield more reliable, relevant, credible and useful information but also be an integral part of the development process itself, contributing to pro-poor growth and development of civil society.

Part 1 of the paper summarises the enormous challenges faced by impact assessment in view of our increasingly sophisticated understanding of livelihoods, poverty and enterprise intervention processes. Part 2 summarises the key questions which need to be asked when drawing practical conclusions and making recommendations for strategic improvement. Part 3 outlines the different levels at which information can be collected and brought together building on existing information systems and research. Part 4 discusses the difficult institutional and methodological challenges posed by stakeholder participation which need to be addressed in order to use participants' skills and time cost effectively and ensure downward accountability. Part 5 then summarises the potential roles for externally funded assessments which could initiate or strengthen the strategic learning process.

BOX 1: QUESTIONS WHICH IMPACT ASSESSMENT MUST BE ABLE TO ADDRESS

What is happening? What is the range of positive intended impacts? What is the range of unintended negative impacts? Are there any unintended positive impacts?

To whom is it happening? How do positive and negative impacts differ between groups of intended beneficiaries? What is happening to non-beneficiaries, particularly the poorest women and men who may be excluded from the intervention?

Why is it happening? Are impacts due to opportunities, constraints or risks offered by the economic, social or political context? Because of the intervention? Because of any particular features of the intervention? Despite the intervention, because of strategies of beneficiaries and/or other stakeholders?

What can or should be done about it? Which of the positive impacts can or should be increased or replicated? Which of the negative impacts can or should be avoided? For whom? What is the range of practical options?

How can accountability of any recommended changes be assured? How is implementation of any recommendations to be assured? How is it to be monitored? By whom?

SECTION 1: ENTERPRISE DEVELOPMENT AND PRO-POOR GROWTH: ACKNOWLEDGING COMPLEXITY

Understandings of poverty, and hence of the potential role of enterprise development in poverty reduction, have now moved on from simple measures of increases in market incomes. The development of sustainable livelihoods essential to poverty reduction involves not only growth of assets, income and consumption but also empowerment, greater equality and increased security. It involves interventions not only at the individual and enterprise level, but also to promote gender equality within households, market inclusion, sustainable communities, participation in political decision-making and environmental sustainability. As discussed in more detail elsewhere in this website, and summarised in Appendix 1, enterprise development has the potential to contribute to a wide range of development goals. At the same time, unless this range of impacts is explicitly taken into account, enterprise development can also have negative impacts on all these development goals.

<u>What is poverty? What is poverty reduction?</u>

Poverty must be seen as a diverse, complex and dynamic process. It involves low human development, income and consumption, and is characterised by inadequate access by the poor to assets, and return on these assets - human, financial, social, physical and natural. The poor are also vulnerable. Their income and consumption are variable and subject to shocks, yet they possess few means of managing this risk. As a result the poor can move into and out of poverty in response to relatively small changes in economic conditions. Finally, poverty can result from - and contribute to - exclusion from social, political and economic processes (including markets). A particular feature here is the exclusion of groups defined in terms of their gender, class, ethnicity and caste.

If measurable reductions in poverty are to be achieved, progress will need to be made across a range of areas:

- Growth of assets, income and consumption
- Empowerment of the poor, enabling them to influence the structure of operations of public and private institutions
- Greater equality of opportunity for poor people to build up their assets and generate livelihoods
- Security, to counter physical and economic vulnerability that drives people into poverty or threatens the sustainability of their exit from poverty.

Making Markets Work Better for the Poor: A Framework Paper, DFID Nov 2000

There is also an increased understanding of the complexities of pro poor enterprise development. On the one hand it is clear that 'trickle down' from economic growth cannot be assumed. Enterprise development which does not take into account the needs of poor people may have an adverse impact on poverty, further marginalising poor people within markets, reducing employment through technological development and so on. Pro poor enterprise development does not however necessarily mean micro enterprise development. Micro-level micro enterprise projects may reach only limited numbers of people and also exclude the very poor. Very poor people may wish to have more stable employment from medium and large-scale enterprise rather than the insecurity of micro enterprise. In many contexts macro-level factors like enterprise regulation, levels of inflation, infrastructure development or changes in property legislation may be more significant in influencing the income levels and vulnerability of poor people than enterprise projects or programmes. This means that impact assessment will often need to go beyond the level of individual projects and programmes to be able to compare the development impacts of a range of different levels and types of enterprise intervention.

