

# Resisting the Formulaic

## Measuring the Impact of Aid on Entrepreneurship and Development



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Panel 3a: Aid and the Private Sector

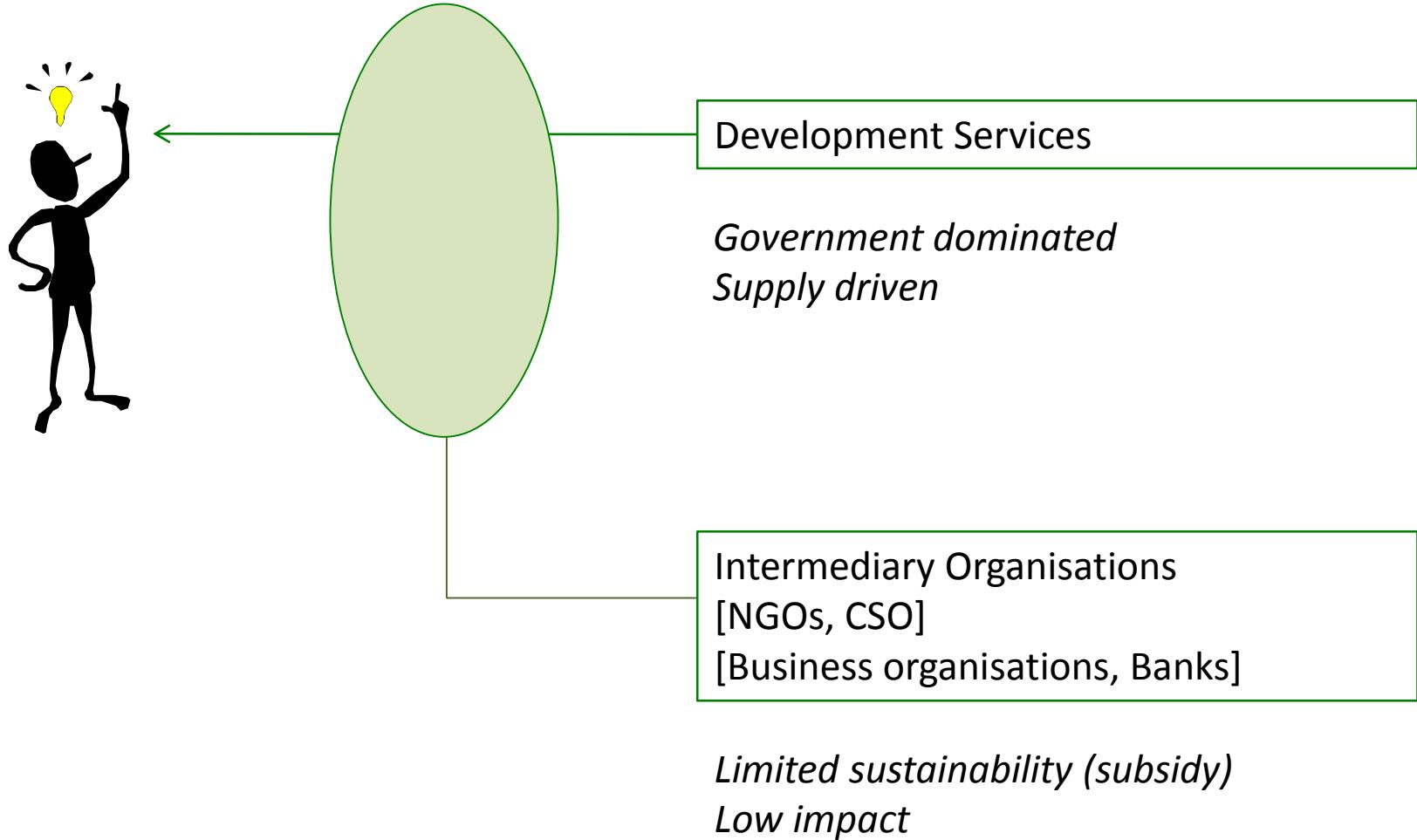
# Key Messages

- Increasing expectations
  - Innovation in approach
  - Increasing demand for results and VFM
  - Straining opportunities for experimentation and learning by doing
- 
- Top-down demand for results should be balanced with the bottom-up responses to the problems businesspeople face.
  - Problem driven approaches supported by adaptive programming
  - New tools and indicators are required.

