METHODOLOGICAL ISSUES IN THE EVALUATION OF SMALL BUSINESS DEVELOPMENT POLICIES AND PROGRAMMES

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Declaration

I, the undersigned, hereby declare that the work contained in this assigment is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

Abstract

Evaluating small business development policies and programmes is a methodologically difficult task. A wide range of role players in the economy – government departments and agencies, corporations, international donors, and non-governmental organisations – invest resources of sizeable magnitude annually in promoting small business. This investment is often justified on the basis of the importance of small business in contributing to the attainment of a range of socio-economic objectives such as job creation, addressing economic inequity among various population groups, stimulating competition in the economy, and enhancing economic growth. With the increase in the magnitude of public investment in small business development, and increasing competition for the same resources from other worthwhile interventions, the pressure for public accountability and the need to demonstrate effectiveness of policies and programmes has increased. Programme sponsors are increasingly requiring that those receiving public funds for small business development projects should ensure effective monitoring and evaluation of their programmes in order to ensure that there is a sound information base to provide the necessary policy and programme feedback.

The question, however, is to what extent small business policies and programmes are successful in ensuring the attainment of their objectives. To what degree can any changes at the level of the enterprise and its immediate environment be realistically attributed to the effectiveness of policies and programmes?

Can ongoing investment in small business development be justified in the face of competing demands for the same resources from other worthwhile and perhaps more pressing causes? How efficient is a particular policy or programme in terms of its cost in relation to other policy or programme alternatives? These and more are questions facing evaluators of small business development policies and programmes. This thesis shows that the task facing these evaluators is not an easy one, due to methodological complexities encountered in attempting to answer these questions.

Samevatting

Die evaluering van ontwikkelingsbeleidsrigtinge en -programme van kleinsakeondernemings is metodologies geen maklike taak nie. 'n Groot verskeidenheid rolspelers in die ekonomie, ingeslote regeringsdepartemente en -instansies, korporasies, internasionale skenkers en nie-regeringsorganisasies, belê jaarliks aansienlike hulpbronne in die bevordering van kleinsakeondernemings. Sodanige beleggings word dikwels geregverdig aan die hand van die belangrikheid van kleinsakeondernemings se bydrae tot die bereiking van verskeie sosio-ekonomiese doelwitte soos werkskepping, en om die kwessie van ekonomiese ongelykheid tussen onderskeie bevolkingsgroepe aan te roer, om mededinging binne die ekonomie aan te moedig en om ekonomiese groei te versterk. Die toename in die omvang van openbare beleggings in kleinsakeontwikkeling asook toenemende mededinging vir dieselfde hulpbronne deur ander verdienstelike partye gaan gepaard met toenemende druk vir openbare aanspreeklikheid en noodsaak doeltreffende beleidsrigtingr en -programme. Programborge vereis toenemend dat diegene wat openbare fondse vir kleinsakeontwikkelingsprojekte ontvang, die doeltreffende monitering en evaluering van hulle programme moet waarborg sodat daar 'n deeglike inligtingsbasis bestaan om die nodige beleids- en programterugvoer te verskaf.

Die vraag is egter tot welke mate kleinsakebeleidsrigtinge en -programme daarin slaag om te verseker dat hul doelwitte bereik word. Tot watter mate kan enige veranderinge op ondernemingsvlak en sy onmiddellike omgewing, realisties gesproke, aan die doeltreffendheid van beleidsrigtinge en -programme toegeskryf word?

Kan voortgesette beleggings in kleinsakeontwikkeling geregverdig word in die lig van mededinging vir dieselfde hulpbronne deur ander verdienstelike, en moontlik selfs meer dwingende, sake? Hoe doeltreffend is 'n bepaalde beleid of program in terme van sy koste, gesien in verhouding tot ander beleids- of programkeuses? Diegene, wat verantwoordelik is vir die beoordeling van kleinsakeontwikkelingsbeleidsrigtinge en – programme word deur hierdie en vele ander vrae gekonfronteer. Hierdie tesis toon aan dat sodanige beoordelaars, as gevolg van die metodologiese ingewikkeldhede waarvoor hulle te staan kom in die poging om hierdie vrae te beantwoord, geen maklike taak het nie.

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CHAPTER 1 GENERAL INTRODUCTION

Small business development is a key component of economic policy in virtually all free market economies, including South Africa. The post-1994 South African government sees small business promotion as "an important vehicle to address the challenges of job creation, economic growth and equity in our country." (Parliament of the Republic of South Africa, 1995:6). For this reason, the government, under the aegis of the department of trade and industry, has formulated a comprehensive national strategy for the promotion of small businesses in all sectors of the economy. The strategy calls on a number of different actors within the economy – various spheres of government, major corporations, providers of various kinds of support services to small business, the international donor community, academic and research institutes, and small business organisations – to work together to ensure a coordinated effort to support small businesses. A few other government departments too have formulated policies that partially focus on the development of small business.

Born out of these policies is a number of national, provincial and local programmes and institutional arrangements designed to facilitate the country's small business development effort. Examples of national-level small business-specific programmes are:

Table 1: Examples of national small business support programmes

Responsible department[1]	Programme /s	Implementing entity
Trade & Industry	• Small medium enterprise development programme (SMEDP) • Black Business Supplier Development Programme (BBSDP)	The Enterprise Organisation
	• Trade & Investment Development Programme (TIDP)[2] • Tender Advice Centre Programme	Ntsika Enterprise Promotion Agency
	• Manufacturing Advisory Centre Programme • Business Referral and Information Network (BRAIN) • Franchise Information Network (FRAIN)	National Manufacturing Advisory Centre Trust (NAMAC)
	• Thuso Mentorship Programme • Credit guarantee scheme • Technology transfer guarantee programme • Khula Equity Fund	Khula Enterprise Finance Limited
Labour	• National youth entrepreneurship programme	Umsobomvu Youth Fund
	• Various small business-focused skills development programmes	Sector Education & Training Authorities[3]
Science & Technology	• Godisa incubator programme	Various partner entities
	• Technology stations programme	Tshumisano Trust and various Technikons

These government-led initiatives are implemented alongside a plethora of other support programmes run by various community-level development agencies, non-governmental organisations, international donors, and the corporate sector. The collective effort to develop the country's small business sector is thus a sizeable one, and so are the financial and other kinds resources invested into these efforts.

With investment of this magnitude (tables 4 and 5) mostly of public funds – both domestic and foreign – there is tremendous public pressure to ensure that funds are utilised correctly and to the best effect. For this reason, public demands for accountability in the utilisation of funds have increased significantly over the past decade or so. With this growing demand for accountability, there has been corresponding growth

[1] This is not an exhaustive of programmes at national government level. Other departments, such as minerals and energy and tourism and environmental affairs also have their own small business development programmes, which are not listed here. Provincial and local government programmes are not listed either.
[2] This programme was initiated with funding from the European Union.
[3] These programmes are funded by the National Skills Fund and are known as strategic projects.

in efforts to ensure effective monitoring and evaluation of small business development projects.

Before providing financial support to any small business development effort, international donors now insist that a detailed programme plan be submitted, showing how the programme to be funded will be monitored and evaluated. National government also requires that all its small business development efforts be effectively monitored and evaluated.

While monitoring, which takes place during the course of implementation of the programme and is mostly undertaken by programme staff for internal programme management purposes, is a simpler activity; literature shows that evaluation is a relatively more complex task. This is due mainly to methodological difficulties encountered by the evaluator of these programmes. To reach a conclusion that the small business support programme has been a success, the evaluator has to show, among other things, that positive changes that have occurred can be directly attributed to the programme. To achieve this outcome, the evaluator has to assess the programme's additionality, deadweight, and displacement. These concepts are discussed in chapter 4 of this study.

This study discusses the methodological difficulties faced by the evaluator of small business support policies and programmes. The evaluation of small business support programmes is not widespread in South Africa at this stage, with a limited number of agencies having undertaken any meaningful evaluation of their programmes. Most of the evaluations and developments around small business development evaluation methodology have occurred in other parts of the world. Thus, the study discusses methodological issues from an international, rather than South African, perspective.

The study is structured as follows: Chapter 2 sets the context by discussing small business promotion in South Africa. The focus is on the rationale behind promoting small business; the role of small business within the country's economy; and investment in small business promotion in South Africa. Chapter 3 discusses evaluation in general,

covering the definition and purpose of evaluation; different types of evaluation; and various uses of evaluation results. Chapter 4 goes to the heart of the subject of the study, elaborating on the methodological issues faced by the evaluator of small business support policies and programmes.

Chapters 4 and 5 discuss methodological difficulties in evaluating specific types of small business support programmes – credit guarantee programmes (chapter 4) and training (chapter 5). Chapter 7 outlines proposals on methodological approaches, emanating from the work of the "Assessing the Impact of Microenterprise Services (AIMS)", an initiative of the United States Agency for International Development's (USAID) Office of Microenterprise Development. Chapter 8 concludes the study.

CHAPTER 2 SMALL BUSINESS PROMOTION IN SOUTH AFRICA

2.1 The rationale behind promoting small business

In most parts of the world, small businesses[4] are seen as representing an important vehicle for addressing a number of socio-economic challenges. Within the South African context, small business promotion is often justified as a critical imperative in the pursuit of three key objectives – facilitating job creation, fostering economic growth and redressing the historical economic exclusion of Black people by enabling this population group to enter the economy as enterprise owners rather than job seekers. Small businesses also make a significant contribution to the salaries and wages paid within the economy.

The Department of Trade and Industry, the national department charged with the responsibility to spearhead small business development in South Africa, articulates the economic importance of small businesses as follows:

> … SMMEs in this country can … make an indelible mark on this economy. The stimulation of SMMEs must be seen as part of an integrated strategy to take this economy onto a higher road – one in which our economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes (Department of Trade and Industry, 1995:6).

Investment in small business promotion is not justified on the grounds of their economic importance alone. While their economic role is the fundamental basis for even considering investment in supporting these enterprises, such investment is often justified on other grounds as well.

[4] Throughout this document, small business is used as an all-encompassing term in reference to that group of enterprises that is generally referred to as small, medium and microenterprises (SMMEs).