The complexity of impacts also means that impact assessment must not only include direct and intended beneficiaries of any particular intervention. Poverty-targeted interventions must assess the effectiveness of poverty targeting. They must also assess impacts on those very poor women and men who drop out or who are excluded. There may be positive or negative implications for poor women and men of non poverty-targeted interventions aiming to stimulate medium and large-scale business. Research has increasingly shown that interventions explicitly or implicitly targeting women or men as individuals will have positive or negative impacts on other household members: spouses, children, the elderly and others. Assessing the differential impacts on a range of stakeholders is particularly crucial for macro level policy changes like regulatory frameworks.

As discussed in other papers on this site, these questions are extremely complex even at the level of individual projects and programmes. Careful and focused integration of quantitative, qualitative and participatory methodologies is needed in order to cost effectively capture the complexity of impacts on different development goals and different stakeholders. The current emphasis on sector-wide approaches poses particular challenges. Here assessments must not only:

- ***Compare the relative impacts*** between different types of strategy and intervention

But also:

- ***Assess the combined impacts*** of a range of potentially mutually reinforcing or conflicting interventions

In this case impact assessments will of necessity be relatively large scale, costly and involve collaboration between different agencies.

In order to justify diversion of resources to impact assessment, such assessments must not only yield credible information on impact, but also:

- yield credible and realisable practical conclusions and recommendations
- feed these conclusions and recommendations into the decision-making and implementation process
- identify and where possible set up structures for ongoing monitoring and evaluation of implementation of the conclusions and recommendations to lead into the next cycle of assessment and planning.

The complexity of the types of strategic questions and practical issues which impact assessment must address are illustrated by the two examples in Appendix 2: strategic choices in enterprise development for women in Bangladesh and investigating the impacts of moves towards cost recovery and financial sustainability in micro-finance and business development services.

SECTION 2: FROM 'PROVING IMPACT' TO STRATEGIC LEARNING FOR 'IMPROVING PRACTICE'

In order for impact assessments to produce credible and realisable practical conclusions and recommendations they must explain two interlinked but different types of question:

1) Why particular impacts are occurring for particular stakeholders

2) What can or should be done to increase desired impacts and avoid negative impacts

It is possible to more fully address practical concerns through improvements in assessment design. As discussed in detail in other papers on this website, there are ways of integrating these questions into existing methodologies through clear identification of indicators, more purposive use of sampling methods, including specific questions in surveys, interviews and participatory exercises and explicitly investigating hypotheses in analysis of the information. Answering these questions does however also have implications for the assessment process and institutional relations.

Many impact assessments to date*,* even where they have rigorously assessed the types of impacts occurring and how these differ between stakeholders, have been weak on explaining why particular impacts have occurred. This is partly because of inadequate attention to methodological issues in addressing these questions. It is also because of inadequate sophistication in the underlying **model of causal change** used. Development interventions are often only a small part of the factors involved in the process of change. Both positive and negative changes may take place despite, as well as because of, any particular intervention.

Impact assessment must include detailed **contextual analysis** of opportunities, constraints and risks affecting stakeholders. This includes the market and broader economic context including the range of other economic interventions affecting stakeholders, the social context e.g. gender and ethnic relations, the legal context e.g. property legislation and efficiency of law-enforcement, the political context e.g. the degree of political stability, levels of corruption and local level decision-making processes, the environmental and material context and how this affects livelihood security, health, seasonality of income and expenditure and so on. This contextual analysis must take place at different levels: individuals, households, enterprises, local communities, national and international contexts.

Impact assessments must also include a **detailed analysis of the design** of the particular intervention involved. This must cover not only general details and goals but also an in-depth analysis of which particular aspects of the intervention may lead to which particular impacts. For example microfinance programmes may introduce a range of different policies for financial sustainability, each of which may have different implications for impact (See Appendix 2). This analysis must also cover the details of how the design of the intervention relates to its actual implementation: how and why has it been adapted over time to address opportunities and challenges, how effective is implementation and why. This is crucial to identifying whether particular impacts are due to the original goals and strategies used which may need to be modified, or shortcomings in implementation which might need to be improved.

Finally the outcomes of development interventions depend largely on the **aspirations, resources and strategies of intended beneficiaries and other stakeholders**. Their responses to contextual opportunities, challenges and risks and to particular dimensions of the intervention are crucial. This includes not only actual services and support given, but also perceptions of the aims and goals of the services and support. Enterprise interventions may be responding to immediate practical perceived needs of the intended beneficiaries e.g. need for credit. In other cases they may be going against established expectations e.g. offering loans when people are expecting grants. The impact of a microfinance programme in these two cases is likely to be very different. Equally importantly, aspirations, resources and strategies are likely to differ between different stakeholders leading to different outcomes from the same intervention.

