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## Welcome to 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) We hope you will find EDIAIS useful - we welcome your comments, complaints, enquiries and suggestions. Please help us to help you to make an impact.

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# What do we want to know? Selecting Indicators

by LINDA MAYOUX Independent Consultant working with WISE, [L.Mayoux@dial.pipex.com](mailto:L.Mayoux@dial.pipex.com)

*This article is the first of a series of texts that have been commissioned for the EDIAIS Toolbox on practical aspects of undertaking impact assessments, such as how to collect information (about sampling and surveys), why and how to disseminate findings, and using findings for learning and policy improvement. Summaries of these texts will appear in future EINs, with the full versions available on the EDIAIS site; the full version of the article on indicators, summarised below, will be on the site from beginning of Feb 2002.*

**Indicators are needed in order to make the process of investigation manageable. But what exactly are indicators? How do we condense the complexities of reality into a few manageable and measurable indicators? Who should do the condensing? How do we assess the practical implications of the inevitably partial view of reality obtained?**

### The challenge of complexity

Livelihoods are complex. No matter how much quantitative data is collected, it will never be 'completely rigorous'. Even if indicators were devised for all known dimensions of livelihoods and data systematically collected, it is unlikely that these could ever be exhaustive. The relative importance of different indicators and how they are quantified changes over time with market and seasonal variations. The very long questionnaires generated are likely to yield data of uncertain reliability because of gaps in respondent knowledge and interviewee (and interviewer) fatigue. Finally, measuring the impact on direct beneficiaries does not capture broader impacts on the incomes of other poor people in the same households or communities, on local, national or international markets, or national economies.

Any indicators are therefore inevitably partial, selective and subjective. This is as true of economic goals and indicators as it is of social goals and indicators. It is as true of quantitative indicators as qualitative ones. The key tasks are how to make the selection of indicators and their analysis:

- more useful
- less arbitrary
- more accountable.

### Measuring impact goals

A distinction must be made between:

- *Impact goals:* i.e. *what* is to be assessed. These may be broad goals like 'poverty alleviation' or 'empowerment' or narrowly specified goals like 'increased cash incomes' or 'increased role in major household economic decisions.'
- *Indicators:* i.e. *how* it is to be assessed or measured. These are more specific questions e.g. wage levels over time, who made decisions over land purchase. Indicators are generally context specific and/or differ between stakeholders.

These obviously exist on a continuum. Narrowly specified goals are



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frequently used as broad indicators. Where the boundary between the two should be drawn in any particular assessment will vary, and may also change somewhat over time.

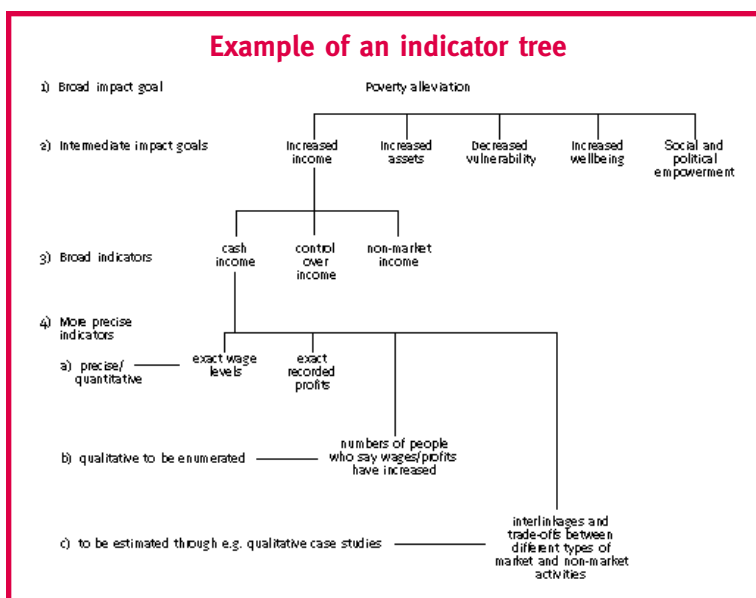
Nevertheless, failure to distinguish between impact goals and indicators leads to some common misconceptions. Particular quantitative economic indicators are often incorrectly assumed to 'prove' impacts on broader development goals e.g. increased household

cash incomes or enterprise profits are taken as proof of positive impact on poverty reduction. But they may merely indicate a shift from diversified and ample subsistence to narrow dependence on low cash incomes because of e.g. increased landlessness. Some impact goals e.g. women's empowerment are assumed to be so context-specific that indicators cannot be devised for assessment. However broad goals like empowerment are no more context-specific than goals like poverty reduction. It is just as possible (and inherently challenging) to derive useful and locally relevant quantitative and qualitative indicators.