Unlike their big business counterparts, small businesses are often seen as facing a wider range of constraints and problems that they are less able to address on their own, even in effectively functioning market economies (Department of Trade & Industry, 1995:12). These constraints are in the areas of:

- The legal and regulatory environment
- Access to markets, finance and affordable business premises
- The acquisition of skills and managerial expertise
- Access to appropriate technology
- The quality of the business infrastructure in poverty areas
- The tax burden.

Thus, the investment made in small business promotion is justified on two grounds – the economic importance of small businesses and their inability, compared to larger businesses, to contend with various challenges that they face in their operating environment and therefore their need for external assistance.

2.2 The role of small business within the South African economy

Statistics show that small businesses already play a significant role within the South African economy. Small businesses contributed 42,7 percent of the total value of salaries and wages paid throughout the economy in 2000 (Ntsika, 2000:28).

Their overall contribution to the country's gross domestic product (GDP) during the year 2000 is estimated to have been in the region of 34,77 percent, with a greater contribution to the output of the agriculture and construction sectors relative to large enterprises (table 2).

Table 2: Small business contribution to GDP by economic sector – 2000

Sector	Micro	Small	Medium	Large	Total
Agriculture	4.13	8.67	43.71	43.49	100.00
Mining	1.01	1.74	2.55	94.70	100.00
Manufacturing	5.27	7.37	21.02	66.34	100.00
Electricity	0.00	0.00	0.00	100.00	100.00
Construction	3.14	35.60	12.20	49.06	100.00
Trade	2.27	23.41	17.12	57.21	100.00
Transport	7.07	18.50	20.30	54.13	100.00
Business and other services	14.90	12.90	2.90	69.30	100.00
Average (all sectors)	**5.82**	**13.90**	**15.05**	**65.23**	**100.00**

Source: Ntsika 2000.

Moreover, current statistics support the view that small businesses play a key role in providing employment. Table 3 shows that these enterprises provide 54,48 percent of all employment within the country's economy. Employment contribution by small businesses is most significant within the agriculture, construction, trade, transport, and other services sectors, where they contribute more than half of all employment within the particular sector.

Table 3: Percentage contribution of SMMEs to employment in the main industrial sectors

Sector	Micro	Small	Medium	Large	Total
Agriculture	4.17	13.81	52.31	29.71	100.00
Mining	0.92	2.51	2.59	93.97	100.00
Manufacturing	8.39	10.57	24.58	56.46	100.00
Electricity	0.00	0.00	0.00	100.00	100.00
Construction	2.93	37.28	13.45	46.34	100.00
Trade	35.77	23.73	13.00	27.49	100.00
Transport	11.38	23.50	20.84	44.27	100.00
Business services	25.14	19.18	5.20	50.48	100.00
Other services	52.68	18.22	8.23	20.86	
Average (all sectors)	**17.38**	**16.34**	**20.76**	**45.52**	**100.00**

Source: Ntsika 2000

2.3 Investment in small business promotion in South Africa

Various government departments and agencies nationally, provincially and locally make substantial financial investment in small business promotion annually. The Department of Trade & Industry makes annual transfers to several small business promotion agencies

falling under its aegis, to be used to finance various small business support programmes countrywide. The budgetary allocations for some of these agencies for the year 2002 were roughly as follows:

Table 4: Department of Trade & Industry investment in small business promotion

Type of support	Recipient institution / programme	Amount (Million Rand)
Facilitation of access to markets	Ntsika Enterprise Promotion Agency	**50**
Manufacturing improvement and franchising support	National Manufacturing Advice Centre Office	**48**
Facilitation of access to finance	Khula Enterprise Finance Limited	**20**
Access to information and advice	Local authorities, National Manufacturing Advice Centre Office	**10**
Strengthening the voice of women entrepreneurs	South African Women Entrepreneurs Network	**1**
Strengthening the voice of South African entrepreneurs	Advisory Council on Small Business	**1**
Technology transfer for women entrepreneurs	Technology for Women in Business (TWIB)	**10**
Various capacity building initiatives	Ntsika Enterprise Promotion Agency	**1**
	Total	**141**

Source: Small Business Programme, Draft Business Plan 2002

The investment made by the Department of Trade and Industry covers a wide range of intervention areas in support of small business and is channelled through various institutions, some operating at wholesale level and others at retail level.[5] The institutions operating under the aegis of the department, and their principal programme areas are depicted in more detail below.[6]

[5] Wholesale institutions facilitate small business access to the services the institutions provide but do not interface directly with small businesses. Services are delivered to small businesses by institutions at the retail level, which are in direct contact with small businesses.

[6] Some of these institutions are not specifically dedicated to supporting small businesses but either have specific programmes aimed at providing support to small businesses or find other means to incorporate small business support in their operations.

Figure 1: DTI's small business development intervention areas and institutions

Intervention area	Institution/s
Procurement assistance	• Ntsika Enterprise Promotion Agency. Works through a network of Tender Advice Centres.
International trade development	• Ntsika Enterprise Promotion Agency. Works through a national network of intermediary organisations. • Trade & Investment South Africa
Access to finance and incentives	• Khula Enterprise Finance Limited. Works through a national network of retail financial intermediaries. • Industrial Development Corporation • National Empowerment Fund • The Enterprise Organisation
Productivity / competitiveness improvement	• National Manufacturing Advice Centre Office. Works through a national network of Manufacturing Advice Centres (MACs).
Quality improvement / assurance / promotion	• SA Bureau of Standards • SA Quality Institute
Technology enhancement	• Council for Scientific & Industrial Research
Provision of information	• National Manufacturing Advice Centre Office. Works through a national network of Business Referral and Information Network (BRAIN) affiliates.
Capacity building – training and mentorship	• Ntsika Enterprise Promotion Agency. Works through Local Business Service Centres. • Khula Enterprise Finance Limited. Works through Thuso Mentorship regional offices.
Microfinance regulation	• Microfinance Regulatory Council
Competition regulation	• Competition Commission

In addition to the Department of Trade and Industry's investment, substantially more investment is made in small business development by other government departments, governmental agencies, international donor agencies, non-governmental organisations, business organisations, and Sector Education and Training Authorities (SETAs). As an example of the magnitude of investment involved in just one area of small business development, skills development, table 5 presents 3-year programmes undertaken by SETAs, with funding from the National Skills Fund, which have significant small business support components.

Table 5: SETA skills development initiatives with small business components

SETA	Small business component of the larger skills development programme	Overall funding (Rand)
Bankseta	Skills development initiatives to 2400 micro lenders, development of SMME systems and enhancement of the business of 240 SMMEs	78,5 million
Construction Education & Training Authority (CETA)	Learnership programme for 270 SMMEs and recognition of prior learning for 180 SMMEs	53,5 million
CHIETA	Upgrading of skills for 250 SMME owner managers	38,6 million
CTFL SETA	Not specified	18,1 million
Food & Beverages Sector Education & Training Authority (FOODBEV)	100 entrepreneurs trained in managerial and innovation skills	33,5 million
Information Systems, Electronics & Telecommunications Technologies Education & Training Authority (ISETT)	Not specified	103,8 million
MAPPP	Not specified	117,4 million
MQA	Upgrading of skills for 1500 small scale mine owner managers	74,6 million
Primary Agriculture Education & Training Authority (PAETA)	Upgrading of skills for 2050 large commercial and emerging farmers	33,3 million
SETA for Secondary Agriculture (SETASA)	Upgrading of skills for 1200 SMME owner managers	33,2 million
Transport Education & Training Authority (TETA)	Upgrading of management skills for 3500 taxi drivers and small boat owners	72,6 million
Tourism, Hospitality & Sport Education & Training Authority (THETA)	Mentorship programme for supporting 1585 emerging SMMEs in the tourism business	109,7 million
Wholesale & Retail Sector Education & Training Authority (W&R)	Upgrading of skills for 5000 SMME owner managers	68,6 million

Source: National Skills Fund and Department of Labour

Several large private companies also invest vast sums of money in small business development, either as part of their social responsibility programmes or as part of efforts to develop and diversify their supplier bases. The figures presented in tables 4 and 5 show that the collective investment in small business development by various entities runs, at the very least, into several hundred million Rand annually. Even if private investment is excluded, investment from public sources, both South African and foreign, is considerable.

2.4 Conclusion

Governments worldwide see small businesses as an important vehicle for attaining a number of social and economic objectives. South Africa is no exception. Statistics show that small businesses play a major role in the South African economy in terms of contribution to job creation, gross domestic product and salaries and wages. Various government departments, governmental and non-governmental agencies, international donor agencies, and the corporate sector invest considerable financial resources annually in small business development in South Africa. This investment is justified based on the economic and social significance of small businesses, on the one hand, and the fact that these enterprises, facing various constraints within their operating environment, often struggle to operate successfully on their own, without external assistance.

CHAPTER 3 WHAT EVALUATION IS AND WHY IT IS UNDERTAKEN

3.1 Definition and purpose of evaluation

Rossi and Freeman (1993:5) define evaluation research as "the systematic application of social research procedures for assessing the conceptualization, design, implementation, and utility of social intervention programs". According to Posavac and Carey (1997:13-14), the overall purpose of programme evaluation is to contribute to the provision of quality services to people or other groups in need. Programme evaluation contributes to quality services by providing feedback from programme activities and outcomes to those who can make changes in programmes or who decide which services are to be offered.

Rossi & Freeman make the same observation slightly differently, stating that evaluations are undertaken to judge the worth of ongoing programmes and to estimate the usefulness of attempts to improve them; to assess the utility of new programmes and initiatives; to increase the effectiveness of programme management and administration; and to satisfy the accountability requirements of programme sponsors (1993:3). Thus, evaluations may be undertaken for a variety of reasons – for management and administrative purposes; to assess the appropriateness of programme changes; to identify ways to improve the delivery of interventions; or to meet the accountability requirements of funding groups.

With investment of the South African public's funds of the magnitude discussed earlier, public accountability on the part of those that disburse the funds and those that receive and utilise them becomes paramount.