At all these levels there will need to be an awareness of **power relations** between and within different stakeholder groups: between different types of beneficiary (e.g. women/men, the better-off poor/poorest) between and within implementing agencies (NGOs, donors, different departments) and between agencies and beneficiaries. Power relations in the broader context e.g. local political structures, inequalities within households will affect both beneficiaries and staff in development agencies. Power relations will also inevitably affect the impact assessment process itself.

It is also important that impact assessments take into account **time factors**. Contexts, organisations and stakeholder aspirations, resources and strategies are not static. Many changes start slowly and almost imperceptibly through the actions of a very few people. It is only when they become part of 'the done thing' that changes may rapidly become widespread. It is important therefore that assessments are able to identify negative or positive trends which may be only small or affecting particular stakeholders, but which may spread very rapidly after a certain point in time. This is likely to be crucial in assessing the feasibility or desirability of any recommendations made on the basis of existing impacts.

Understanding **why particular impacts** are occurring is necessary, but not sufficient to produce credible and realisable recommendations for improvement. This requires detailed consideration of **the range of options for practical change**. It may or may not be possible to increase the intensity of positive impacts (e.g. increase the level of increases in incomes and assets) or decrease the level of negative impacts. It may or may not be possible to extend benefits to other stakeholders, e.g. the poorest, through modifications in programme design specifically adapted to their needs. It may or may not be possible to increase the benefits through replication and expansion of the programme to make a greater contribution to the local economy. It may be that considerable lateral thinking is needed to identify possible complementary services or support, or even a very different type of intervention.

The answers to these questions can be based on the impact assessment, provided this has been able to credibly establish why particular impacts are occurring. The answers will nevertheless inevitably depend on the underlying values involved in deciding which particular impacts are desired and which are to be avoided. This will often involve negotiating differences of opinion and conflicts of interest between stakeholders. Identification of strategic options for change will also involve not only objective assessment, but also subjective brainstorming and exploration of potential areas of innovation. In some cases this can be based on experience and evidence from interventions elsewhere. In many cases, however, rigorous assessments of such interventions will not exist. Moreover any attempts at replication are inevitably tentative and exploratory. Difficult decisions will have to be made as to which areas of innovation are worth pursuing, particularly where these may involve costs and risks.

Again in the context of sector-wide approaches and macro-level policy these questions must be asked in such a way as to be able to:

- ***Compare the practical implications*** of observed differences in impacts between different types of strategy and intervention

- ***Assess the practical strategic implications of combined effects*** of a range of potentially mutually reinforcing or conflicting interventions

- ***Assess the strategic implications for complementary roles of different stakeholders***

BOX 2: INCREASING PRACTICAL RELEVANCE

WHY ARE IMPACTS OCCURRING? INVESTIGATING CAUSAL CHANGE

What opportunities, constraints and risks are offered by the context of the intervention?

- economic, social, legal and political context of the intervention
- at different levels: individual, enterprise, household, community, national, international
- for different stakeholders: women/men, the poorest/the better off poor, geographical location, different ethnic groups etc

Which development impacts is the intervention specifically designed to address?

- what are the development goals of the intervention as a whole?
- which particular aspects of design of the intervention are expected to lead to which particular impacts?
- in each case what is the model of causal chain/s being used?
- are particular impacts caused because of the particular design of an intervention or factors in its implementation?

What are the aims, resources and strategies of different stakeholders?

- how do these affect their responses to contextual opportunities, constraints and risks?
- how do these affect their response to different intervention strategies?
- the aims and aspirations of different stakeholders

How do power relations affect impacts at different levels?

- at beneficiary level e.g. between women and men, different ethnic groups, different income categories?
- between implementing agencies e.g. different donors, government departments, NGOs?
- between beneficiaries and implementing agencies?

What are the likely changes and trends over time?

- what opportunities, constraints and risks are presented by the context?
- how far is organizational capacity capable of addressing these?
- what are the likely changes and trends in stakeholder aims, resources and strategies over time?