### Indicator trees

One way of thinking about and deriving indicators is to develop 'indicator trees' starting with broad impact goals. Branches then fork at different levels which become progressively more specific. The advantage of using an indicator tree as an aid to thinking is that it enables:

- a basis for more systematic prioritisation of impact goals through clarification of the links or tensions between broader development goals and different project or policy impact goals.
- clarification of interrelations between different goals and indicators, including the limitations and gaps in any particular selection of indicators and hence issues to be taken into account in analysing the data.
- clearer choices to be made about levels of specificity for particular indicators based on prioritisation of impact goals and/or methodologies to be used.



### Stakeholder participation

Stakeholder participation is essential to ensuring the local relevance of indicators as measures of particular impact goals. It is also essential to ensuring that the final findings of any assessment are accepted by stakeholders and any recommendations supported. Indicator trees can be used in focus group discussions to:

- determine the levels at which broad impact goals are agreed across contexts and stakeholder groups
- prioritise impacts for the most in-depth assessment
- identify the levels at which context- or stakeholder-specific indicators are needed
- identify the diversity of possible sources of information.

This requires skilled facilitators and hence has costs. However the process of identifying and assessing indicators can be combined with other tasks such as building rapport and sampling as part of initial and ongoing participatory workshops.

One of the challenges of stakeholder participation is the possible unmanageable proliferation of indicators. The facilitation and indicator selection process therefore needs to be explicit. For example the selection process could begin with either a predetermined checklist from which participants select indicators, or with an open-ended participatory brainstorming session which is then progressively narrowed down and prioritised. The former could be justified where resources and time are limited and/or appropriate participatory systems do not exist. Power relations between

stakeholders which may affect the participatory process need to be acknowledged and addressed. Prioritisation of some views over others may be justified because of greater levels of knowledge or commitment, but the reasons need to be specified to avoid misunderstanding and conflict. Grassroots indicators can be developed through a pilot questionnaire if the topic or organizational context does not allow a public participatory process.

### Practical implications

Generating useful and accepted practical conclusions requires:

- going beyond standardised checklists of indicators to a much more probing and reflexive use of indicators, tailored to particular purposes and questions.

- analysis of the limitations of each indicator and the indicator selection process and assessment of the implications for any inferences drawn.

Most impact assessments will use integrated methodologies combining some level of statistical analysis, qualitative research and participatory learning. Qualitative and participatory indicators can be enumerated to produce statistical data. Analysis using quantitative indicators can be used as the basis for further qualitative and/ or participatory investigation. This flexibility means that it is possible to cross-check information on one indicator using different methods, extend statistical analysis to social analysis rather than confining this to economic data and/or collect reliable and useful economic information using qualitative and participatory methods.

The key questions in selecting indicators are therefore not so much determined by which particular methodology is to be used, but:

- the particular *purpose of the impact assessment* and the use to which the data is to be put. There needs to be clarity about why questions are being asked, what levels of precision are required for addressing these questions and how the information is to be analysed.
- how this particular IA relates to any *longer-term learning process*. Wherever possible indicators used should complement those used in other studies e.g. to examine their reliability and limitations, to provide longitudinal information and/or provide new information. ■

## For further guidance on selecting indicators

### Useful Publications



#### Sustainable Livelihoods: Concepts, Principles and Approaches to Indicator

**Development: A Draft Discussion Paper**  
*P Hoon, S Naresh and S Wanmai for the Sustainable Livelihoods Programme, UNDP (1997)*

Examines the SL concept, its respective components and some of its theoretical underpinnings. This is augmented with suggested examples of conceptual frameworks which could guide the development of SL indicators. Goes on to look at the lessons learned from indicator development in the areas of poverty reduction, sustainable development and participatory development and their links to the SL concept. Based on this analysis, a number of scenarios are suggested as a means to measure SL in the context of country-level programmes and projects.



