

How can Impact Assessment for Development Finance be more Participatory?

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Increasingly impact assessment is recognised as a core part of the work of development finance organisations (DFOs), both to demonstrate the achievement of their social objectives, and to assist management with strategic decisions and methodology development. Participatory approaches have not featured prominently within “minimalist” microfinance, nor have they been widely used by DFOs for impact assessment. Partly this results from the lack of background that most microfinance practitioners have in participatory methods, and partly due to a minimalist approach that does not give space for debate with clients about what services are provided and in what way. Financial services are typically delivered by organisations striving for financial self-sufficiency and client control of services or lengthy research may damage this goal. Instead, market research provides the client information that is needed to provide attractive financial services in a commercially viable way.

Other DFOs take a more integrative approach, and provide financial services as part of broader social empowerment and development. Their central concern is to work with marginalised groups, and facilitate transformation at individual, community and societal levels. For these organisations participatory approaches have been used for many years, and are seen as an important tool for empowerment. When developing impact assessment systems it is natural for them to work with a participatory approach that is empowering for the organisation’s members or clients, and allows for a strong client voice in the impact assessment process.

These two descriptions represent two ends of the spectrum. Participatory impact assessment (PIA) similarly may be viewed from two extremes, dependent on the organisational type. For ‘participation purists’, “...conventional baseline surveys are virtually useless for impact assessments...The question now is how widely local people can be enabled to identify their own indicators, establish their own participatory baselines, monitor change, and evaluate causality...” (Chambers, 1997, p123). Alternatively, for organisations striving for sustainability, the use of participatory tools may be seen as an effective way of passing the costs of gathering information to clients, and increasing the cost-efficiency of market research.

PIA is thus very dependent on the context in which it is used and the objectives behind its use. However, some basic principals can be outlined. There are convincing arguments for making impact assessment more participatory from both the empowerment and instrumentalist perspectives, as well as in terms of the quality and usefulness of information produced.

Defining Participatory Impact Assessment

This paper seeks to explore how impact assessment can be made more participatory. A starting point is to look at what we may be moving away from. What is impact assessment that is less participatory? Estrella and Gaventa summarise traditional impact assessment as follows:

- Focused on measurement (often quantitative rather than qualitative focus)
- Extractive rather than empowering
- Orientated to the needs of donors and policy makers, not the MFI or its clients
- Conducted for the purpose of making judgements rather than empowerment
- Striving for objectivity and distance between evaluator and participants

- Externally orientated – both in terms of who does the assessment and who the information produced is aimed at

There is a philosophical position involved in PIA. This starts by questioning whose needs does impact assessment meet – clients, the DFO, donors? This affects the type of data that is collected, the way in which it is collected and analysed and by whom, and how the information produced is disseminated and used.

The PIA approach recognises that there are multiple stakeholders involved in the IA process, each with their own perspective (women clients, husbands, marginalised community members, community leaders, field staff, managers, senior management, technical assistance providers, donors, policy makers). It therefore moves away from traditional, often externally implemented, impact assessment that tends to emphasise the needs of donors. New stakeholders become involved in the process. Feurstein (1986) for example describes the process as one of “real partnership, whereby people are involved in deciding when and how to monitor and evaluate, analyse, communicate and use information”.

For most DFOs, however, participation is not an explicit goal. Even for those that emphasise participation as a core part of an empowerment process, there will always be a need to balance the process with other organisational objectives such as financial efficiency. Methods can be used to include each of these stakeholders in the IA process, or to allow different stakeholders control of the process, but it is clear that for most DFOs it is not possible to fully integrate all stakeholders into all stages of the IA process. Compromises must be made, and prioritisation made allowing different stakeholders to be involved at different levels and stages in the process.

There is a continuum. At one end is “purist” PIA at one extreme that uses participation as an end in itself to empower particular, previously dis-empowered stakeholders. At the other extreme is an instrumental use of participatory tools in an extractive way, that does not seek to empower, nor to address any of the power dynamics between the various stakeholders.

Thus the process of *making impact assessment more participatory* is a process of moving along this continuum. The starting point is with the organisation, its mission and its motivation for exploring the use of participatory methods.

Why make impact assessment more participatory?

PIA is centred on action-orientated learning. It seeks to understand the situation of its stakeholders, and to feed this into improvements in practice. It starts with what people already know and builds on this. The involvement of a wider range of people in impact assessment is likely to throw up challenges to the DFO, and it is certainly not a neutral process. PIA is likely to challenge much about the way in which a DFO functions, the services it provides, and how strategic decisions are taken. This is particularly true for a highly centralised and hierarchical organisation, where increasing voice for a wider range of clients and staff will raise expectations of change. The adoption of PIA is also a step towards a “learning culture” where an organisation encourages discussion and input from staff and clients.