WHAT CAN BE DONE? : INVESTIGATING OPTIONS FOR IMPROVEMENT

- which positive impacts should or can be increased? Which negative impacts need to be minimised?
- which positive impacts should or can to be extended to other stakeholders, particularly the more disadvantaged? For which stakeholders do negative impacts need to be decreased?
- does this imply expansion of existing strategies to new beneficiaries or to new areas?
- does it imply more effective implementation of the same intervention strategies?
- does it imply modification of existing strategies to change the type of impact, or address the needs of particular groups?
- does it imply other complementary services or interventions?
- does it require a different type of intervention altogether?

SECTION 3: FROM ONE-OFF ASSESSMENT TO SUSTAINABLE LEARNING PROCESS

Impact assessment is inevitably complex and potentially costly if it is to credibly address the inherent complexities of the development process and ensure realisable practical conclusions and recommendations for strategic improvement. This is particularly the case for large-scale impact assessments which are to be used in donor policy formation in sector-wide approaches.

The shift from project level assessment to strategic impact assessment offers the opportunity for a much more co-ordinated and ongoing learning process between stakeholders. This does not necessarily require more funding than the sums currently allocated to such large-scale assessments. Rather it requires a more strategic approach to linking any one assessment into such an ongoing learning process. Impact assessments would build on, improve and increase capacity for ongoing systems for collecting information at different levels. These would include:

NGO and government project or programme-level monitoring and evaluation. The basis for a strategic learning system would be the routine data which is collected by those involved in development implementation: NGOs, government staff and others. Most enterprise interventions involve filling in forms of various types: licence registration, loan or training application forms, membership forms for Fair Trade Organisations and so on. Training programmes are often very rich sources of information about the situation of trainees who are being asked to analyse their businesses. The staff of microfinance institutions are often required to keep records of various types, including minutes of meetings. This information is collected for the whole population of beneficiaries and is often in any case collected more than once e.g. licence renewal, new loan application and so on. It is obviously important not to bring about information overload. Nevertheless in many cases forms could be better designed in order to yield data in areas like poverty targeting, baseline data on incomes, assets, education and so on without increasing length or cost. This information could be systematised and collated for analysis, improving both the training itself and the information base. These could be streamlined to focus on particular issues. Even the routine financial data kept in microfinance programmes could be analysed to get a better idea of things like incidence of repeat loans or extent of drop out for particular social groups and so on.

Donor reviews and evaluations Donors routinely conduct project and programme reviews and evaluations. These are generally very expensive exercises employing highly skilled consultants. Many of these reviews and evaluations also look at Monitoring and Evaluation and Management Information Systems. However the general lessons learned either about impacts or Information Systems are rarely brought together as a learning resource in donor agencies. Without unnecessarily extending consultancy length, Terms of Reference could include more systematised questions about both impacts and Monitoring and Evaluation. Consultants could also be asked to make cumulative recommendations about Information Systems, ways of improving indicators and stakeholder representation, organisations for networking and exchanging information and so on. Relevant information could be fed into a donor database as an information resource.

Research programmes in research institutes There will be specialist questions which require skilled research, rather than routine surveys. Some enterprise interventions have made successful long-term linkages with local research institutes. Students are often looking for organisations with whom to work for dissertations and can be well supervised by University staff free of cost to the organisation. Such linkages both improve the quality of dissertations and contribute to practical learning.

Grassroots learning. Participatory methods have been used in large-scale comparative assessments of poverty, as for example in World Bank research in the mid-1990s which brought together the voices of 40,000 poor people in 50 countries and was then repeated for half that sample in the late 1990s. More recently participatory methods are being developed for market research and to enable poor women and men to collect and analyse their own information on issues important to them on an ongoing basis. These include methodologies for use by women's groups in microfinance programmes for women entrepreneurs to record their business activities as part of Business Development training, diaries for community planning.[2] These methodologies

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[2] For details of developments in market-research see Copestake and particularly the work of Micro save Africa www.microsaveAfrica.com. For details of internal learning systems see

for grassroots level collection and analysis of information could be further developed and adapted to the needs of different types of enterprise programme. They obviously work best in programmes based on participatory management like some Fair Trade Organisations and some microfinance NGOs which hold regular group meetings. Minute-taking could be re-designed to an easy-fill format depending on group interests to record particular problems, lobbying activities, cases of domestic violence and so on. In all this it is crucial that people are supported in setting their own learning agenda rather than being used as unpaid data collectors. However this information can provide invaluable contextual information on areas like livelihood patterns, production techniques, power relations, markets, gender relations, and institutional relations.