#### Gender Sensitivity of Well-being Indicators

*R Saith and B Harriss-White for International Development Centre / Queen Elizabeth House Library (QEH), University of Oxford (1997)*

Assesses the gender sensitivity of some conventional indicators of well-being in developing countries as well as the relationship between poverty and the gender differential. The assessment is restricted, however, to the indicators of the basic 'functionings' of 'being healthy', 'being educated', 'being nourished' and some composite indices which combine the indicators of individual functionings, for some of which alterations to each component are suggested in the Human Development Index' Gender-related Development Index, which are worthy of further investigation with the aim of making the Index more relevant for use in developing countries. Implications for policy and research relate to the proposal for collecting data related to gender-sensitive indicators in national censuses, the need to gender disaggregate data for differing levels of income and the need to feed research about social processes of gender differentials into policy in order to raise awareness and increase the effective use of indicators by policy makers.



#### Measuring Pro-Poor Growth: Testing Measurements of Poverty and Growth in China

*M Ravallion and S Chen for Policy Research Working Papers, World Bank (2001) www.worldbank.org/*

Can growth be said to be 'pro-poor?'. It is important to know how aggregate economic growth or contraction was distributed according to initial levels of

living. There are problems with past methods of addressing this question, notably that the measures used are inconsistent with the properties that are considered desirable for a measure of the level of poverty.

Ravallion and Chen provide some new tools for assessing to what extent the aggregate growth process in an economy is pro-poor. The key measurement tool is the "growth incidence curve," which gives growth rates by quantiles (such as percentiles) ranked by income. Taking the area under this curve up to the headcount index of poverty gives a measure of the rate of pro-poor growth consistent with the Watts index for the level of poverty.

The authors give examples using survey data for China during the 1990s. Over 1990-99, the ordinary growth rate of household income per capita in China was 7% a year. The growth rate by quantile varied from 3% for the poorest percentile to 11% for the richest, while the rate of pro-poor growth was around 4%. The pattern was reversed for a few years in the mid-1990s, when the rate of pro-poor growth rose to 10% a year-above the ordinary growth rate of 8%.



#### Poverty Relevant Environmental Indicators for Uganda

*G Bahiigwa and T E Muramira for Economic Policy Research Centre, Uganda (2001)*

This report aims to provide generic and country indicators that relate environmental change to the conditions of poor people in Uganda. The paper:

- reviews lists of generic indicators with reference to the most pertinent environmental issues of relevance to the poor in Uganda and suggests alternative and additional poverty-environment indicators
- assesses potential data sources in terms of reliability, frequency at which the data is generated and its relevance
- prepares values for each indicator (noting data sources, year of data, methodology used, type of indicators (%), index, how calculated) etc.)
- and where possible recommends revised generic indicators and methodologies based on the above.



#### How Trade Openness Affects Poverty

*A Deaton, Woodrow Wilson School of Public and International Affairs, (2000)*

This paper discusses how the World Bank poverty estimates are constructed, and asks whether they can bear the burden placed on them. The paper argues that to

a large extent, the failure of world poverty to fall in the face of world growth is a failure of household survey data to be consistent with national income data. Details of survey design are also important. In India, changing the reference period for reporting consumption removes around 200 million people, a sixth of the world total, if not from poverty, at least from the poverty counts.

See also **OECD/DAC:**

[www.oecd.org/dac/indicators/](http://www.oecd.org/dac/indicators/)  
[www.undp.org/hdi/](http://www.undp.org/hdi/) [www.mip.org/](http://www.mip.org/) and [www.iisd.org/](http://www.iisd.org/) IISD produces a Compendium of Sustainable Development Indicator Initiatives and Publications which includes a description of indicators, related publications, contact addresses and (where available) links to WWW information. The compendium is currently being updated. Also available is a keyword searchable bibliography (with abstracts) on publications on indicator development.

and [www.ilo.org/employment/sedonors](http://www.ilo.org/employment/sedonors) for the "McVay Indicators for Business Development Services" and updates on the **BDS Performance Management Framework**; also updated "Developing Indicators in Small Enterprise Development Projects" by A Gibson, (2001)

### Other recent publications

#### 2001 Manual on Participatory Monitoring of Employment-creation Projects

*M Vahlhaus & T Kuby, for Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), (2001) www.gtz.de/*

These Guidelines provide practical help for analysing and implementing poverty reduction impact observations in GTZ's Economic and Employment Promotion (EEP) projects. They include a comprehensive and systematic description of how to develop a participatory impact monitoring system, with clear definitions of monitoring, impacts and impact monitoring. Part II of this book outlines six methodical steps for structuring and implementing impact monitoring. These steps are described in detail quoting examples from the day-to-day work of projects in GTZ's EEP programme.