The methodology used by the organisation has significant bearing the adoption of participatory approaches. For example, thrift co-ops have a different set of power dynamics and stakeholders compared to those DFOs where savings are held in banks as collateral for externally owned credit. Where programme philosophy is actually about handing over ownership of the institution PIA may fit well with the organisational culture and Mission. For example, some Village banking programmes, which try to promote internal savings to take over from external sources of credit, may also better lend themselves to giving clients greater decision making power over products and services.

Where an organisation has a philosophical commitment to participation, PIA can be an important part of achieving an empowerment goal, and of giving clients a real voice in the organisation, its operations and

decision-making. This is also a key factor in achieving holistic poverty-alleviation. Organisations taking this approach will generally have a stated belief in the capacity and value of its clients. For example, “PRADAN works in a spirit of enabling communities to build upon their skills, initiative, resources and entitlements...” “The vision of CYSD centres around promoting individual and collective self-reliance”. For other DFOs participation is not a stated goal, and although empowerment and increased client participation in organisational processes may be desirable it may not be a strong enough motivation in its own right.

However, by analysing the possible channels of impact of PIA, it becomes clear that the instrumental and philosophical benefits are closely inter-related. An organisation that seeks to use participatory tools must take on board some of the philosophical under-pinnings of participation in order to achieve the efficiency and effectiveness gains.

There are a number of areas where PIA can bring benefits to a DFO’s clients and to the efficiency and effectiveness of the organisation:

- As part of a philosophical approach to empowerment and participation
- Poverty impact of client empowerment
- Lowering of transaction costs for the DFO – efficiency and cost effectiveness gains
- Improved knowledge and information about clients leads to better services (efficiency and increased market share)
- Improved client performance helps achieve both the poverty goal and financial self-sufficiency goal of the DFO
- Increased client sense of ownership leads to improved “credit discipline”

Client level

1. Self-analysis can lead to improved understanding of situation and strategies to resolve problems or improve performance. This is both empowering and contributes towards the reduction of poverty of the client.
2. Improved sense of ownership is empowering for clients, and can lead to greater participation in organisational processes.
3. Better targeted products result as clients are able to voice their needs, and shape products to suit these needs.
4. The combination of client empowerment with better DFO products can contribute significantly to the goal of poverty-alleviation.

Staff level

1. Improved understanding of clients allows field staff to make better loan decisions. It also leads to a greater sense of ownership of the programme by staff, and an identification with its achievements. This can increase staff moral and is empowering.
2. Increasing responsibility of clients for their own decisions and management of groups or centres reduces work load for staff, and can assist in achievement of productivity targets.
3. As part of a broader process of decentralisation this can lead to a greater role for field staff in impact assessment and other organisational processes.

Organisational level

1. Transactions costs are lowered as more is done by clients, particularly supporting “problem” clients
2. Improved client success increases the chance of the client taking a larger repeat loan.
3. Increasing client success reduces client delinquency
4. PIA can serve the organisations informational need in terms of reporting to donors
5. Increasing sense of client ownership leads to clients putting time and effort into “making things work”. Improved credit discipline and centre management can reduce the DFO costs.
6. PIA is a cheap and effective form of market research

7. Better targeted and appropriate products, combined with increasing sense of ownership will also increase client loyalty and assist the DFO in competing effectively.
8. Empowerment and participation are promoted by PIA
9. Increasing participation and empowerment of clients and staff fits well with the goal of organisational decentralisation and the establishment of profit centres. It can also assist the organisation in identifying its strengths and weaknesses and improving.

Problems of PIA

The benefits outlined above are certainly not automatic. There is often a need for a significant commitment to transformation by the organisation, as well as input in terms of time and resources. The use of PIA also demands a level of skill from field staff that is often greater than that needed for routine credit and savings transactions. These skill needs combined with the greater level of responsibility placed on field staff for facilitating the gathering and analysis of impact information can challenge organisational systems in terms of staff monitoring and quality assurance.

Often information gathered through PIA is seen as being subjective, since it may require unstructured facilitation and discussion by the field staff to gather. This subjectivity leads to a commonly held view that participatory methods are imprecise and lack scientific rigour. This is particularly important when one of the objectives of an impact assessment is donor accountability. However, whilst it is true that PIA is unlikely to have a clear boundary between “objective” assessors and beneficiaries, there are many aspects of the design of PIA that can ensure rigorous results. A key aspect is the use of “triangulation” where questions are addressed from a number of perspectives, and the “truth” is arrived at through the combination and comparison of data from different sources – this can include quantitative data.

A further point to note is that traditional “scientific” impact assessment is not necessarily more objective than PIA, and it is not necessarily more rigorous. External impact assessment presents its own perspective in terms of what it chooses to measure and include or exclude in the process. Thus there is no necessary trade-off between scientific rigour and participation, rather it is the choice and the mix of methods used, and the process of defining and measuring impact indicators that determines the rigour and usefulness of the results.