Networking and information exchange between donors, programmes and grassroots organizations. Some dimensions of impact assessment like contextual information do not need to be collected for all programmes separately but could be jointly commissioned and shared. This relates particularly to contextual information and macro-level impacts. Networking would also enable cost-effective broad coverage of different programmes and contexts.

BOX 3: DIMENSIONS OF EXISTING INFORMATION COLLECTION WHICH COULD BE BUILT ON

	Existing types of information collection	**Possible amendments**
Programmes/projects/NGOs	- Beneficiary application/exit forms and financial data in microfinance - Training application forms, workbooks and exercises from training programmes themselves - Market feasibility studies	- to include indicators which can be used for baseline and cohort analysis - more focused analysis of existing databases
Government departments	Licensing forms Statistical surveys Application forms for various types of support	- to include indicators which can be used for baseline and cohort analysis - more focused analysis of existing databases

Noponen 2002 and for networking and lateral learning see Dand 2002 forthcoming. For a review of participatory methodologies see ActionAid 2001.

International donors	reviews evaluations	- to provide a 'troubleshooting' function, assessing the reliability of the existing information systems - to look at different structures for learning and information exchange and how they could be built on - capacity building for ongoing M and E based on this analysis
Research Institutes	BA, MA PhD theses External impact assessment for donors or governments	to be targeted to practical work with enterprise development organisations where agreed with the student involved
Grassroots	Group meetings Community-level planning processes	- to be simplified and include contextual analysis and planning dimensions of interest to participants

SECTION 4: FROM TOP-DOWN 'POLICING' TO MUTUAL ACCOUNTABILITY: CHALLENGES OF STAKEHOLDER PARTICIPATION

A change is needed in the institutional relationships involved in impact assessment. Although impact assessment is a crucial learning tool at all levels, it is often (in many cases wrongly) perceived as a donor-driven 'policing ' activity. This is partly because of the earlier emphasis on ' proving impact ' and the role of impact assessment in donor accounting for use of funds. This has meant that those stakeholders with less power in the process are often rather defensive.

The consequences of this perception of impact assessment as a ' policing ' exercise which only captures achievement to date often means that vested interests come into play. Respondents often do not see the point in the assessment, particularly if the same exercises are repeated over and over again in order to get baseline, during and after data. They are therefore often anxious to get the questions over as quickly as possible and the giving of false information is common even on apparently straightforward questions (See for example Case Study of Self Help Development Foundation). Those doing the investigation itself perceive it as a mechanical exercise. Staff in the implementing organisations are concerned to emphasise the positive findings and gloss over the negative ones. In donor agencies the staff concerned with that particular project or policy may be unwilling to take note of uncomfortable truths because it reflects on their own judgment.

This is not however in many cases the fault of any of the people involved, but the ways in which the impact assessment is conceived and set up. Programme beneficiaries or those affected by development interventions are generally intensely interested in improving the services to which they have access or the policies which affect them. Staff in NGOs and government are often keen to increase their job satisfaction by knowing that they are providing a good service and/or to understand why negative impacts are occurring and how to improve. Staff in donor agencies and government are also genuinely interested in increasing the development contribution as well as the cost effectiveness of the assistance they provide.

Where impact assessment focuses not so much on ' proving impact ' but ongoing strategic learning, it has the potential to contribute to building and strengthening partnerships between donors, local development practitioners in government and NGOs. Where it makes effective use of participatory methodologies and building grassroots capacities for exchanging and disseminating information, it also has the potential to increase the downward accountability of interventions to the very poor.

This does however require an openness on the part of the different stakeholders to requirements of mutual accountability. In particular it requires the setting up of structures for ongoing monitoring of changes. Impact assessment must not only make practical recommendations. The implementation of these recommendations will also require in their turn to be monitored. Unless this is the case, any recommendations may remain on paper only. Even where impact assessments are mandatory and rigorous, without adequate structures for ongoing monitoring, they may fail to lead to improvements in development practice. A prime example is the experience of Environmental Impact Assessment in the US and elsewhere.