# Private Sector Development



- Provides goods and services
- Creates jobs and incomes
- Stimulates investment and innovation (more jobs, plant, equipment, technology)
- Economic growth
- Poverty reduction



MARKET SYSTEMS

GOVERNMENT SYSTEMS



History of change in entrepreneurship and private sector development (PSD) 1

# Three Realms of Measurement

Levels of Entrepreneurship	Results of Entrepreneurship & PSD Programs	Program Effects
Current levels, compared across countries and over time	Impact measurement - Results - VFM	Effect of programs on systems and enterprise behaviour
OECD-Eurostat Entrepreneurship Indicators Program  Global Entrepreneurship Monitor	Impact chains  Connecting micro-level change to macro-level development outcomes	Monitoring information to improve program performance and test assumptions

# Levels of Entrepreneurship

## OECD-Eurostat Entrepreneurship Indicators Programme (2006)

- Indicators of entrepreneurial performance
  - Firm
  - Employment
  - Wealth
- Determinants of entrepreneurship

## Global Entrepreneurship Monitor (1999)

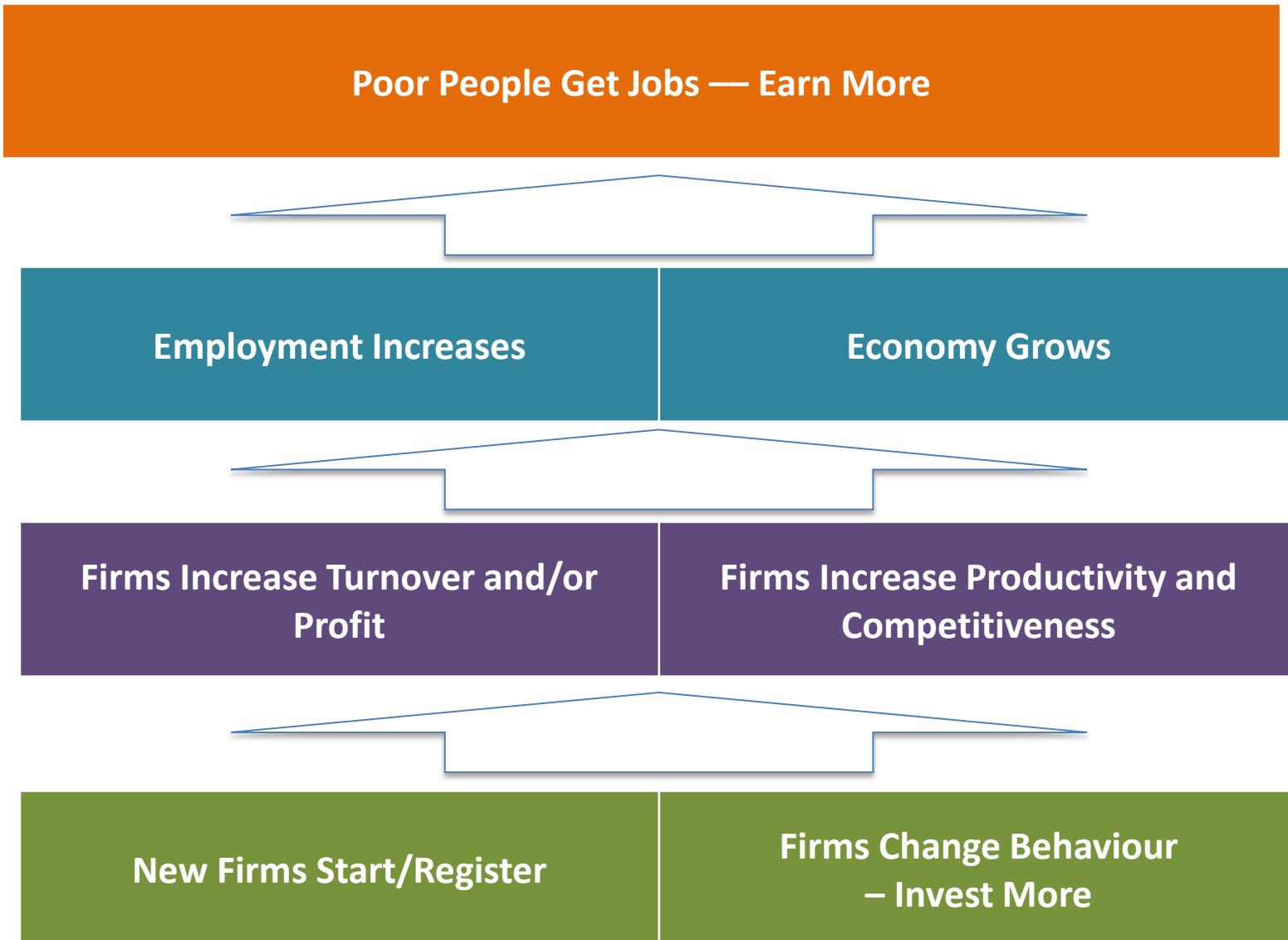
- Social, cultural, political and economic context
- Social values towards entrepreneurship
- Individual Attributes
- Entrepreneurial Activity Indicators:
  - Nascent Entrepreneurship Rate
  - New Business Ownership Rate
  - Total Early-stage Entrepreneurial Activity Index
  - Established Business Ownership Rate:

