RCAPS Seminar

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Impact Assessment of Development Intervention.
Methodology and Examples from Microfinance

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Outline

Introduction and background

Why impact asessment?

The general problem of impact assessment

Methodologies of impact assessment: an overview

Implementation of an impact assessment

Conclusions

Microcredit – the bright side

Mumtaz Begum is from rural Pakistan. Her husband is a daily wage earner. Her household was dependent on his daily wages. The total monthly earnings were Rs. 3000.
She took a microloan to open a small grocery store in her home. Further loans allowed her investing in a cone ice cream machine; opening a small retail shop; and buying a freezer.
Currently her monthly income is Rs. 9000. For Mumtaz Bibi, her bigger achievement is that her daughter is now going to school. Her initiative improved the economic condition of her household and providing her a greater social status in the family and village.

Microcredit – the dark side

With only a tenth of a hectare of dry land to farm, Kanakam Ramesh, 28, and his wife Rajiti, 24, were struggling to care for their family. When an agent of a microfinance company arrived in their village Rajiti borrowed Rs10,000 (USD 225).

Four other village women, who were also borrowers, were obligated to cover if Rajiti could not meet the weekly instalment. After 15 weeks, she ran out of money. Twice, Rajiti's guarantors unhappily coughed up; the third week, she pawned the family's brass water vessels. That night, she argued bitterly with her husband about their plight, and threatened to immolate herself. Neighbours intervened. The next morning, Ramesh went to the field and hanged himself.

Financial Times, 29 October 2010 (condensed)

Impact analysis – Why?

⇨ Lack of market-generated indicators of success

⇨ Identification of best practices to achieve widely accepted aims of the intervention

⇨ Enhancement of effectiveness and efficiency of development cooperation

⇨ Product development and 'fine tuning' of products

⇨ Marketing; demonstration of corporate social responsibility

The problem of impact assessments

The intervention is implemented in t_0. Measuring the impact on the target variable in t_1 requires knowing both the performance with and without

intervention. Whilst the former can be observed, the latter is counterfactual. Hence the challenge of the impact assessment is to give a reliable and precise estimate of the impact of the intervention in t_1.
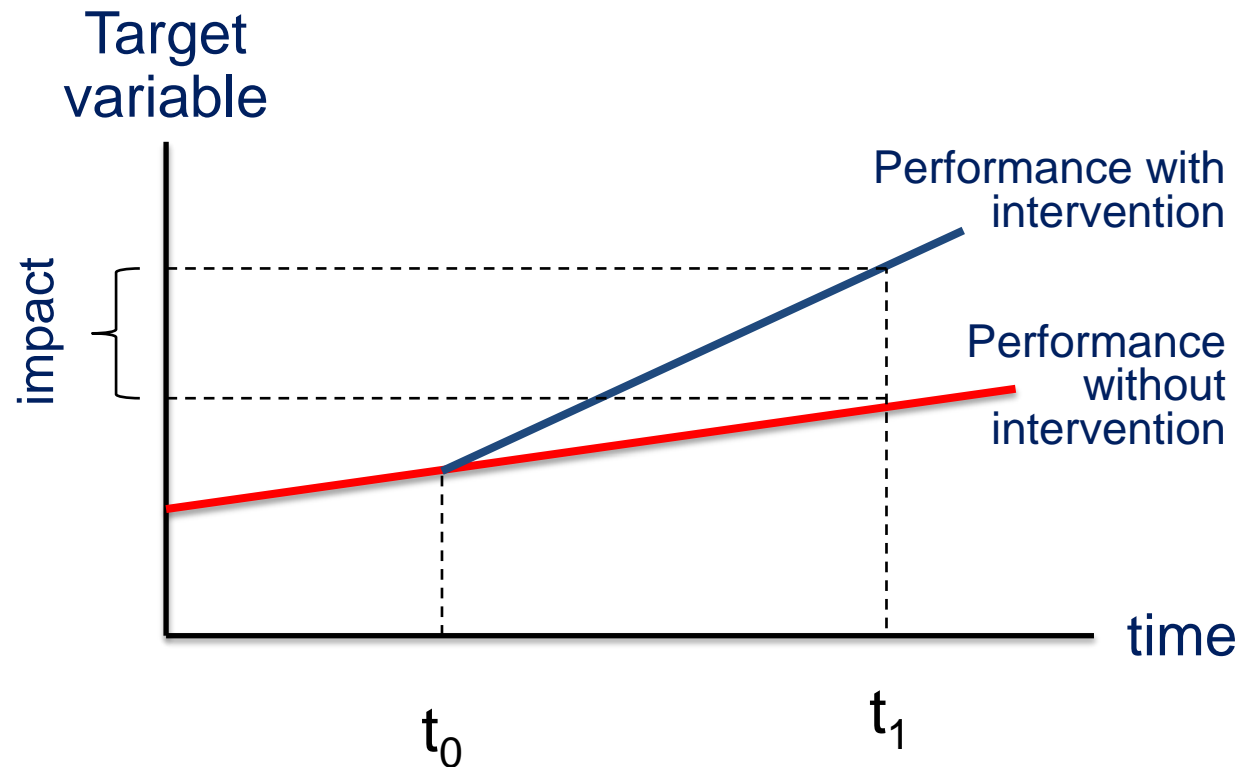
The problem of impact assessment

The estimation of the 'treatment effect' is hence based on the comparison of the 'treatment group' with a 'control group' that does not participate in the development intervention.

Identifying a suitable control group requires solving the problems of a bias due to

⇨ program placement; and
⇨ selection into the program.

Research design

There is a variety of research designs available to come up with a suitable control group. The appropriate one depends on various parameters such as

(i)   the nature of the development intervention;
(ii) the timing of the IA;
(iii) the period available to complete the IA;
(iv) the willingness of the implementing partner to cooperate;
(v)   the budget of the project;
(vi) the skills of the researcher.

Examples of research design

Randomised control trial (RCT)

Natural experiment

Quasi-experiment with / without design (panel)

Quasi-experiment with / without design (cross-section)

Survey instrument

Selection of variables and questions largely theory driven

Sensitive to environment

Reliability of information (income, poverty, profits, expenditure structure)

Control questions

Encoding (minimisation of errors)