The Gap Between Assessment and Practice: Experience of US National Environmental Policy Act (NEPA) 1969

NEPA was introduced because of a recognition that some significant environmental problems in the USA resulted from actions by the US government itself and the mission statements of different agencies did not force them to account for the adverse environmental impact of their actions. In 1969 NEPA required all federal agencies to consider the environmental impact of their decisions and produce an 'environmental impact statement '. However although NEPA and the environmental assessments to which it led, did influence policy, the law has also been criticised for establishing ' little more than a bureaucratic exercise that requires federal agencies to complete paperwork they subsequently file and ignore ' (Fogelman 1993) because EIA is not well integrated into decision-making and implementation:

- EIA occurs at the project level but not at the policy or programme level where decisions are made that foreclose some types of project alternatives
- EIA serves largely to suggest mitigations for a project already selected
- Proponents generally do not undertake an EIA until after a project is well-defined and there's a high likelihood that will be funded and approved
- Cumulative impacts are not assessed frequently
- Public participation is often inadequate
- Proposed mitigations may not be implemented
- Post-project monitoring is rarely conducted
- Risk and Social Impact Assessments are generally omitted

Source: Vanclay and Bronstein 1995

This is not to say that stakeholder participation is without pitfalls which will need to be addressed. In most contexts there is no 'ideal enterprise intervention'. Impact assessment will involve weighing up the relative trade-offs of different types of intervention. It will also inevitably involve political decisions about whose interests are to be prioritised. Impact assessment therefore needs to identify also the potential opportunities and constraints for implementation of any practical recommendations made. As far as possible it must also work towards acceptance of such recommendations by the different stakeholders and identify any conflicting interests which will need to be borne in mind[3].

SECTION 5: CHALLENGES FOR THE FUTURE: SUMMARY GUIDELINES FOR EXTERNALLY-FUNDED IA

This broader learning process indicates some changes in the role of externally-funded impact assessments. It requires not only **'better science'** and **'better art'** (Hulme 2000), but also '**better communication**' and '**better partnerships'** at all stages of the learning process.

The mainstay of any external IA should be ongoing donor, practitioner and grassroots-led learning processes which directly feed findings into strategic improvement. This requires involvement of management and field staff in the design and implementation of monitoring and evaluation systems, decentralisation of information collection and analysis and/or effective systems for dissemination of information from Monitoring and Evaluation departments back to management, field staff and beneficiaries.

Nevertheless for external credibility, including accountability to donors, there is inevitably a continuing need for external assessment using a combination of quantitative, qualitative and participatory methods:

[3] For a discussion of the importance of participation and negotiation see IDS 2001; Johnson and Wilson 1999.

- Project and programme level data would need to be cross-checked by external auditors to prevent it becoming (or being accused of being) a promotional propaganda exercise.

- Grassroots information and information from individual programmes involved in networks would need to be cross-checked, collated and analysed in order to be communicated outside the programme where necessary.

- There would also be issues which might interest donors but which are not a priority for either programmes or clients.

However external impact assessments would focus not so much on conducting a one-off large-scale impact assessment themselves but rather setting up sustainable learning processes through identifying:

- ***how indicators, stakeholder coverage and practical inferences can be developed*** at programme and grassroots levels

- ***training and capacity-building of the relevant stakeholders*** including local external consultants who could take over external assessment tasks in the long run

- ***issues and practical questions on which periodic in-depth external research might be needed to supplement this information*** for example macro-level impacts or more sensitive dimensions of intra household or community power relations

- ***ways in which ongoing and sustainable structures for information exchange and collaboration between stakeholders can be established*** including collaboration between MFIs, between grassroots groups, between donors and between the different stakeholder groups

- ***issues which would need to be periodically covered in external reviews and evaluations*** and how this information should be collected and recorded by programmes in order to be available and verifiable

BOX 6: SUSTAINABLE STRATEGIC LEARNING: A CHECKLIST OF QUESTIONS

What strategic issues are to be addressed? How are these issues to be decided?

Which stakeholders are to be involved? How are they to be involved? How are potential differences between them in priorities and interests to be accommodated? How are the poorest and most disadvantaged to be included?

What indicators are to be used? How are they to be identified? By whom?

What training/capacity building processes are to be included? For whom? By whom?

What proposals are included for integration of indicators into programme monitoring and evaluation? How realistic are these in terms of time and costs?

What proposals are included for developing mechanisms for grassroots learning? How realistic are these in terms of the skills and literacy levels of the target groups? How sustainable are they likely to be?

What proposals are included for networking and ongoing learning? For whom? How sustainable are they likely to be?

What issues are likely to require external assessment? By whom? How can this be done cost effectively?

There is also a clear need for initial donor funding in:

- setting up and developing methodologies and systems for practitioner-led monitoring
- setting up and developing methodologies and structures for grassroots learning
- research and capacity building of local research institutions and consultancy networks

In the long term however these would increase both the sustainability of programmes/policies and their contribution to development goals. Moreover the assessment process itself would be a sustainable contribution to development.