# Measuring Program Results

- Stronger focus — demands from ministers, tax payers
- More robust methods
  - Quasi Experimental
  - Comparison Groups
  - Randomised Control
- Better indicators (with baselines)
- From logical frameworks to impact chains
  - Focus on how programs ignite change
- Increasing expectations and demand that programs meet global targets
  - “Top-down” – not all bad
  - Sustainable Development Goals (2015)
  - 17 goals and 169 targets

# How PSD Promotes Development

## - Value Chain -



# Sustainable Development Goals

Includes cases where private investment is identified as a financing source for development.

Increasing expectation on private sector to finance development.

SDG Theme	Firm Level	Economy Level
Economic growth and diversity	Changes in the number of disadvantages social groups in business Changes in firm investments	Changes in private sector contribution to GDP and employment Changes in poverty levels (rates) Changes in export value of goods and services (% of GDP)
Productive employment and decent work	Changes in employment quality: <ul style="list-style-type: none"><li>• Formal contracts</li><li>• Worker representation (social dialogue)</li><li>• Compliance with International Labour Standards</li></ul>	Total private sector employment, disaggregated by sex, location, sector, etc.
Inclusion and inequality	Changes in the number of poor or indigenous women and men employed in firms	Changes in the GINI Coefficient
Women's empowerment	Female representation in: <ul style="list-style-type: none"><li>• Ownership</li><li>• Board membership</li><li>• Employment Numbers</li><li>• Employment Levels</li></ul>	Changes in the number to FTE female jobs in the private sector
Environmental sustainability	Energy use — including use of renewable energy Firm investments in clean technologies Firms providing an environmentally focused service or product	Value chain performance in green industries Renewable energy produced (MWH/year) GDP/CO2 emitted Income/CO2 in consumption Greenhouse Gas emissions avoided or reduced (metric tons per year) Water use avoided or reduced (cubic metres per year)
Sector development	No of firms in sectors with high representation of poor people (e.g., agriculture)	Changes in value-addition in selected sectors

# Measuring Program Effects: Competing Demands for Data

## RESULTS

- Donor demand for results to show how tax-payer funds used to achieve global outcomes

## FOCUS

- How PSD contributes to development outcomes
  - Jobs
  - Growth
  - Poverty
- Program attribution

## MONITORING

- Management information required to test assumptions and refine program activities
- Beyond milestones!

## FOCUS

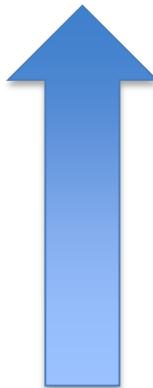
- How interventions are affecting systems and changing business behaviour