The collective responsibility of all those involved is to ensure that funds are put to the best use and generate the best return in terms of the impact the investment produces at the level of the various target groups. In its White Paper on small business development strategy, the Department of Trade and Industry articulates the need for public

accountability on the utilisation of small business promotion resources as follows:

> The scarcity of public resources available for SMME support constitutes a fundamental constraint upon all support policies. It also forces us to constantly weigh up the public-sector cost of specific policies against the expected results of the support programmes. It is in this sphere where the need is greatest to … look for more efficient programmes (1995:20).

However, pressures for evaluation come from concerns about issues that reach beyond the need for accountability, important as that is. For instance, Oakley, Pratt and Clayton (1998:30-31) note that the increasing demands for a better understanding of the impact of development interventions, which have led to increasing pressures to evaluate impact, have come from various sources.

Firstly, a decrease in programme funding, accompanied by growing dependence on official development aid, and concerns about cost-effectiveness, has led to pressures to monitor performance more closely and to try to analyse and document the overall impact of development interventions. In other words, donors are demanding evidence of tangible results from their support.

Secondly, there is growing concern for institutional learning – to know what works and what does not, and a desire to base organisational progress on a continuous and systematic understanding of the effect and impact of what the organisation does and has set out to achieve.

Thirdly, there is a concern on the part of funders to ensure the sustainability of the programmes and projects they fund. Funders would want to withdraw from a programme or project at some point in the future and want to ensure that the programme or project will not collapse when such withdrawal takes place. Only sustainable programmes and projects, that is, those that can continue to operate independently of funders, are able to continue on their own after the funder withdraws. Thus, funders want to know the progress made by the institution towards this goal. Sustainability has another dimension,

the durability of the benefits of the intervention. In other words, programme sponsors want to know the extent to which programme or project benefits are likely to continue to exist and be accessed by the target group with or without the programme or project and, particularly, its external funding.

Fourthly, there is increasing recognition of the fact that development interventions need to be accountable not only to their sponsors but also to their target group.

Six different types of accountability can be identified (Rossi and Freeman 1993:152-153). **Coverage accountability** addresses questions relating to issues such as the number and characteristics of targets, the extent of penetration by the programme and dropout rates.
Service delivery accountability relates to how well the programme's actual operation conforms to original programme plans. **Impact accountability** answers questions relating to the actual change brought about by the programme within the target group. **Efficiency accountability** relates programme benefits and effectiveness to the costs of different programme elements. **Fiscal accountability** deals with the use of funds for programme activities. **Legal accountability** deals with the programme's obligation to meet its legal responsibilities such as informed consent, protection of privacy, community representation on decision-making boards, equity in the provision of services, and cost sharing.

In addition, by showing that their efforts are producing positive results among those they are intended for, information on impact can have a positive effect on the motivation and self-confidence of those involved in implementing the intervention.

Pressures to evaluate small business development specifically, arise, among others, from increased experience of failure in development; declining aid budgets and wider questioning of the value and role of foreign aid; changing political priorities; new conditionality and assertiveness from donors; and increasing demand for support from other types of interventions (The Springfield Centre for Business in Development, 1999).

3.2 Types of evaluation

Posavac and Carey (1997:7-10) identify a number of different types of programme evaluations. The **evaluation of need** seeks to identify and measure the level of unmet needs within the target group – an organisation or community.

This type of evaluation is a basic first step before any effective programme planning – involving the consideration of a variety of alternative approaches to meet needs – can begin. The assessment of need typically entails the examination of the socio-economic profile of the community, the level of social problems within the community, and the agencies and institutions currently serving the community. The focus of this type of evaluation is the conceptualisation and design of interventions. Typical questions asked at this stage of the evaluation include: what is the nature and scope of the problem requiring new, expanded, or modified social programmes? Where is the need / problem located, and whom does it affect? What feasible interventions are likely to ameliorate the problem significantly? What are the appropriate target populations for a particular intervention? (Rossi and Freeman 1993:5).

The **evaluation of process** entails the documentation of the extent to which implementation has taken place, the nature of the people being served, and the degree to which the programme operates as expected. Process evaluations involve checking on the assumptions made while the programme was being planned. This is a systematic assessment of the extent to which a programme is operating in conformity to its design and reaching its specified target group. The questions asked include: is the intervention reaching its target population? Do the needs of the organisation or the community match what was believed during planning? Is there evidence to support the assessment of needs made during the planning stage? Do the activities carried out by the staff match the plans for the programme? What evidence can be found that supports the theoretical assumptions made by the programme planners?

The **evaluation of outcome** follows the implementation of the programme and presupposes that the programme has been implemented well and that the target group seeks its services. This type of evaluation assesses the effectiveness of the programme, that is, the degree to which the programme produces desired outcomes and benefits. Outcome evaluation can take on several levels of complexity. At the most elementary level, the evaluation is concerned with the condition of those who have received services and seeks to assess whether programme recipients are performing well. A higher level of complexity involves comparing the performance of those in the programme with those not participating in the programme. The most complex outcome evaluation seeks to show that receiving the programme's services caused a change for the better in the condition of those participating in the programme (Posavac & Carey, 1997:9)

Patton (1997:235) offers a framework for evaluating the implementation and outcomes of programmes. The framework is based on the logical framework, a tool that is increasingly used by donors and governments worldwide to ensure the effective design, implementation and results of development initiatives. Various kinds of inputs (money, human resources, information, equipment, etc) are utilised to undertake a range of programme activities aimed at producing the desired effects on the programme's target group. The latter participate in programme activities, react in certain ways to the programme, and gain knowledge, attitudes and skills, which, in turn, produce certain practices and behaviour changes, leading to the ultimate attainment of programme end results. Programme evaluation focuses at each level of the programme's "chain of events". At input level, for instance, evaluation quantifies the resources expended, number and types of staff involved, and time utilised in implementing the programme.
Evaluation proceeds to the highest level of the programme, the attainment of the desired end result, where evaluation focus is on measures of impact on the overall problem, the attainment of the ultimate goals, side effects produced (unintended consequences), and social and economic consequences.

Figure 2: Patton's framework for programme evaluation

Programme chain of events (Theory of Action)	Matching levels of evaluation evidence
7. End results	7. Measures of impact on overall problem, ultimate goals, side effects, social and economic consequences.
6. Practice and behaviour change	6. Measures of adoption of new practices and behaviour over time
5. Knowledge, attitude, and skill changes	5. Measures of individual and group changes in knowledge, attitudes, and skills
4. Reactions	4. What participants and clients say about the programme; satisfaction; interest; programme strengths and weaknesses.
3. Participation	3. The characteristics of participants; numbers; nature of involvement; background.
2. Activities	2. Implementation data on what the programme actually offers or does.
1. Inputs	1. Resources expended; number and types of staff involved; time expended.

Source: Based on Patton 1997

The **evaluation of efficiency** deals with the question of costs and enables programme sponsors and agencies to select from various programmes that merit financial assistance. This type of evaluation relates programme outcomes and benefits to the costs incurred in operating the programme. Efficiency evaluations seek to answer the questions: How much does the intervention cost? What are its costs relative to its effectiveness and benefits?

Evaluations can also be classified as either formative or summative, depending on their use (Posavac and Carey, 1997:14). **Formative evaluations** are designed to help form the programmes themselves.

These evaluations strengthen the plans for services and their delivery in order to improve the outcomes of programmes or to increase programmes efficiency. **Summative**

evaluations help in deciding whether a programme should be started, continued, or chosen from two or more alternatives.

3.3 Uses of evaluation results

According to Rossi and Freeman (1993:5), evaluation enables policymakers, funding organisations, programme planners, and programme managers' staff to distinguish useful current programmes from ineffective and inefficient ones. Evaluation also enables these groups to plan, design, and implement new efforts that effectively and efficiently produce the desired impact on target group members and their environments.

Carol Weiss (1998) identifies four uses of evaluation. **Instrumental use** entails the use of evaluation results for decision-making. Evaluation is expected to produce findings that would influence programme and policy decisions. This may lead to go/no-go decisions – ending a programme, extending it, modifying its activities, or changing the training of staff. Evaluation use is **conceptual** when evaluation findings provide programme staff with new ideas and insights that change their understanding of what the programme is and does, helping them to learn more about the programme's strengths and weaknesses and possible directions for action. **Persuasion** entails using evaluation findings to mobilise support for a position that people already hold about the changes needed in the programme. Programme managers and staff may use evaluation to legitimise their position and persuade others to provide the needed support to effect the changes needed to enhance the success of the programme.

Enlightenment use entails using the evaluation to influence other institutions and events beyond the programme itself. Growing evidence based on the evaluation of a number of similar programmes begins to influence evaluation practitioners, policy makers, and advocacy groups. Policy paradigms are altered; policy agendas change; and belief communities within institutions are affected. The accumulation of knowledge resulting from evaluation efforts can contribute to large-scale shifts in thinking and sometimes, ultimately, to shifts in action.

Patton (1997:65-72) offers different terminology on the use of evaluation, which is not inconsistent with the terminology used by Weiss. According to Patton, evaluations are used in three ways: to make overall judgment, to effect improvement, and to generate knowledge. **Judgment-oriented** evaluations are aimed at determining the overall merit (the intrinsic value of the programme, for example, its effectiveness in meeting the needs of the target group), worth (the programme's extrinsic value to those outside the programme, for example, the larger community or society), or value of something. **Improvement-oriented** evaluations entail an assessment of the strengths and weaknesses of the programme, with a view to utilizing findings to inform an ongoing cycle of reflection and innovation around the programme. **Knowledge-oriented** evaluations contribute to the increase of knowledge in areas such as clarifying a programme's model, testing theory, distinguishing types of interventions, figuring out how to measure outcomes, generating lessons learned, and/or elaborating policy options.

3.4 Conclusion

Evaluations may be undertaken for management and administrative purposes; to assess the appropriateness of programme changes; to identify ways to improve the delivery of interventions; or to meet the accountability requirements of funding groups. Programme accountability covers the issues of coverage, service delivery, impact, efficiency, fiscal accountability, and legal accountability.

Demands to demonstrate programme performance and impact have increased for a number of reasons ranging from decrease in programme funding to concerns about cost-effectiveness. There is also growing concern for institutional learning, knowing what works and what does not. Funders also want to ensure that programmes they support are sustainable, that they will not depend on their funding indefinitely. With all these demands and other considerations, pressures to evaluate small business development have increased.