PIA in practice

Although risks are present, there are clearly great benefits to the use of PIA. We now turn to the practicalities of how an organisation might move towards using a more participatory approach to impact assessment.

1. *Who leads impact assessment?* In PIA there is a move towards giving greater control of the impact assessment process to clients. It must be recognised that at each level there are “insiders” and “outsiders”, those with power and the less powerful (insiders/outsiders to organisation; management/field staff within an organisations; insiders/outsiders to the community; leaders/marginalised people in the community). Defining who participates in PIA defines whose perspectives and priorities are emphasised in the final analysis.
2. *Who does what?* The impact assessment process has many steps, and there is scope for involvement in all or some of these steps (development of indicators; measurement of indicators/ collection of data; analysis of data; development of policy recommendations). Again a balance must be defined as to who controls the process, and who else is involved and at what levels. For most DFOs the process will not be fully handed over to clients, but will involve a mixture of DFO staff, outside technical support, and clients.
3. *Tools and techniques:* Tools/techniques used depend very much on the context of the organisation, and the information requirements that have been identified. Different tools will generate different

information and need different resources and skills.

Estrella and Gaventa (p39) summarise the approach to tools and techniques as follows. “In general, tools and techniques should:

- Complement the approach and philosophy of the [organisation];
- Be perceived by community participants as a way to help them address their questions and problems, not simply as information about them gathered by or for outsiders;
- Involve end-users in both data gathering and in analysing data;
- Match the skills and aptitudes of participants;
- Adapt to fit peoples’ day-to-day activities and normal responsibilities;
- Provide timely information needed for decision-making;
- Produce results which are reliable and, even if not quantitative, credible enough to convince others;
- Be consistent in complexity and cost to match the level of evaluation called for;
- Reinforce community solidarity , co-operation and involvement;
- Be gender-sensitive
- Only obtain the information needed

Conclusions

Participatory methods and participatory impact assessment have been widely used in many fields. However, their application is relatively new, and limited to a small number of contexts in Development Finance. The challenge is now to look at where PIA might be usefully used by DFOs, and how the competing priorities of DFOs will affect its application. There is a need to pilot the application of PIA in DFOs in different contexts and with different methodologies and missions, in order to refine the approach to be generally useful in the field.

Where to go for additional information

A resource pack on *Participatory Approaches in Micro-finance* has been prepared by IDS, Sussex, UK. This can be obtained by emailing participation@ids.ac.uk or via the website www.ids.ac.uk/particip The pack reviews number of uses of participatory methods in microfinance, including approaches that seek to empower their clients and strengthen the position of clients in organisational decision-making processes, as well as more instrumentalist data-gathering activities. Examples of PIA included in the pack include:

- *Participatory monitoring and evaluation: a prototype internal learning system for livelihood and micro-credit programs.* This uses a pictorial client diary to record changes in client lives, empowering clients through self analysis, as well as providing centralised impact data. It has been implemented by a number of Indian organisations including Pradan.
- *Participatory institutional assessment and visioning exercise.* This is a facilitator’s manual for use by staff and clients to gain insight into their organisation, its needs and direction.
- *Participatory monitoring for self-help groups – A tool for sustainability.* This looks at the process of involving “all stakeholders in a self-help group (SHG) programme in the Tamil Nadu Women Development Project. An emphasis is placed on the learning processes and the ability of the SHGs to act self-determinedly, through a process that grows in complexity as the groups develop over time.

A background paper for the Third CGAP virtual meeting on impact assessment outlines SEF’s impact assessment and monitoring system, which uses participatory methods as part of a regular data gathering, and to facilitate self-analysis by clients. The paper combines descriptions of the tools and methods used with practical tips for their application. This is available from the SEF website www.sef.co.za.

There is also a wealth of information and experience documented on participatory impact assessment and

monitoring and evaluation in sectors other than microfinance. A key review of the resources available is *Who Counts Reality? Participatory Monitoring and Evaluation: A Literature Review*. This can be obtained by emailing participation@ids.ac.uk or via the website www.ids.ac.uk/particip

Learning from Change: Issues and experiences in participatory monitoring and evaluation, by Marisol Estrella gives an overview of common themes and experiences in participatory approaches to monitoring, evaluation and impact assessment across different institutions and sectors. It provides a wealth of practical case-studies of application, exploring conceptual, methodological, institutional and policy issues. It is published by IT, and can be ordered via orders@itpubs.org.uk; www.itpubs.org.uk; fax +44 (0)20 7436 2013.

Participatory monitoring and impact assessment of sustainable agriculture initiatives, by Irene Guijt is a manual which provides a practical, methodological introduction to setting up a participatory monitoring and impact assessment process. The manual describes 20 tools in detail, and discusses the complexity of indicator selection and choosing methods. It also discusses common pitfalls and specific difficulties faced in the Brazilian context. The manual can be obtained from the publisher, IIED. Email sustag@iied.org; Fax +44-(0)20 7388 2826.

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