Sustainable  
Development Goals



Global Development Goals

RESULTS



MONITORING

Practical problems  
informed by local  
conditions

Problems Experienced by Entrepreneurs  
and Other System Actors

# Adaptive Design and Implementation

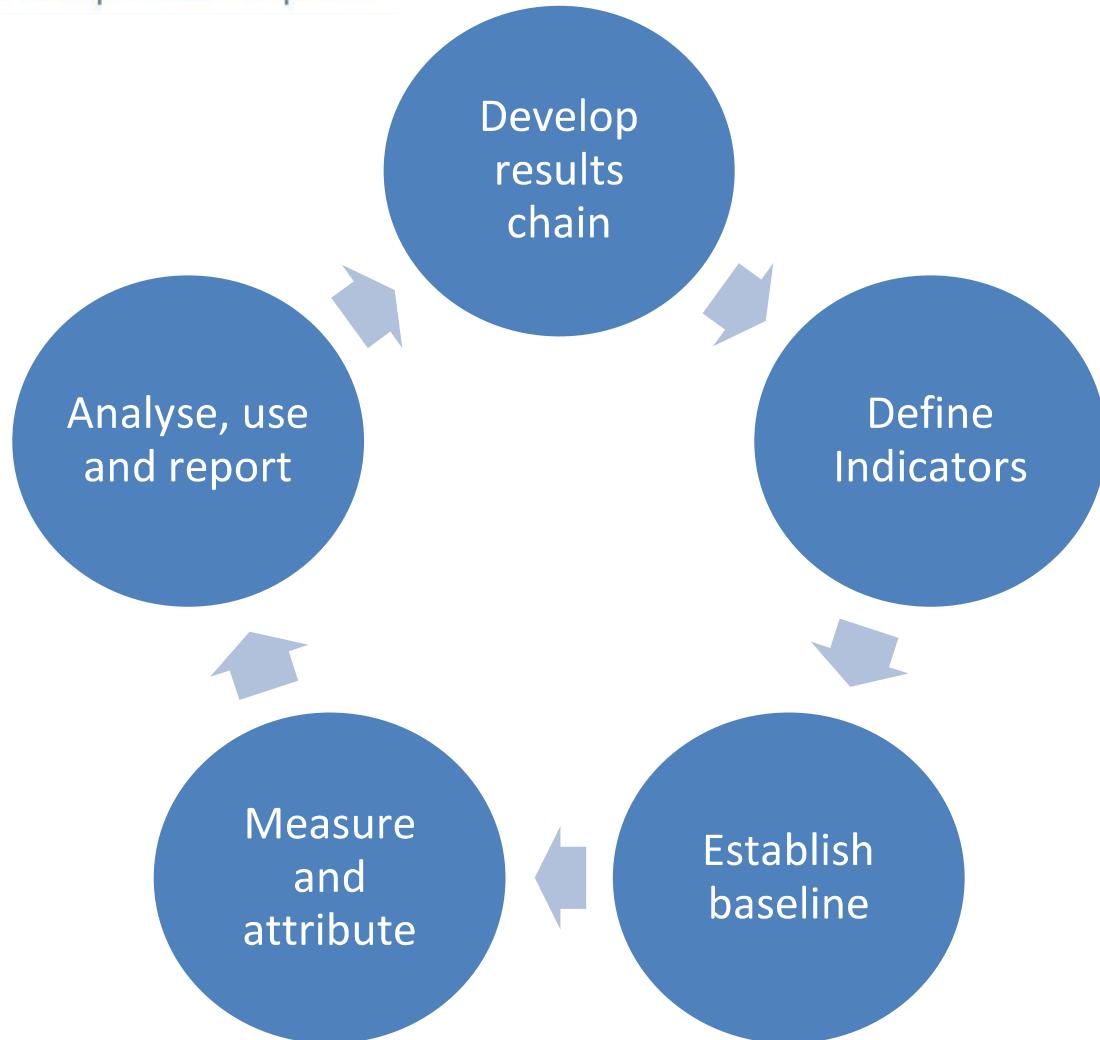
- Solving locally defined problems
  - As opposed to transplanting preconceived and packaged “best practice” solutions
- Creating an authorizing environment for decision-making that encourages experimentation
  - As opposed to designing projects and programs and then requiring agents to implement them exactly as designed
- Embeds this experimentation in tight feedback loops that facilitate rapid experiential learning
  - As opposed to enduring long lag times in learning from ex post “evaluation”
- Actively engages broad sets of agents to ensure that reforms are viable, legitimate, relevant, and supportable
  - As opposed to a narrow set of external experts promoting the top-down diffusion of innovation



# DCED

The Donor Committee for Enterprise Development

## DCED Standard: Results Management Cycle



# Summary

- Stronger need for data on how programs affect systems
  - Diagnosing practical problems (starting points) and connecting these to high-level development goals
  - How businesspeople act in these systems
  - Balancing need for long-term results, with short-term data on changing systems
  - Alternatives to Payments by Result financial management
- Doing Development Differently Manifesto:
  - Governments, civil society, international agencies and the private sector to should work together to deliver real progress in complex situations and despite strong resistance.
- Commitment to Experimentation
  - Innovation requires room to make mistakes
  - Learning more about how aid leads to impactful outcomes: "Learning from the crash is what keeps planes in the air".

## CONNECT

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