Addressing these concerns does not necessarily further complicate impact assessment, nor does it necessarily increase costs. Impact assessment is already inherently a complex process. There are many challenges in all assessment methodologies which are often ignored seriously undermining their credibility and usefulness. This is the case even with many high cost comparative assessment exercises. Changing to a focus on sustainable strategic learning has the potential to considerably increase reliability and usefulness of assessment findings as well as decreasing long-term costs. In particular it makes it more likely that the findings and recommendations will be implemented and that such implementation will respond to the needs of poor women and men – the underlying key justification for impact assessment.

APPENDIX 1: ENTERPRISE DEVELOPMENT AND DFID DEVELOPMENT GOALS: POTENTIAL CONTRIBUTIONS AND NEGATIVE IMPACTS

	Potential contribution	**Potentially negative impacts**
Halving Poverty	• Micro-enterprise development targeting the poor may increase the incomes of poor women and men • Enterprise development of all types may increase employment • Micro-finance loans may increase asset acquisition e.g. housing and/or consumption expenditure in areas like education and health • Regulatory frameworks may encourage enterprise benefiting both entrepreneurs and consumers • Business Codes of Conduct and Fair Trade practice may increase wages	• Micro-enterprise support may be ineffective in enabling people to increase incomes and may reach few people • Enterprise support may encourage capital-intensive production • Enterprise support through focusing on business principles may undermine existing social obligations and networks benefiting the poor like interest-free credit arrangements with suppliers or traders • Micro-finance may increase debt in marginal enterprises and/or divert investment into unprofitable savings • Micro-finance may increase pressure for expenditure on social obligations • Regulatory frameworks may discriminate against poor entrepreneurs
Human Rights	• Fair Trade and Business Codes of Conduct may promote human rights • Micro-finance services may enable people to access their rights in areas like education and health • Business support for enterprises serving peoples' basic needs • Group-based savings and credit programmes which provide a focus for local and national-level organisation for lobbying	• Enterprise development does not necessarily address rights issues • The focus on cost recovery in enterprise support may increase economic and social exclusion of the very poor from markets and services • The focus on cost recovery in enterprise support may cut training and other activities supporting human rights • Regulatory frameworks which do not take rights issues into account may undermine the rights of the very poor

	and development of participatory processes • Regulatory frameworks which increase the accountability of businesses and microfinance providers	
Women's Empowerment	• support for women's enterprises may increase women's incomes and control over income • Fair Trade and Business Codes of Conduct may promote gender equity • training and/or micro-finance programmes may increase women's control over household assets and/or role in decision-making in household economic activities • micro-finance services like pension provision decrease women's long-term dependence on their families • group-based micro-finance programmes which provide a focus for local and national-level organisation on gender issues (e.g. SEWA) and/or leadership training	• enterprise development may increase pressure on women to take up low-profit activities and increased work burden • regulatory frameworks may not take account of women's different patterns of access to and control over business resources and may further disadvantage them • Fair Trade and Business Codes of Conduct may in practice ignore gender issues • micro-finance may increase women's debt and/or women may be used by men as a conduit for loans or loan officers • micro-finance groups may increase pressure on women's existing networks for loan repayment
Urban Develop ment	• micro-finance and BDS for urban enterprise or housing • group based micro-finance programmes provide a focus for organisation on informal sector workers • regulatory frameworks to encourage urban enterprise	• increased saturation of markets through too many borrowers • the poorest may be excluded and/or further disadvantaged by micro-finance and/or BDS and/or regulatory frameworks
Environment	• support for environmental enterprises e.g. waste recycling (see SEWA) • environmental	• expansion in polluting enterprises will degrade local environments • loans may be used for purchase of pesticides

	regulation of enterprise through Fair Trade, Codes of Conduct and/or Business Regulatory Frameworks • environmental awareness incorporated into business support like BDS or micro-finance	and chemicals • a minimalist cost-recovery approach to micro-finance or BDS may cut environmental awareness
Government	• enterprise and business training may include aspects of civic education • group-based micro-finance and/or fair trade programmes may provide a focus for increasing political awareness, development of participatory structures and/or organizational basis for leadership training of grassroots representatives • Direct support for Trade Unions and/or Codes of Conduct/Fair Trade and/or regulatory frameworks including union recognition develops a key constituency in civil society	• enterprise activity and/or savings and credit programmes may detract energies from other forms of local-level organization, particularly for women • enterprise development may actively discourage unionisation • a minimalist cost-recovery approach to micro-finance or BDS may cut civic education
Education	• enterprise and business training may include adult literacy and numeracy • loans or savings services for accessing education • business support for setting up private education services • group-based micro-finance programmes may be combined with literacy (Action Aid-Uganda and Bangladesh)	• support for enterprise development where both parents work may increase pressure on children to help with household work or production • a minimalist cost-recovery focus in enterprise training and micro-finance may exclude the poorest and lead to cutting literacy and numeracy training
Health	• health benefits of increased incomes • health standards incorporated into business codes of conduct and/or regulatory frameworks and/or eligibility criteria for enterprise assistance	• support for private health care may detract from public sector provision and/or lead to price increases through demand inflation • loan repayment and savings may take funds from necessary consumption

