Editorial: Measuring development

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HOW CAN WE MEASURE THE effectiveness of our operations and interventions? This is a question that is the focus of several papers in this edition of *EDM*. In the UK, the Department for International Development (DFID)'s budget has in fact been increasing in the last few years in order to meet its commitment to spend 0.7% of GDP on overseas development assistance. At the same time, other public sector budgets have been reducing and there are very considerable political pressures in the UK to reduce aid rather than to increase it. In the light of these pressures, demonstrating the effectiveness of every penny spent on overseas assistance is seen as imperative.

So, the need for accountability is on the rise, and with it the whole panoply of targets, key performance indicators and impact indicators that are part of the 'results agenda'. Maria Alinsunurin's article uses such metrics to size up the Philippines microfinance sector; her approach treats loans and savings as products, staff numbers as inputs, and derives data to compare the efficiencies and outreach of a large number of MFIs using data envelopment analysis. The analysis suggests that MFIs are less efficient than banks, but stops short of examining the characteristics of borrowers, including the relative income levels of bank and MFI customers, which many organizations with a social mission might be interested in.

At the same time as the emphasis on measuring performance there is a recognition that 'development' in its most fundamental sense is difficult to capture in our metrics; indeed, the more we rely on pre-determined measures, the more likely that deep sustainable development will have eluded our interventions. The microfinance institution that overvalues indicators such as size of portfolio and repayment rates, and incentivizes its project officers to perform well in these measures alone, runs the risk of impoverishing and creating social outcasts of women who are pushed to borrow but who struggle to repay.

How we define 'development', or conversely 'the problem', is critical here. Ben Taylor's article in this edition alludes to the contested example of insecticide-treated bednets for the prevention of malaria. Strategy number one – building the local market for the production and supply of bednets – takes time; strategy number two – importing and distributing bednets for free – results in protection almost overnight. If the desired development outcome is defined as the number of women and children protected by a bednet tomorrow then the second intervention wins out; however if it is the ability to purchase a bednet easily and cheaply for years to come then strategy number one is preferable. Even if the definition of the 'problem' is agreed, the way to solve it requires different strategies in different areas among

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different groups of people. There is no universal silver bullet, such is the complexity of social change.

Ben Taylor's article is a fascinating account of how we have arrived at the current 'results agenda', the problems of measuring systems-based interventions, and possible new ways forward to measure performance. A recognition of alternative measures is demonstrated in USAID's degrees of evidence framework and, in at least some programmes, evaluations have been iterative processes that encourage programme adaptation and improvement.

Mohammad Muaz Jalil and Mohammad Nurul Azam describe Katalyst's attempt to take up this challenge. Katalyst has been monitoring the poverty outreach of their long-running market systems programme in Bangladesh using the PPI (Progress out of Poverty Indicator). The beauty of the PPI is the speed with which it can be measured, and the way it is adapted to different countries' poverty profiles. Katalyst is using the PPI to select poorer farmers and help identify their learning habits, and to change the programme design to target poorer farmers better. Data on beneficiaries and control groups are constantly being gathered, allowing Katalyst to refine the programme as it goes along.

Kudumbashree is another programme that goes beyond finance alone to provide support for rural livelihoods. It is run by the state government of Kerala, India, and Deepika M.G. and Sigi M.D. describe the structures at state, district and village levels that support microfinance and also help village groups identify microenterprises. The authors conclude that the efforts to build local economic development through sourcing inputs and selling products locally has not always resulted in competitive, resilient businesses. But the scale of outreach, innovative targeting and declared empowerment of the beneficiaries makes Kudumbashree an unusual programme valued by women in Kerala.

Impact investing is another sector combining technical assistance with finance, and Linda Jones's article describes MEDA's 60 years of venture capital investing in SMEs, deriving lessons learned from an old timer in this increasingly popular field. MEDA's investments have often been over the long term, and one of the lessons has been that, rather than a trade off between social and financial goals, social and environmental investments contribute to financial returns in the long run.

Agricultural microinsurance is an area where concerns about value for money come not from donors but from the farmer clients themselves. Roland Steinmann's article derives insights from this sector, pointing out that although microinsurance ought to provide much-needed security to farmers that would allow them to upgrade their farming practices, as yet no affordable and efficient insurance systems have been rolled out on a large scale. More needs to be done to design products around farmers' own needs and risks, and also to monitor and evaluate existing schemes.

Performance indicators are accepted by staff when they are used routinely to help understand clients and improve programme design. The challenge is to use the same indicators to satisfy donors.

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