



**USAID**  
FROM THE AMERICAN PEOPLE

# Methods for Evaluating Value Chains in Dynamic Contexts: The Good, The Bad, The Ugly

Elizabeth G. Dunn  
Impact LLC

October 29, 2009

# Impact Assessment

**Purpose:** Improve efficiency and effectiveness of development programs

**Challenge:** Evaluate value chain projects that

- Transform entire markets and subsectors
- Constantly adjust to dynamic environments
  - local feedback, lead firms' business decisions
  - markets, policies, BEE, macro economy, weather
- Create intentional spillover effects

# Presentation Plan

- The Good: We know how to do evaluation
- The Bad: VC projects are “messy” to evaluate
- The Ugly: Skeletons in the evaluation closet
- Lessons learned evaluating dynamic projects



## The Good: We have well-developed model for IA

- Based on medical “treatment” model
- Central role of counterfactual
  - What would have happened in absence of the treatment
- Sharp distinction between treatment and control groups



# The Good: Evaluation with clear treatment groups

- Impact of business training on microfinance clients in Peru
  - Women in group-lending programs
  - Randomized control trial
- Impact of microfinance on enterprises and households in Bosnia
  - Owners of micro- and small enterprises
  - Quasi-experimental design



# The Bad: Problems in evaluating VC projects

## Typical features of value chain projects:

- Seek to transform entire subsectors
- Adjust continuously to dynamic environments
- Pursue spillover effects and leverage
- Deliver benefits both directly and indirectly
- Operate multiple components on multiple levels

**These features are GOOD for development but  
BAD for impact assessment!**

# The Bad: Transforming an entire value chain



## **B-ACE in Philippines**

- Cardava VC in Mindanao
- Interventions
  - Increase/stabilize production
  - Food safety infrastructure
  - Improve interfirm cooperation
  - Strengthen support markets
  - New product development
  - Consumer marketing campaign
  - Public-private partnerships

# The Bad: Dynamic project adjustment

## PROFIT Zambia

- Baseline data collected in 2006 (beef, cotton, retail services)
- External events affecting cotton:
  - Exchange rates changed, lowering prices to farmers
  - Chinese and Indian merchandisers entered, undercutting contracting system with project lead firm
  - Unusually wet rainy season lowered yields and reduced sales
- Project activities related to cotton discontinued in southern region



# The Bad: Intentional spillover effects



## GMED India

- Fresh vegetables for domestic supermarkets
- Interventions
  - Disseminate upgrading information as widely as possible
  - Facilitate vertical linkages by creating contracting mechanisms and training methods
  - Attract new lead firms (supermarkets) to start new vertical relationships with small farmers

# The Ugly: Skeletons in the evaluation closet

## Avoidable Problems:

- Failure to identify counterfactual
- Poor data quality
- Results not useful
  - Not generalizable or timely
- Poor selection of projects and interventions to evaluate



# Where to from here?

Do we give up?

“The way I figure, there's really not too much future with a sawed-off runt like you.”

Or do we respond to OMB's call for increased emphasis on rigorous impact evaluations?

# Lessons learned: Evaluating dynamic projects

## Causal Models

- Series of if-then statements linking interventions to impacts
- Identify pathways of change
- Provide conceptual foundation for all levels of evaluation
- Must remain flexible to learning and project dynamics

## Evaluability Assessment

- Prior assessment of a project and its suitability for IA
- Selection of most appropriate methods
- Should include risk analysis, anticipate possible future paths
- Evaluate trade-offs between early baseline and waiting for project interventions to stabilize

# Lessons learned: Evaluating dynamic projects

## Process Evaluation

- Looks at implementation path taken by project
- Considers how project is changing (or has changed)
- Should include input from outside project implementers
- Should be ongoing in longitudinal evaluations
- Has implications for causal model and questions asked

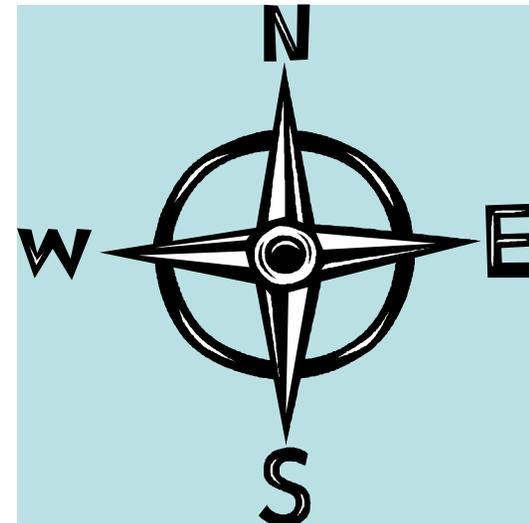
## Mixed Methods Approach

- Use of combination of methods
- Answers full spectrum of questions: what, how, why
- Helps manage risks in the evaluation

# Lessons learned: Assessing methodologies

Validity has multiple dimensions:

- Causal attribution (internal validity) is an essential element in IA, but
- Findings must be useful and applicable (external validity)
- Data must match underlying concepts (construct validity)
- Statistics must be interpreted correctly (statistical conclusion validity)



# Lessons learned: Degrees of evidence framework

## General Principles

- There is more than one way to conduct credible IA
  - No method is perfect and all can be criticized, but careful selection of methods can increase credibility of results.
- Rigor is not binary concept, but matter of degree
  - User of IA should understand design choices and trade-offs.
- Even an imperfect evaluation can still have value
  - Not all questions can be answered with high degree of credibility, but information with caveats can be better than no information at all.

# Conclusion: Issues to consider

## **Are we asking the right questions?**

- The questions should determine the methods, not the reverse.

## **Are we evaluating the right projects?**

- Selection should be strategic, not opportunistic.

Because of dearth of credible evaluations, we continue to do projects without any good evidence of their effectiveness.



**USAID**  
FROM THE AMERICAN PEOPLE

**THANK YOU!**

Please visit [www.microlinks.org/breakfast](http://www.microlinks.org/breakfast)  
for seminar presentations and papers

Elizabeth G. Dunn  
EDunn@ImpactLLC.net

October 29, 2009