Evaluations fall into a number of different types, ranging from the evaluation of need – before the programme is initiated, to the evaluation of process of implementation and

finally to the evaluation of programme outcome. Evaluations have a number of uses to programme implementers, funders and those affected by them. These include instrumental, conceptual, persuasion and enlightenment use.

CHAPTER 4 GENERAL METHODOLOGICAL ISSUES IN EVALUATING SMALL BUSINESS POLICIES AND PROGRAMMES

> The paramount purpose of an impact assessment is to arrive at valid inferences about whether a prospective or ongoing program is having significant net effects in the desired direction. To accomplish this end, an impact assessment must have two characteristics: reproducibility and generalizability[7] (Rossi and Freeman, 1993:255).

The above quote articulates some of the key considerations in designing and executing an impact evaluation. Like evaluations in general, the evaluation of small business development programmes poses several methodological difficulties. Curran (2000:39) identifies three key methodological difficulties in evaluating small business development policies and programmes – additionality, deadweight, and displacement.

Additionality addresses the question: has the intervention made any contribution that would not have occurred had the intervention not taken place? In other words, the question on additionality seeks to assess whether there are any net positive outcomes - desired outputs or unanticipated consequences – that can reliably be attributed to the small business policy or programme. **Deadweight** refers to desired outcomes that would have resulted even if the policy or programme had never been initiated.

For instance, in a growing economy, small businesses may grow without the assistance of an intervention designed to increase the rate of small business growth. **Displacement** answers the question such as: has the intervention caused other, non- participating firms, to cease to trade or experience a drop in sales or employment or suffer higher costs, as a result of the policy or programme (The Springfield Centre for Business in Development,

[7] Rossi & Freeman (1997:257) describe the two terms as follows: **Reproducibility** refers to the ability of a research design to produce findings that are robust enough that another researcher using the same design in the same setting would achieve substantially the same results. **Generalisability** refers to the applicability of the findings to the programme as it actually operates or to similar programmes in comparable settings.

1999). In other words, has the intervention given an unfair advantage to participating firms at the expense of non-participating ones? Or has the intervention "crowded out" other support programmes that previously provided assistance to local firms? In the case of microfinance, **fungibility** is a critical methodological consideration. Fungibility refers to the potential for funds to be used for purposes other than those stated by borrowers during the loan application process (Johnson and Rogaly, 1997:74). For example, money borrowed ostensibly to finance a business activity may actually be used to pay school fees or to cover the expenses of extending a house.

4.1 Measuring additionality

At the heart of these methodological issues discussed above is a question as to what extent any changes among firms participating in an intervention can be reliably attributed to that intervention and not to other events and changes that occur while the intervention is taking place. Since such external developments may make it difficult to separate out the impact of the intervention from effects induced by them, proving that the intervention caused the change can often be quite difficult.

Curran points out that although in principle additionality is simple to measure using pre- and post-designs, it is difficult to measure in practice (Curran 2000:39). The key reason for this is that because firms participating in the programme are small, they are extremely sensitive to and can experience severe effects from external influences beyond their control, which can significantly modify their performance. It can be quite difficult to measure the effects of these external influences in assessing additionality.

Johnson and Rogaly (1997) support Curran's observation. They state: "a... major obstacle is the difficulty in being able to attribute any change that is found to the intervention. Other events and changes occur while the intervention is taking place, and this may make it virtually impossible to separate out the impact of a ... programme. 'The positive changes may be dwarfed or negated by other factors in the local context or by macro-economic or political changes, and therefore be marginal" (Johnson and Rogaly 1997:75). Simanowitz (1999:4) makes a similar point, with reference to microfinance:

"Since the business loan or savings is only one aspect of the household economy of members it is very difficult to directly attribute changes in this economy to the work of the MFI (microfinance institution) rather than another factor"

Curran suggests that some form of matched control sample design, where firms receiving support are compared with those not supported in order to isolate influences not related to the support programme, would be the most suitable design to enable control for external influences on firms.

However, he points out that this design still poses problems because of the difficulty to construct matched samples in small business evaluations, arising primarily from the considerable heterogeneity of small businesses and their external situations. Curran articulates the elements of heterogeneity in the small business market as follows:

> Small firms operate in all areas of the economy and are run by people of different ages, genders, social and educational backgrounds and ethnic origins. Owners have different aims for their businesses, ranging from those pursuing growth to those who keep the business to a size that provides an income they regard as sufficient and allows them to do what they find intrinsically satisfying. Firms operate with different technologies and different labour/skill mixes. They also operate in different regions and markets. Even firms ostensibly in the same sector and locality may serve very different markets (2000:39).

One mechanism to circumvent the difficulties of attempting to construct a matched control sample would be to adopt a less rigorous alternative, comparison with an "average firm" based on data from businesses not participating in the programme. This approach, however, poses problems of its own, arising principally from the fact that it may prove quite difficult to determine reliable "average" firm benchmarks due to issues of sample selection, response problems and response bias.

> Even more fundamentally, where a population has very high heterogeneity, variability around any 'average' is likely to be large and

> indeterminate so that notions of a 'typical' or 'average' firm are virtually meaningless (2000: 40).

Several other factors may affect comparisons between firms receiving assistance and those not receiving assistance. These factors include administrative selection, self-selection or moral hazard.[8] Administrative selection emanates from the selection of firms for the programme on some criteria. It may be a difficult task to find firms fitting the same criteria for a control sample. Self-selection or moral hazard can arise for a variety of reasons. A programme aimed at fostering business growth, for instance, may attract firms wanting to grow and which therefore see joining the programme as an opportunity to receive free or subsidised assistance. In this case, it would prove difficult to compare firms if the growth strategies of control firms are unknown.

The difficulties arising from the heterogeneity of small firms are further compounded by two additional problems. One of these is the lack of suitable and adequate sampling frames for selecting firms for matched samples. Curran notes, in the case of the United Kingdom, that there are few full listings of small firms, even for small localities and particular types of enterprise and existing lists often provide little detail and date rapidly due to the contraction and expansion of firms or other changes (Curran, 2000:39).

The second problem relates to low response by small firms. This is particularly so in the case of postal surveys, which constitute the most common kind of evaluation study in the small business field.

If a situation of response bias occurs, a common reality in small business research generally, low response rates pose a serious threat to the representativeness of results. Bias comes in the form of size of the business and sector in which businesses operate. Size bias arises from the fact that smaller firms are less likely to respond than larger firms. Given that firms of differing size differ in the ways they operate and relate to the external environment, low response from small businesses leads to bias. Sectoral bias

[8] **Self-selection** refers to clients selecting themselves to participate in the programme. For instance, if clients have to apply to participate in the programme, the very act of applying effectively amounts to self-selection on the part of the applicants. These individuals may have characteristics that make them different from others in the programme's target group. **Moral hazard** refers to the incentive to cheat, for example concealing information about one's true nature, in the absence of penalties for cheating.

arises where some sectors are more or less likely to respond than others. This weakens the value of results where analysis is based on firm size, economic activity and the amount and kinds of external expertise required.

Evaluation clients often require larger respondent samples but simultaneously limit time and budgets necessary to conduct a study with a large sample. To attempt to strike a reasonable balance between sample size on the one hand and time and cost on the other, evaluators may resort to postal surveys, which, as pointed out above, is the most common kind of evaluation study in the small business field. In fact, in some instances clients do insist on a postal survey.

While postal surveys may be cheaper than face-to-face interviews, particularly where the geographic area to be covered is vast, and may allow a larger sample to be reached reasonably quickly, such surveys have a number of weaknesses that result in low response rates and therefore response bias. Bailey (1994:149-150) discusses these weaknesses.

Table 6: Weaknesses of postal surveys

Lack of flexibility	With the researcher not present, questions asked cannot be clarified or probed for more specific answers. Answers may therefore be vague or too general to be useful. A respondent that misunderstands the question cannot be corrected.
Low response rate	The main problem is that respondents that do not answer are generally not a random selection of the sample but possess characteristics that bias the results. These characteristics include firm size, ownership, differences in the ways firms operate and relate to the external environment, and sectors in which firms operate.
Cues from non-verbal behaviour are lost	The researcher is not present to observe the respondent's non-verbal behaviour or to make personal assessments of the respondent's characteristics.
No control over environment	There is no assurance of respondent privacy. Someone else may even complete the questionnaire on behalf of the respondent.
No control over question order	The researcher may order questions in the questionnaire in a certain way to eliminate response bias, but the respondent may read the entire questionnaire before answering, skip certain questions or not answer questions in the order in which they are presented.
Unanswered questions	The respondent may leave some questions unanswered. Thus, even when a large number of questionnaires are returned, a small number of respondents may have answered certain questions.
Spontaneous answers cannot be recorded	Spontaneous opinions cannot be captured as the respondent has time to reflect on and change hasty answers that he or she may consider impolite or otherwise unacceptable.
Cannot separate non-responses from bad addresses	Questionnaires may fall into the hands of new occupants who simply throw them away instead of forwarding them to the respondent or returning them to the researcher.
Cannot use complex questionnaire formats	Questionnaire wording must be simple enough for respondents, regardless of their level of education, to answer. However, more educated respondents may feel looked down upon if the questionnaire is too simple.

4.2 Measuring displacement and deadweight

Displacement is more difficult to assess than deadweight. This is so because displacement has a number of possible forms and thus conducting a proper assessment of displacement requires a careful analysis of all enterprises at risk of being directly or indirectly affected by the programme, a difficult task in practice.

Johnson and Rogaly (1997) stress that; the difficulties of measuring displacement notwithstanding, the impact of an intervention should also be looked at in the context of other locally available services.

> If 'enabling' aspects of these existing services have actually been undermined by an intervention, then this information also needs to be part of the assessment of impact. A further unplanned impact may occur if the provision of credit to one group allows them to invest in a particular

> market opportunity, with the result that established producers or traders are displaced (1997:75)

What makes deadweight difficult to estimate is the fact that the most common source of data on this variable is owner-managers of participating firms, who provide data in response to 'as if' questions about what they would have done if the programme did not exist. Using this approach is problematic for two reasons. One is that given the fact that many entrepreneurs are typically positive, independent and self-reliant, some owner-managers might be over-optimistic about what they would have done in the absence of the programme. On the other hand, respondents may offer pessimistic responses if they believe this helped win them support in the past or could help secure future support.