The paper can be downloaded from <http://www.ids.ac.uk/eldis/poverty/index.htm> in two parts: Part 1: *Why do impact monitoring? A guide*, and Part 2: *How to introduce and carry out impact monitoring - tips, methods and instruments* ■

## COMING TO EDIAIS IN 2002:

A new year means a new look, and over the next week or two you will find the EDIAIS website has been transformed to enable us to bring you more up to date news and tips on impact assessment. And during the next few months you will see new texts and features appearing:

- the site navigation system is being improved, with a clear site map and Frequently Asked Questions section
- the WISE representative in South Africa has produced a directory of South African websites of relevance to the ED sector, and similar directories are planned for other regions
- new Application Guidance Notes are being researched on "ED and Tourism", and "Methodologies for Strategic Level Impact Assessment of ED Activities"
- new items have been commissioned for the EDIAIS Toolbox, including how to collect information (about sampling and surveys), why and how to disseminate findings, and using findings as part of the learning and policy improvement process
- DFID's Education and Health Target Strategy Pagers come under scrutiny in a review of factors to take into account and methods for assessing the impact of ED activities which are part of SWAPs, country programmes and other strategic initiatives in these two sectors.

## Errata

We apologise for a mistake in November's issue of Enterprise Impact News where there was an incorrect reference to USAID's AIMS/SEEP manual as "CGAP-sponsored". In fact USAID has made a major investment in this field over the last six years. We would also like to clarify that the work on the SEEP tools manual was developed by the NGO community with combined inputs from the North and the South. SEEP Network (2000). Learning from Clients: Assessment Tools for Microfinance Practitioners: Draft Manual. Washington DC, AIMS/MSI.

## New on-line sources of information

### [www.bettermanagement.com/library](http://www.bettermanagement.com/library)

The BetterManagement Think Tank is a consortium of academic leaders in the field of performance management who utilize the BetterManagement community to inspire and articulate the emerging trends on financial and performance management topics. Particularly useful for development workers - and adaptable to Enterprise Development initiatives is the Strategy and Planning section, with (for example) publications and down loads on Benchmarking and Tools for Innovation & Creative Thinking in Public Sector agencies, and non-financial performance measurements for enterprises.

### [www.livelihoods.org/](http://www.livelihoods.org/)

Although we have featured the livelihoods connect site before in EIN, you can now find on it summaries of the papers presented at the DFID SEMINAR SERIES 'Monitoring poverty: from donor policing to citizens' empowerment' Well worth reading for a review of issues of concern to all evaluation practitioners.

### <http://www.bellanet.org/indicators/>

Features news and a forum on the Governance Indicators Project (GIP). Recent findings have linked the quality of governance and well-functioning public sector institutions to growth in per capita incomes, investment rates, and other development outcomes. However, assessments of public sector performance to date have often relied on very broad indicators that are easily challenged and hard to replicate from year to year.

In collaboration with the OECD DAC, and with funding from UK's DFID, the second-generation GIP is seeking to develop indicators of government performance that will provide reliable long-term benchmarks to politicians, policymakers and civil society in the countries concerned. On behalf of this project, Bellanet is hosting an online forum for discussion of the proposed second-generation indicators. The forum is open to the public and everyone concerned with this issue is invited to participate.

For more information:  
<http://www.bellanet.org/indicators/> To join the discussion on governance indicators, send a message to:  
[join-indicators@lyris.bellanet.org](mailto:join-indicators@lyris.bellanet.org)

## Conferences

### Participatory monitoring and evaluation (PM&E)

4-22 March, 2002  
 Silang, Cavite, Philippines

International Institute of Rural Reconstruction

Contact: PM&E Course Coordinator

Tel: (63-46) 4142417;

Fax: (63-46) 4142420

Email: [Education&Training@iirr.org](mailto:Education&Training@iirr.org)

IDPM was the first higher education institute to conduct a social audit. Copies of the IDPM Social Audit are available from Colin Kirkpatrick, email: [idpm@man.ac.uk](mailto:idpm@man.ac.uk)

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