	• enterprise support for private health care practitioners and/or local medical research • loans, insurance and accessible savings for health care • group-based micro-finance or training programmes combined with health awareness, including HIV/AIDS	• loan groups, insurance provision and other types of business support may discriminate against AIDS sufferers and other ill people, thus driving certain illnesses further underground • expansion of polluting businesses will undermine living conditions within enterprises and communities
Water	• enterprise support to providers of water and sanitation facilities • loans for purchase of water technology and sanitation facilities	• increased enterprise or agricultural activity may put more pressure on water resources and/or increase pollution

APPENDIX 2: STRATEGIC CHALLENGES FOR ENTERPRISE DEVELOPMENT

Example 1: Strategic choices for women's enterprise development in Bangladesh

It is now asserted in some quarters in Bangladesh that the development of the textile industry has contributed more to women's empowerment than either micro-finance or fair trade interventions.

Proponents of this view point to:

- the large numbers of women employed
- levels of income earned
- the fact that women often migrate and are therefore removed from the traditional authority structures in the village and community
- micro-finance services, even where they target women, are not necessarily used by women but overwhelmingly finance men's activities
- fair trade organizations only reach small numbers of women
- although some micro-finance and fair trade organizations have an explicit gender policy and empowerment strategy, many do not and replicate and even reinforce existing gender hierarchies between programmes and beneficiaries and within households

Opponents point to:

- the well-documented and widespread occurrence of sexual harassment within the factories themselves and faced by women as they go to and from work
- the poor living standards of women in hostels
- the big gap between incomes earned by women and enterprise profits and hence levels of exploitation
- the replication of gender hierarchies within factories and lack of promotion prospects for women
- the broader impacts of group mobilisation, advocacy and publicity of micro-finance and fair trade organizations on perceptions of women's role in society

Impact assessment must therefore answer strategic questions about:

- whether or not enterprise development for women should focus more on supporting large scale private industry for employment creation rather than micro-finance, fair trade interventions and/or other forms of micro-enterprise development
- whether, as part of private sector development, support for Codes of Conduct and/or Union development are necessary
- whether or not micro-finance, fair trade interventions and/or other forms of micro-enterprise development could be better designed and/or linked with private sector development
- whether different strategies are needed in different areas within Bangladesh and/or for different groups of women

Example 2: Poverty impact of cost-recovery and financial sustainability models in micro-finance and BDS

It is now often asserted that micro-finance and Business Development Services can only make a significant impact on poverty if they are financially sustainable.

Proponents point to:

- the benefits in terms of much greater scale of outreach possible
- the imposition of market discipline whereby clients will not pay for services they do not find useful forcing services to respond to be driven by client needs
- even if very poor people are not covered they will benefit through employment creation and/or development of the local economy and markets

Opponents claim that:

- the focus on cost recovery will exclude many very poor people who cannot pay, including many women who have to get their husband's consent in any case to start enterprises
- through providing services only to the 'better-off' poor, the poorest become even more disadvantaged in local markets
- the enterprises created or assisted may become more capital- rather than labour-intensive and/or target export markets rather than the local economy
- the particular policies introduced to increase cost-recovery and financial sustainability may detract from poverty reduction and other development aims like gender equity

Impact assessment must therefore answer strategic questions about:

- who is being reached and who is being excluded
- what impact services are having on the livelihoods of beneficiaries, particularly poorer beneficiaries
- what impact services are having on markets, households and disadvantaged groups who are excluded
- why these impacts are occurring
- whether it is possible to combine the benefits of cost-recovery with both poverty-targeting and poverty reduction through different strategies for cost-recovery
- whether there may be some beneficiaries for whom ongoing subsidy may be needed
- whether new and different types of programme may be needed
- gender considerations which need to be taken into account in answering all these questions

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