4.3 Choice of indicators of impact

The choice of impact indicators presents another major methodological issue in the evaluation of small enterprise development programmes. Curran argues that the most rigorous kind of assessment ought to concentrate on business performance. In this context, business growth becomes one key indicator and one that is the most commonly assessed in small business evaluations.

He points out, however, that the appropriateness of this indicator has been questioned, principally on the grounds that, by choice or otherwise, most small businesses do not grow, but it may be incorrect to attribute such lack of growth to the inability of the programme to yield the expected results. Thus, an alternative, more appropriate measure may be necessary. One such measure is efficiency, measured by output relative to the capital/labour employed. This too, however, is not without its own difficulties. It is rare that evaluation studies attempt to measure policy impacts on small firms except as reported subjectively by programme participants. This is because it is difficult to employ conventional economic measures because of the difficulty of tracking policy impacts on small firms.

The validity of other indicators that have been used in various small business support programme evaluations to evaluate the impact on micro businesses, in particular, such as

financial indicators of profitability and productivity, has been questioned. Devins (1999:88), for instance, questions the validity of financial measures based, inter alia, on the argument that because most micro enterprises are unregistered and often follow poor accounting practices, there are serious practical problems in collecting audited data from these enterprises. Thus, he points out, the micro enterprise business priorities, which are often not based on profit maximisation, mitigate against the use of this criteria to assess effectiveness of business support.

Curran concludes that because of all these methodological difficulties, most small business development evaluations have been methodologically weak, producing results that tend to inflate the impact of policies and programmes and are capable of a variety of interpretations.

> ... the problems of sampling, response bias, self-selection, and establishing control samples, make evaluation of small enterprise development programmes extremely hard, often producing questionable results... Self-selected samples and lack of control samples, frequent in evaluation studies, tend to inflate the impact of (small enterprise development) support and policies (2000:41).

4.4 Quantitative versus qualitative approaches

Quantitatively based aggregate evaluations constitute by far the most common type of evaluations of small business policies and programmes (Curran 2000:41). However, these evaluations present a major problem in that they are weak in assessing how individual firms respond to policies and programmes. Given their heterogeneity, small firms are highly likely to be impacted differentially by policies and programmes. Aggregation of results conceals the impact or lack thereof at individual firm level. A variety of factors, such as how owner-managers integrate support with their business goals; how support impacts on operational procedures; and how the firm relates with those outside the firm, is hidden where evaluation offers aggregate findings only. "Yet without knowing how the policy goes through 'the black box' that is the firm and its

activities, no evaluation can properly estimate the impact on business performance" (Curran 2000:41).

Johnson and Rogaly (1997) discuss the methodological difficulties posed by quantitative approaches to evaluating the impact of microfinance. They point out that quantitative analyses require a control, "a sample of people, similar in every other way, who have not received a loan, compared with a sample who have" (Johnson and Rogaly, 1997:75). However, such controls are costly and time consuming to establish, making it "virtually impossible" to establish a perfect control. They propose that one alternative to using a control group is to make use of a baseline against which to assess change. "Unfortunately, good baseline data rarely exist. Experience with quantitative baseline surveys of household income and assets has shown that it is costly and difficult to collect adequate data" (Johnson and Rogaly, 1997:75).

Simanowitz (1999) makes a similar observation with reference to both baseline data and control groups. He acknowledges the value of a control group: "the use of a control group combined with scientific sampling methodology would allow the results to be statistically tested for their significance." However, Simanowitz concurs with Johnson and Rogaly that setting up an effective control group can be problematic from a logistical, methodological and moral perspective.

> Project members are likely to be self-selecting on the basis of their initiative, confidence or ability – even when there is a poverty-targeting system in place. There may well be a natural difference between the member group and the control group that is not self-selecting. Thus the role of a control group is highly problematic. A further problem with a control group is that they (members of the control group) may have little motivation to participate (in the intervention) since they will not benefit from this (intervention). Logistically this will create problems in terms of trying to meet the control people. If the control group is allowed to think that there may be some benefits to them, this creates moral issues. In

> addition, the control group must be deliberately excluded from the programme for the period of the study" (1999:4).

Simanowitz concludes that a neutral control group is unlikely to give good results. An alternative he proposes is to use clients at different stages of recruitment as controls, comparing clients who have just received a loan with those on subsequent loans. He concedes, however, that even this approach has difficulties of its own. Firstly, good baseline data is required, meaning that more time would be required to produce results. Secondly, he says, the fact that programme policies change over time means that in comparing existing clients with new ones one would not be comparing like with like.

Simanowitz agrees that using baseline data could help overcome the problems arising from use of control groups, pointing out that longitudinal data (before, during, and after the loan), which provides a picture of how measured client variables change over time, partly relies on sufficient baseline data. In the case of his own work at the Small Enterprise Foundation (SEF), however, he points out that the organisation had very little baseline data, and the nature of information collected from members (clients) had varied over time.

He adds that while baseline data can be collected on new clients and the impact measured over some time, this would not meet the organisation's need for rapid impact assessment results that can feed into the programme's operational methodology and lead to improvement of impact.

Curran argues that qualitative elements in evaluation studies help in understanding why statistical findings (arising from quantitative studies) are patterned in particular ways and can also be used to find out what happens within the firm itself. However, he says, despite their usefulness, qualitative elements are typically add-ons to quantitative evaluations. But this seems to be changing as quantitative researchers, sensitive to criticism and especially the absence of information at the firm level, have increasingly included qualitative components in their research. The most common qualitative aspects

are face-to-face interviews with a sample of owners, taken from the large population analysed quantitatively and, as an alternative, incorporating a small number of case studies in the evaluation (Curran 2000:42).

4.5 Conclusion

An effective evaluation has to deal with the issues of programme additionality, deadweight and displacement. Where microfinance is concerned, fungibility becomes an important methodological consideration. While there is general agreement that some form of matched control sample design, where firms receiving support are compared with those not supported in order to isolate influences not related to the support programme, would be the most suitable design to enable control for external influences on firms, in reality constructing matched samples in small business evaluations is difficult, due primarily from the considerable heterogeneity of small businesses and their external situations.

It has been proposed that an alternative to using control groups is to make use of baseline data to assess change. However, this has problems of its own, emanating mainly from the fact that good baseline data rarely exist and can difficult and costly to collect.
Other problems in the area of selection, various kinds of bias (response, size, sectoral), and moral issues raised by excluding certain groups from the programme create further methodological difficulties. Measuring displacement and deadweight have difficulties of their own. To measure the latter, for instance, there is a need for dependence on owner-managers as the source of data, who, for certain reasons, may provide inaccurate data. Choice of impact indicators, such as business performance, efficiency, profitability and productivity also poses methodological difficulties and the validity of these indicators has come under question.

It has been noted that due to all these methodological difficulties, evaluations in the small business development field are methodologically weak, producing results that tend to inflate the impact of policies and programmes and which are capable of a variety of interpretations.

CHAPTER 5 EVALUATION OF CREDIT GUARANTEE SCHEMES

Meyer and Nagarajan (1996) have undertaken evaluations of a specific type of small business support programme – credit guarantee schemes. In the process of conducting these evaluations they have encountered the methodological difficulties discussed above. They cite methodological complexities as one of the factors that have contributed to the dearth of comprehensive evaluations of credit guarantee evaluations.

> Considering the relatively long time that credit guarantees have been used in the U.S. and abroad to influence lending, surprisingly few good comprehensive evaluations have been conducted. One of the reasons for this is methodological complexity. The difficulty of analyzing the impact of credit programs is well understood (1996:3).

5.1 The problem of fungibility

As stated earlier, credit provision poses a unique methodological problem because of one of its key attributes – fungibility, which means that money granted as credit can be used for a variety of uses and money from one source is completely substitutable for money from another source. Fungibility creates unique difficulties in terms of evaluating the impact of a borrower getting a loan, especially if the money borrowed was intended for a specific purpose. Under conditions of lax and difficult loan monitoring, the borrower may divert the funds acquired for one purpose to completely different purposes.

5.2 The challenge of demonstrating additionality

One of the methodological difficulties encountered in evaluating credit guarantee programmes is the measurement of additionality. The justification for credit guarantee programmes is that they alter lenders' decisions in favour of providing more credit to small businesses that they would otherwise not lend to. Thus, the success of a credit guarantee programme hinges on the extent to which guarantees cause additional lending to targeted groups - expressed as the number of clients, number of loans, or volume of

funds lent for targeted purposes. Additionality also occurs when other lenders who did not make loans to small businesses starts lending to small businesses under the guarantee programme. The assessment of additionality addresses the question: has the guarantee programme produced higher levels of lending to targeted groups than would have occurred without the guarantee?

Vogel and Adams (1997) point out that measurement of additionality and attributing it to a loan guarantee programme is difficult. As a consequence, additionality is often ignored or poorly measured in evaluations of credit guarantee programmes. An appropriate approach to assessing the impact of a loan is to estimate the "counter factual", that is, what the loan recipient would have done had the loan not been received, and then comparing that with what was actually done with the loan (Meyer and Nagarajan, 1996:3). Given that the counter factual can never be measured, some proxy is needed. This is often achieved by comparing the current situation of borrowers with some baseline data. Any observed changes between the current situation and the baseline data are then attributed, at least in part, to the use of the loan received.

An alternative approach is to compare the performance of borrowers (the treatment group) with that of non-borrowers (the control group) and attributing any improvement observed in the treatment group to borrowing.

There are two subjective ways to deal with the issue of the counterfactual. One approach is to ask lenders ex ante, and the other is to ask the same question, ex post (Vogel and Adam, 1997:27). However, both Meyer and Nagarajan and Vogel and Adams point out that these approaches also have limitations. Vogel and Adam, for instance, point out that the lender's response is likely to overestimate additionality especially when access to future subsidies attached to loan guarantee programmes depends on positive and optimistic responses by lenders. Meyer and Nagarajan identify several difficulties in measuring the counterfactual.

