

# Impact Evaluation Terms Of Reference

Private Sector Development, Kenya

# Project Objectives

- Increase level of employment of MSME (<100 employees)
  - Project target of 2500 new jobs
- Increase productivity (value added per worker)
  - Project target of 10% rising to 20% growth in VApW by year 5

# Project Timeline

- Has already been approved by funding agencies
- A number of components have been initiated but no beneficiaries have been selected.

# Interventions

- Increased access to finance
  - Financial deepening, through Trust Fund and Technical Assistance to financial institutions
  - SME Risk Capital – Debt/Equity supply for SMEs
- Enterprise Skills and Market Linkages
  - Value Chain based matching grant fund
  - Industrial training levy scheme
  - Business plan/innovation competition
  - Business school curriculum development
- Business Environment
  - Regulatory environment for doing business
  - Simplified business start-up and tax systems

# What Can We Evaluate

- Financial Sector Deepening
- SME Risk Capital
- Value Chain Matching Grant Fund
- Business plan/innovation competition

# What We Will Not Evaluate

- Restructuring of Industrial Training Levy Scheme
  - Not enough information on the content of intervention
- Development of Business Education Curriculum
  - No immediate short term impacts envisaged
- Improve Regulatory Environment and Cost of Doing Business
  - Broad Institutional Change that would affect all firms
  - Long term effects

# EVALUATION METHODOLOGY

- 2 Alternatives
  - Experimental
    - Randomized assignment
  - Non-experimental

# Financial Sector Deepening

- Comparing fin. Institutions that benefit from the Trust to fin. Inst that are not involved in the scheme.
  - Outcome: composition of lending to MSMEs before and after intervention
  - Concern: selection of fin. Institutions into participation
    - If possible, assign participation using sample of fin. Institutions expressing interest.
- Assess impact of expansion of credit on firm performance
  - Firms receiving credit after introduction of trust vs comparable firms not receiving credit
    - Randomized Phased In

# SME Risk Capital

- Select a set of firms eligible for debt/equity from Venture Capital Fund
  - Use Randomized Phase In
  - Regression Discontinuity Designs

# Value Chain Based Matching Grant

- Select set of firms eligible for matching grant fund.
  - Randomized assignment for recipients from eligible pool
  - Randomized Phase In

# Business Plan/Innovation Competition

- Receive applications from  $N$  firms
- Select  $M$  ( $M < N$ ) firms eligible for the intervention
- Select  $X$  from  $M$  firms to receive treatment
- Use  $M - X$  firms as comparison group

# ALTERNATIVE TWO

- Conduct large baseline survey of MSMEs
  - Include questions that would capture each of the outcomes and channels
- Conduct follow up survey mid-way/after year 5.
- Use Matching with Double Difference Estimator
- Control for multiple interventions

# BUDGET

- Alternative 1:
  - Data collection (based on recent ICA surveys in the region)
    - \$500-600 per firm
- Alternative 2:
  - Difficult to collect survey data from a large set of firms in a short time period.
  - Expensive