First, it is hard to completely control for those factors, outside of borrowing itself, which affect a borrower's performance over time. Second, problems of self-selection, where borrowers decide, for certain reasons, to borrow may lead to a situation where there may be systematic differences between borrowers and non-borrowers. Due to these inherent differences between the borrower and non-borrower groups, borrowers may perform better than non-borrowers, even without the loan. In addition, lenders may screen their borrowers such that they select only those most likely to repay, thus increasing the likelihood of borrowers being different from non-borrowers. Alternatively, being risk averse, some non-borrowers may decide not to attempt borrowing for fear of being credit rationed by lenders. Thus, being more willing to take risks than their counterparts that decide not to borrow, loan recipients may outperform non-borrowers simply because the former take more risk.

Meyer and Nagarajan conclude: "it is difficult to evaluate credit guarantees without knowing what the lenders and borrowers would have done without access to guarantees" (Meyer and Nagarajan, 1996:4).

5.2.1 The issue of accessibility

Yet another factor to take into cognisance in evaluating credit guarantee programmes is the accessibility of such programmes. Not all lenders and borrowers have access to them. There may be significant differences in the qualities of those with access and those without access, which may cause the different groups to act in ways that produce different results, with or without receiving the loans.

5.2.2 The multifaceted nature of treatment package

The multifaceted nature of the "treatment" in credit guarantees, that is another policy or intervention accompanying the guarantee, such as a quota for banks to lend to small businesses or mentorship support attached to the guarantee programme, may also produce behaviours on the part of both the banks and their borrowers that might not have existed without these additional interventions. Quotas may induce the banks to consider making loans they are convinced are unprofitable. Banks may accept the offer of a

guarantee to reduce expected losses. If the small business lending quota is removed, banks may refuse to make the loans even with guarantees. In some cases guarantees are offered as part of an integrated package including training and technical assistance that may help borrowers solve problems in their businesses not related to borrowing. This additional support could account for differential performance between borrowers and non-borrowers.

Vogel and Adams urge caution in attributing all changes in lending or borrowing behaviour to loan guarantee schemes when the guarantee programme is situated in a package of interventions aimed at improving the overall operating environment for a targeted group or activity. Thus, evaluating the guarantee involves disentangling the effects of these other elements of the support package.

5.2.3 The problem of substitution

Vogel and Adams point to a further difficulty in measuring the impact of credit guarantee programmes. This relates to the issue of substitution, which takes two forms – intraportfolio substitution, which occurs within a single lending institution, and interlender substitution, which occurs among several lenders.

- **Intraportfolio substitution**

A credit guarantee programme may cause a lending institution to transfer part or all of the qualifying portion of its existing loan portfolio to the guarantee programmes and then expand its lending in areas not targeted by the credit guarantee. This might be the case, for instance, where lenders are under political pressure to expand lending to groups targeted by loan guarantee programmes. Under such pressure, lenders are likely to "comply" by shifting some of their existing borrowers – perhaps those perceived to be the most risky – to the loan guarantee. They may then add only a few token new borrowers as window dressing to demonstrate that they are responding to political priorities. Alternatively, the lending institution might adopt the practice of making multiple loans to individuals in order to ensure that they fit under a loan-size ceiling

specified in the credit guarantee programme, or redefining the purpose of existing loans to qualify borrowers for the credit guarantee.

- **Interlender substitution**

It could happen that all of the borrowers covered by a credit guarantee programme were previously clients of other lenders, without a guarantee cover. In that case, little or no additionality in number of clients might have resulted from the guarantee when net changes in the entire financial sector are considered.

Because it can be expected that significant amounts of both types of substitution could occur, considerable care needs to be taken in uncovering the problem of substitution in evaluating credit guarantee programmes as the numbers of borrowers who are covered by a credit guarantee may result in a substantial overestimation of the amount of additionality created by the guarantee programme. Vogel and Adams state the problem thus:

> The problems of substitution and the counterfactual could lead casual observers to conclude that a loan guarantee program had a major impact on lender behaviour when, in fact, the guarantee caused much less additionality in lending for targeted purposes. Several studies in Canada and United Kingdom suggest that loan guarantee programmes there resulted in only one-quarter to one third of the clients covered by the guarantees being additional (1997:27).

5.3 Conclusion

As is the case with all finance programmes, the problem of fungibility raises methodological difficulties in evaluating credit guarantee schemes. Demonstrating the additionality of credit guarantees is further complicated by various problems: the problem of lack of accessibility of credit programmes to all lenders; the problem arising from the fact that credit guarantee interventions are usually multifaceted, in that the scheme is usually accompanied by other support services targeted at the clients of the scheme; and the problem of substitution within a lender and between lenders. The

problem of substitution could result in a substantial overestimation of the amount of additionality created by the credit guarantee programme.

CHAPTER 6 EVALUATION OF TRAINING PROGRAMMES

6.1 Linking training to business performance

Training constitutes one of the most predominant interventions in small business development world over. The justification for investing in small business training is that such investment leads to improved business performance. However, Patton, Marlow and Hannon (2000) argue that very few studies can demonstrate in any robust fashion that investment in training and development initiatives will directly lead to improved business performance. They maintain that overall, the evidence regarding the link between training and performance is both weak and tenuous. It has thus been asserted that the complexities associated with isolating the impact of training on performance suggest that: "there must be considerable doubt as to whether a definite answer could ever be found to the question of payback on training" (Gibb 1977, in Patton, Marlow and Hannon, 2000:14).

6.2 Methodological issues

Yet again, methodological difficulties explain the challenges encountered in linking training to improved business performance. The small business sector is complex and heterogeneous, with firms controlled by a diverse range of owner-managers who are able to commission various training interventions. A wide range of intricate and often subtle influences and antecedents can influence the performance of these enterprises.

Thus, Patton, Marlow and Hannon note that it is not clear whether the issue is that no relationship exists between training and improved business performance or whether separating out the specific variables influencing this relationship and effectively testing them is a substantial challenge in terms of research design and methodological approach which has not yet been effectively met. Patton, Marlow and Hannon go on to identify some of the methodological issues in evaluating the impact of training. The majority of the evaluations of the effects of training on enterprise performance have followed the

qualitative or interpretist method (Westhead and Storey, 1997 in Patton, Marlow and Hannon, 2000:14). The outcomes of such qualitative research, though usually limited in numbers of enterprises in the study, are rich in detail. The interpretative approach appears to enable full evaluation of the environmental context of the enterprise, assess the owner/manager's ambitions and expectations of a training intervention, and enables a detailed 'tracking' of the delivery and impact of the intervention.

However, the utilisation of such interpretist approaches could offer insight at the expense of the identification of wider trends. The small sample sizes of most of these types of studies limit the opportunity to generalise the findings across whole populations. Patton, Marlow and Hannon propose that the problem of lack of generalisability can be addressed by utilising quantitative methodologies based on large samples, which are invaluable for identifying general trends across larger populations. The problem remains, however, that such quantitative studies, based upon aggregate samples, cannot recognise heterogeneity, a critical issue for investigations into the small firm sector renowned for variability and idiosyncrasy (2000:15).

The difficulty of controlling the volatility of internal and external environments surrounding small businesses poses problems in terms of enabling comparative analysis of changes among enterprises.

One approach to resolving the problems of inadequacy of either the qualitative or quantitative approaches used in isolation is the adoption of a hybrid methodology that uses a mix of both these methods, thus negating the weakness in one set of data with the strengths of the other set. In addition, triangulation techniques employed over the long-term would make it possible to address some of the methodological difficulties encountered and may also be able to isolate the impact of one particular intervention from other associated interventions. However, this approach is also not without its own difficulties. Patton, Marlow and Hannon state these difficulties thus:

> Whilst such an approach can be useful in bridging the dichotomy between positivism and interpretism, the problem of appropriately integrating the

> findings can still be problematical. There is always the possibility that utilising contrasting approaches will generate information pertinent to different facets of the research question, leaving the researcher with diverse sets of data which may prove disparate rather than integrative (2000:15).

A different approach would be to compare and contrast a cohort of enterprises that invested in training against a 'control' group of enterprises that did not undertake such activity. However, this approach also poses its own difficulties, as pointed out by Hofer and Bygrave (1992, in Patton, Marlow, and Hannon, 2000), who have warned of the difficulty of employing matched-pair or controlled-variable comparisons resulting from the problems of trying to control for the numerous antecedent variables in a study over the longer term.

6.3 Conclusion

Methodological complexities in evaluating small business training make it difficult to conclude with complete certainty whether there is any payback on training investment. The difficulty arises principally from the inability to establish a direct link between training and improved performance within the enterprise. An approach that goes some way in resolving the inadequacies of using either the quantitative or the qualitative approach in isolation of each other is to adopt a hybrid of both. However, this approach may pose its own difficulties in terms of integrating the findings of the study. Utilising contrasting approaches could generate information pertinent to different facets of the research question, leaving the researcher with diverse sets of data that may prove disparate rather than integrative.

CHAPTER 7 PROPOSALS ON METHODOLOGICAL APPROACHES

7.1 Proposed framework for evaluating training programmes

Patton, Marlow and Hannon propose a "contextual" framework for evaluating training interventions. This is based on the recognition that the relationship T=P (t stands for training, p stand for performance) is influenced by an array of factors. "The training intervention creates a number of complexities that need to be addressed in the research design and these are further compounded by the heterogeneity of small firm owners, their management teams and the various contextual environments in which they operate" (2000:17). Thus, in order to clarify and comprehend the full impact of training interventions on the firm, it is necessary to apply a framework that encapsulates these diverse and sometimes conflicting variables.

For this purpose, Patton, Marlow and Hannon propose a framework that, they argue, enables the understanding the outcomes of the process whereby training interventions are assimilated, processed and employed by small firms. The model identifies four areas of analysis: (i) the general business environment; (ii) the atmosphere that surrounds the association between trainer and trainee; (iii) the interaction process that takes place; and (iv) the make-up of the individual parties (2000:17-18). Table 7 presents the summary of the framework.

Table 7: Summary of a proposed framework for evaluating small business training

Factor	Elements
The firm's operating environment	• General economic climate • Level of competition • Availability of funds • Level of technical sophistication • Social expectations
The atmosphere in which training is delivered	• The firm's motivation and objectives for training (strategic or external event) • The motivations and objectives of training providers • Alignment between firm needs and training delivered (supply vs. demand orientation) • Trust and respect between the parties to the training relationship
The interaction process	• Knowledge or skills imparted • Duration of training programmes (short-term vs. long-term) • Types of employee involved • Mode of delivery of training
Structures, systems and personalities of training organisation, training provider, and training recipient	• Quality of training provider (skills and knowledge to deal with small firm heterogeneity) • Convenience of timing and location of training • Consultation between training provider and trainee (firm) • Firm's previous training experiences and perception of the value of training • Availability of information on training opportunities • Level of competence within the firm • Background, experience, growth orientation and motivation of the owner • Provider understanding of learning practices of small firms

7.2 Evaluating credit programmes – the Household Economic Portfolio model

Johnson and Rogaly (1997) point out that the response of many microfinance practitioners to the methodological and practical difficulties of impact assessment has been to argue that impact assessment should not be undertaken at all. Instead, the financial health of the microfinance institution should be taken as a proxy indicator of positive change at client level. The rationale behind using this proxy is that the very fact that clients continue to utilise the institution's services is sufficient indication that clients find the services of benefit to them. Thus, some have suggested that impact studies should be replaced by indicators of scale (number of clients reached) and institutional sustainability.

"If the institution is increasing the outreach of its services to a growing number of people, and indicators of financial sustainability are improving, the impact of the institution is viewed as positive" (1997:77). However, Johnson and Rogaly argue against this approach. They argue that while the fact that increasing numbers of people are using the services is in itself a positive indication, it does not tell enough of the story. Putting aside the fact that increasing scale can actually undermine the sustainability of the institution itself (by creating organisational and management problems), they point out, it is necessary to determine who is using the institution's services, to differentiate users by wealth, gender, and location. In addition, information should be gathered on how various groups are using the services to support their livelihood activities. Understanding how people use the services in practice makes it possible to analyse what makes the services relevant and useful to them.

One of the major shortcomings of impact evaluation in small business development has been the fact that most evaluations focus exclusively at enterprise level to the exclusion of the enterprise owner, his or her household, and his or her community. This narrow focus fails to take into account the fact that:

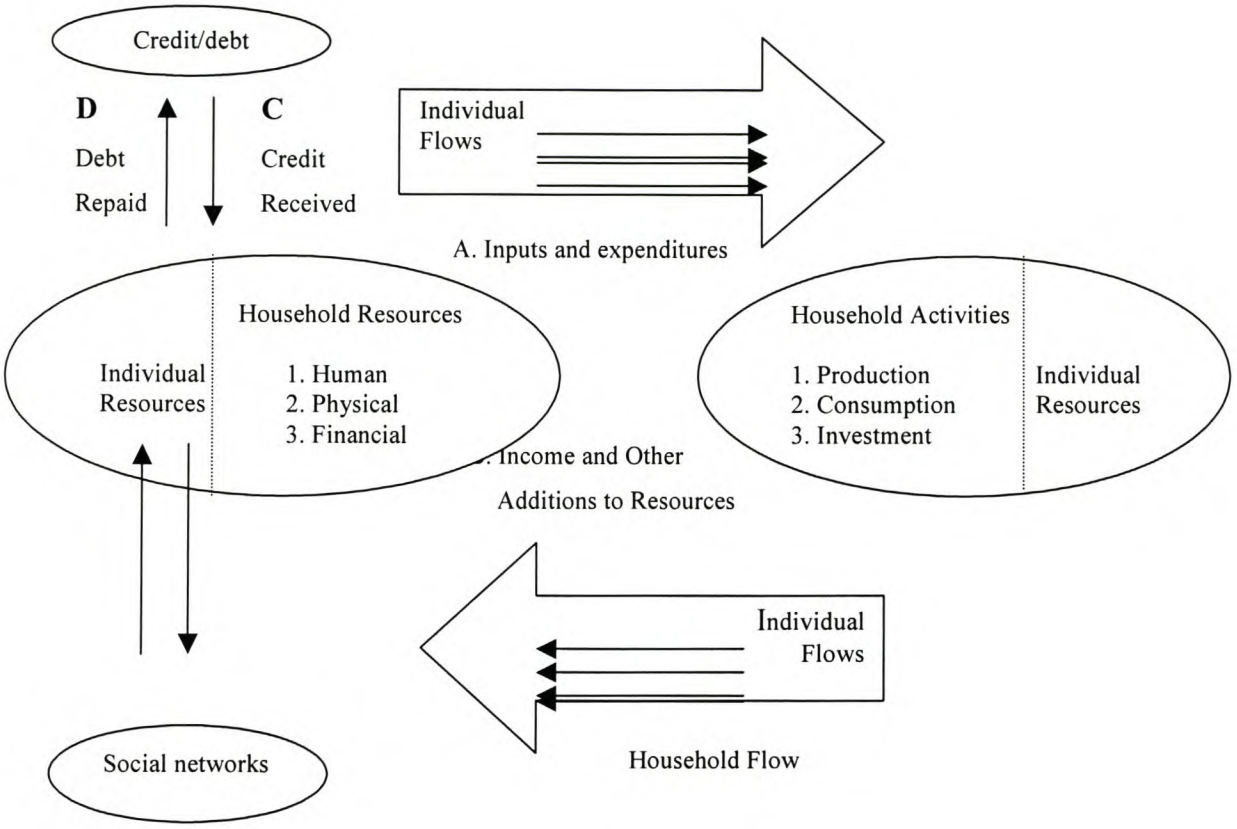
> Microenterprises exist as part of a larger portfolio of economic activities, and that decisions with respect to microenterprises – whether made jointly or individually vis a vis other members of the household – can be understood more clearly when considered in relation to tradeoffs within the overall household economy. 'In other words, microenterprises are part of a larger, dynamic household economy within which decisions are made and resources allocated in response to a complex set of internal and external forces.' 'Thus, any examination of the impacts of microenterprise interventions must look beyond individual enterprises, to the overall set of household resources and activities, and to the forces driving the decisions that shape the household economy" (Sebstad et al, 1995, in AIMS 2001).

In response to this methodological deficiency, AIMS (Assessing the Impact of Microenterprise Services), a project of the United States Agency for International

Development's (USAID) Office of Microenterprise Development, proposed a framework for evaluating the impact of microenterprise support services, the Household Economic Portfolio (HHEP). AIMS argues that this framework is well suited for the evaluation of the impact of microenterprise support services, both financial and non-financial, particularly when it comes to dealing with issues of attribution and fungibility.

> A basic challenge in impact evaluation is building a plausible case for attribution. The HHEP provides an internally consistent conceptual framework that can be used to link the intervention to the impact in a plausible cause-and-effect relationship. The model also addresses the issue of fungibility of credit by accounting for the flow or resources into households and between and among various production, investment, and consumption activities within the households (2001:v).

The model achieves this by modeling the ways in which households and individuals within households use microenterprise support services to protect, manage, and increase their resources and activities, including their microenterprises. This way the model becomes a useful tool to identify "impact paths" at the household, enterprise, and individual levels and to trace the "logical pathways" by which credit or other support services may lead to positive impacts (2001:v). The conceptual model for HHEP is presented below.



Theoretically, HHEP arises from two key developments in the analysis of the household as an entity and decision-making within the household. With reference to the household as an entity, three developments have occurred (AIMS, 2001:10):

- The concept of sharing and co-operation within the household has been replaced by recognition that a household is "a locus of competing interests, rights, obligations and resources, where household members are often involved in bargaining, negotiation, and possibly even conflict."

- There has been an increase in emphasis on the household as a permeable entity and one embedded within wider structures rather than as a bounded unit. Within this context, the influences on household production, consumption, and investment decisions are not only internal, that is, within the household itself, but also external cultural, economic, and political forces.

- It is now recognised that households vary considerably in composition and structure and that this variation is evident both between and within societies and over time.

There have also been developments on economic models of household decision-making. Firstly, while household production and consumption were previously seen as separate activities, these have now been combined to create a single model of the household as both producer and consumer. Secondly, there have been efforts to disaggregate the household model to account for the effect of individual preferences, resources, and bargaining power in decision-making within the household. Thirdly, there is increased understanding of the role risk plays in influencing household strategies, in terms of whether and to what extent households diversify their activities, ways in which households manage their assets, and the social relationships they establish.

Conceptually, HHEP consists of three components:

- **Resources**: the set of human, physical and financial resources available to the household.
- **Activities**: the set of production, consumption, and investment activities that household members undertake.
- **Resource-activity-resource flows**: the circular flows between resources and activities, including the allocation of resources to activities and the economic returns from activities to resources.

As a broader impact evaluation framework, HHEP reveals impacts at three key levels – enterprise, household, and individual level.

Table 8: Three levels at which HHEP measures impact

Enterprise level	Household level	Individual level
• Increase in enterprise revenue • Increase in enterprise fixed assets, especially among repeat borrowers • Increase in paid and unpaid enterprise employment • Improvements in transaction relationships within the enterprise	• Increase in the level of household income • Greater diversification in household income sources • Increase in household assets, including improvements in housing, increases in major household appliances, and increase in enterprise fixed assets • Increase in expenditure of children's education • Increase in expenditure on food, especially among the very poor • Increase in the household's effectiveness in coping with external shocks	• Increase in control over resources and income within the household economic portfolio • Increased incidence of personal savings • Increased self-esteem and respect from others • Better position from which to deal with the future through more proactive behaviour and increased confidence

(a) Dealing with tricky issues of impact evaluation

- *Addressing the issue of fungibility of credit*

The HHEP model addresses fungibility, the allocation of credit to any of the many household economic activities and not the enterprise per se, by going beyond the enterprise itself to the entire household economic portfolio, of which the enterprise is just one part. This way the model avoids the deficiencies of narrower approaches, which make an implicit assumption that all of the credit obtained by the entrepreneur has been allocated to the enterprise and therefore that only impacts on the target enterprise are relevant. HHEP model accepts the fungibility of credit and incorporates it into the household-level conceptual model, thus enabling the full range of impacts to be measured without making any prior assumptions about how credit is allocated within each household.

The HHEP model also recognises that fungibility is not limited only to credit but extends to the profits of the enterprise, meaning that even if credit is allocated to the enterprise,

its impacts may still extend to the household level since profits may be used for non-enterprise expenditures. By accounting for the flow of resources into the household and between and among various production, investment, and consumption activities within the household, the HHEP model provides the basis for understanding how changes in one activity may come at the expense of or complement changes in another activity. This way, the effect of fungibility is dealt with (AIMS, 2001:13).

- *Establishing a plausible case for attribution*

The HHEP model provides an internally consistent conceptual model that links the intervention to the impact in a plausible cause-and-effect relationship, thus enabling the modeling of ways in which households, and the individuals therein, use enterprise services to protect, manage, and increase their resources and activities, including the enterprise itself. "Using the HHEP model, the logical pathways by which credit or other microenterprise services may lead to positive impacts can be traced. 'The identification of these plausible impact paths within the HHEP provides the basis for generating a set of hypotheses to be tested in the impact evaluation'" (AIMS, 2001:14).

- *Generating impact hypotheses*

The HHEP model provides the conceptual linkages between enterprise services and changes at the enterprise, household, and individual levels. This way the model provides a logical framework for generating impact hypotheses and selecting impact variables. In some cases, the causal pathways imply a direct impact, and in others the impact pathways are indirect (AIMS, 2001:14-15).

(b) Weaknesses of the HHEP model

However, it has been acknowledged that even though HHEP is a major methodological advance in evaluating small enterprise development impact, the model does not resolve

all the difficulties encountered in evaluating small enterprise development projects. Specifically, three shortcomings have been identified (AIMS, 2001:18-19):

- The model does not explain why some enterprises grow a great deal, grow a little, start growing and then stop, or do not grow at all. Thus, there is still a need for a model, linked to the household economy, which is able to predict the circumstances under which some entrepreneurs will seek to expand their microenterprises. Such a model should predict the evolution of the enterprise in terms of the household's objectives and constraints and in terms of the environment in which the enterprise operates. This would facilitate programme design and the development of suitable products and services for growth-oriented and non growth-oriented enterprises.

- While the model enables the understanding of household decision making and mapping household responses to ever-changing internal and external forces, it is not useful for the analysis of the external environment, including opportunities and constraints, which enterprises constantly modify their strategies and behaviours in response to. An analysis of these external factors is critical to the deeper understanding of household behaviour. The HHEP focuses primarily on the inner structure and functioning of households, viewing the external environment in terms of the strategies that households adopt in response to external conditions. Given this deficiency, there could be great benefit in combining the HHEP with other frameworks, such as the sustainable livelihoods framework, which is stronger in examining the social, political, economic and environmental context within which households make their decisions. Thus, the sustainable livelihoods framework facilitates a detailed and comprehensive assessment of the contextual factors that impact the household's ability to achieve its objectives.

Combining the two frameworks, one looking from the inside out and the other looking from the outside in, could strengthen both, resulting in a more powerful analytical tool for assessing impact.

- The HHEP model does not allow for the modeling and analysis of impacts at the community, broader society and economy level. Such an analysis is necessary to deal with the claim that programmes may have negative displacement effects on non-beneficiaries.

7.3 General methodological recommendations

Based on a methodological review of eleven small business impact evaluation studies undertaken by different evaluators mainly in Asia, Gaile and Foster (1996:31-33) make several methodological recommendations, as follows:

Table 9: Recommendations on specific aspects of methodology

Methodological issue	Recommendations
Sampling	• Sampling should occur with control groups from within programme sites and a control population chosen from matched non-program sites • Sampling should use a quasi-experimental design, with a matched control group strategy to pick control sites (non-programme locations) and statistically equated control groups for individual controls • In programme sites, both new, or soon-to-be, borrowers and eligible non-borrowers should be used as control groups • Sub-samples of multiple borrowers should be included and the value and number of their loans recorded • Minimum sample size for any sub-sample group should be 30. Higher sample sizes increase the likelihood of attaining statistically significant findings. An overall sample size of 500 should allow for effective use of control variables, drop-outs in the longitudinal study, and invalid data issues
Temporal issues	• The longitudinal study with ex ante and ex post data collections should have at least an 18 month interval, and probably no more than a 24 month interval, between the two rounds of data collection • The ex ante group should be surveyed using recall methods targeting a 6 and 18 month period prior to the ex ante study, or, as an alternative, the period directly before receiving their loan • Seasonality should be a consideration in the actual timing of the field surveys • In-depth interviews in pilot or exploratory studies should be undertaken to attempt to determine actual financial time lines of credit impacts, including those of multiple borrowers, and the temporal aspects of the study should be adjusted accordingly • There may be neglect of the issue of long term credit impacts
Analytical techniques	• A quasi-experimental design is seen as sufficient, without the need for the addition of economic modeling • Multivariate techniques will be necessary to control for endogeneity and selection bias issues • The choice of the precise techniques to be used should be a function of the type of data collected and their distributional characteristics • Context has frequently been noted as being important, yet context variables are often excluded from analyses. Qualitative techniques may be of utility • Data cleaning and data validity checking should be built into the research design and plan

Control methods	• Statistically-equated methods are sufficient for controlling for individual selection bias and issues of endogeneity • Gender is a critical control variable • Efforts to attempt to control for the fungibility of resources between household and enterprise must continue to be made. This may require a broader interpretation of assets • Precise control methods should be a function of the data available. Statistical power should be the critical determinant of the technique used. Questionnaire construction and data manipulation efforts should consider attaining interval data when possible to increase the power of testing • The focus on successful microenterprise programmes, and the tendency of programmes toward choice of likely to be successful clients are the major reasons that controls are needed to study impacts. The alternative of studying programmes selected at random and eligible borrowers also selected at random could minimise the need for controls and would give a different, but potentially valuable, assessment of possible credit impacts
Other issues	• Several studies note the diffusion of credit impacts to non-participants in programme sites. The impact of programmes on the community is a noted, but neglected aspect of study • Alternative methodologies may complement current mainstream methodologies. Some in-depth pilot interviewing should enhance research and questionnaire design and inform temporal considerations. Counterfactual analysis may be used to provide empirical evidence for the "but for" approach • Back translation[9] should be used in survey construction. Survey fatigue should be avoided • Respondent motives should be considered in questionnaire design (respondents may give false information if loans have been used for a purpose other than the stipulated one, or a respondent may give a positive story about the impact of a previous loan in the hope of obtaining a further loan) • Greater attention paid to field issues will result in greater data accuracy and validity and minimise overall costs • Gathering of non-survey complementary information (e.g. infrastructure and location) in the field should be built into research design.

7.4. Conclusion

Given the methodological and practical difficulties associated with measuring the impact of small enterprise development services, some argue that it is pointless to attempt impact assessment of any kind in the enterprise development field. They argue that proxy indicators, such as the financial health of the institution providing the services and the ongoing use of services by the clients, should be used as pointers to the impact produced by the services. However, some reject this argument, pointing out that these proxy indicators do not tell the full story about the services and their impact. The latter group

[9] Back translation is a technique where one enumerator translates the questionnaire from English into vernacular. Then another enumerator (kept separate from the first) translates the questionnaire back from the vernacular into English. A comparison of the first and last questionnaires reveals areas of mistranslation.

argues that it is important to go beyond simply looking at repeat use to assessing who uses the services and how they use them. This information would be useful in guiding the design of services and ensuring their relevance to clients.

A general weakness in many approaches for measuring the impact of small business support services is that they tend to focus only on the client enterprise and ignore other levels of impact such as the household and the individual. The Household Economic Portfolio model bridges the gap by going beyond the enterprise and encompassing the household and the individual. Thus, the HHEP provides a more thorough framework for the measurement of impact of enterprise services. By linking enterprise support services directly to the household economy, the HHEP provides a useful conceptual framework for dealing with the tricky issues of impact assessment, such as fungibility and attribution. However, the HHEP itself has its own weaknesses, which call for it to be used in conjunction with other complementary frameworks such as the sustainable livelihoods framework. This would produce a more rigorous approach to measuring the impact of enterprise support services.

A framework for evaluating small business training has been proposed. The framework recognises the influence of the firm's operating environment; the atmosphere in which the training is delivered; the interaction process; and the structures, systems and personalities of the training organisation, training provider and training recipient on the performance of the firm and the impact of training in enhancing that performance.

General recommendations have been made with regard to dealing with methodological issues such as: sampling, temporal issues, analytical methods, control issues and other issues.

CHAPTER 8 OVERALL CONCLUSION

Evaluating small business development policies and programmes is a methodologically difficult task. However, given the magnitude of investment in this area and therefore the growing demand for public accountability, and the socio-economic importance of small businesses within the broader context of the South Africa economy, evaluation is a task that needs to be undertaken. Evaluation provides the information platform upon which decisions about policies and programmes can be based. Decisions have to be made about whether to start new policies and programmes; whether to stop, continue or expand existing programmes; whether to deliver existing programmes to target groups that are currently not served by the programme; and so on. In addition, resource allocation choices have to be made between various competing causes and justification given for continuing to invest scarce resources in one cause as opposed to the other.

To deal with these and other related issues, policymakers and programme sponsors are increasingly requiring that policies and programmes be effectively monitored and evaluated in order to provide the information base required to generate the necessary programme feedback. While monitoring has been found to be a relatively easier task, evaluation has been found world over to be comparatively more difficult. As a result, evaluations of small business policies and programmes have been found to be methodologically weak and their results open to many interpretations.

The task of the evaluator of small business policies and programmes is made difficult by a number of factors. Some of these factors relate to the nature of the small businesses

themselves, while others relate to the nature of the policy or programme or the environment within which such policies or programmes are implemented. The biggest question to be answered is: to what extent can any positive changes at the level of the enterprise be realistically attributed to the effectiveness of the intervention? Alternatively, to what extent can negative developments within the enterprise be attributed to the failure of the policy or programme? This study discusses in more detail the methodological difficulties faced by the evaluator of small business development policies and programmes. Various methodological approaches are presented and analysed.

Given the importance of small business and the magnitude of resources invested annually in promoting these enterprises, methodologies that provide more reliable results have to be found. The current methodological weaknesses pose a challenge that needs to be resolved if more reliable results are to be obtained and, in turn, more informed decisions taken about policies and programmes.

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