

Evidence Based Policy in Donor Activity

Nevesinje is a small rural mountain village far from the main road through Herzegovina. For centuries traditional crop husbandry and cattle breeding have produced healthy, natural organic foods but it is a remote place and its dependence on primary produce limits its opportunities for growth. Soon a 1,5 million KM donation from the international community will produce a modern HACCP¹ compliant plant drying factory with sufficient processing capacities for all of Herzegovina. The factory will buy up the medicinal herbs, mushrooms and plums from local collectors and add value by drying them and in so doing provide sustainable employment for women victims of domestic and gender related abuse.

“The factory will have capacity of 6 tons of herbs per day and this scale of project can only succeed if it becomes regional centre. Unfortunately, there are a lot of issues that have not been thought through such as how to enter the market and develop a brand!”
Dragan Brenjo, technology engineer in Food Safety Agency of B&H

But this KM 1.5 million investment was made without a feasibility study and with no market analysis or future business strategy. With the factory almost online there is little knowledge of the demand for dried herb and mushroom products in key markets, or even in the surrounding areas. There are also other human resource and distribution issues that have not been addressed. Despite the generous intentions behind the project it is unlikely to



work at full capacity due to a lack of “soft” support in the form of market analysis and business planning. Furthermore there are many other farmers who need assistance in both marketing and standards compliance more than they need a dryer factory. In short the investment will not be fully utilised and this represents a less than efficient use of scarce funds. So why did this inappropriate investment take place and what can be done about it?

¹ Hazard Analysis and Critical Control Points (HACCP) is a systematic preventive approach to food safety and pharmaceutical safety that addresses physical, chemical, and biological hazards as a means of prevention rather than finished product inspection.

The Problem

“Donor bashing” is old sport in Bosnia. A 2002 report identified the wide spread belief that donors did not listen to suggestions, restricted access to funds, absorbed resources meant for Bosnians and carried out unnecessary appraisals and evaluations². The Donor Mapping Report also acknowledges that efficiency had been undermined by insufficient coordination and limited levels of domestic ownership that has come about from “the large number of actors in any given field and the disintegration of the centralized state following the war”. Even pro business support suffers from “...a lack of demand-driven focus in developing SME support services”³ because the donor community is more supply than demand oriented. This leads to over supply or inadequate links between the supply of services and the needs of recipients.



Evidence Based Policy and the Business Bus

Evidence Based Policy draws on objective evidence to inform policy decisions⁴. Just as a doctor looks at symptoms to diagnose a cure, so evidence based policy needs looks for a problem to address. It is especially useful for SME policy where demonstrating policy impact is notoriously hard⁵. SMEs in Bosnia receive significant sums of financial support from the international community (estimated at €125.78 million for 2007) apparently with limited accountability.⁶ This level and type of assistance is likely to continue through EU funds now that BiH has signed SAA, so it is a timely opportunity to encourage the donor community and

² Steven Sampson 2002 “Weak States, Uncivil Societies and Thousands of NGOs Western Democracy Export as Benevolent Colonialism in the Balkans” in Sanimir Recic (ed.) *Cultural Boundaries of the Balkans*. Lund University Press

³ Page 10

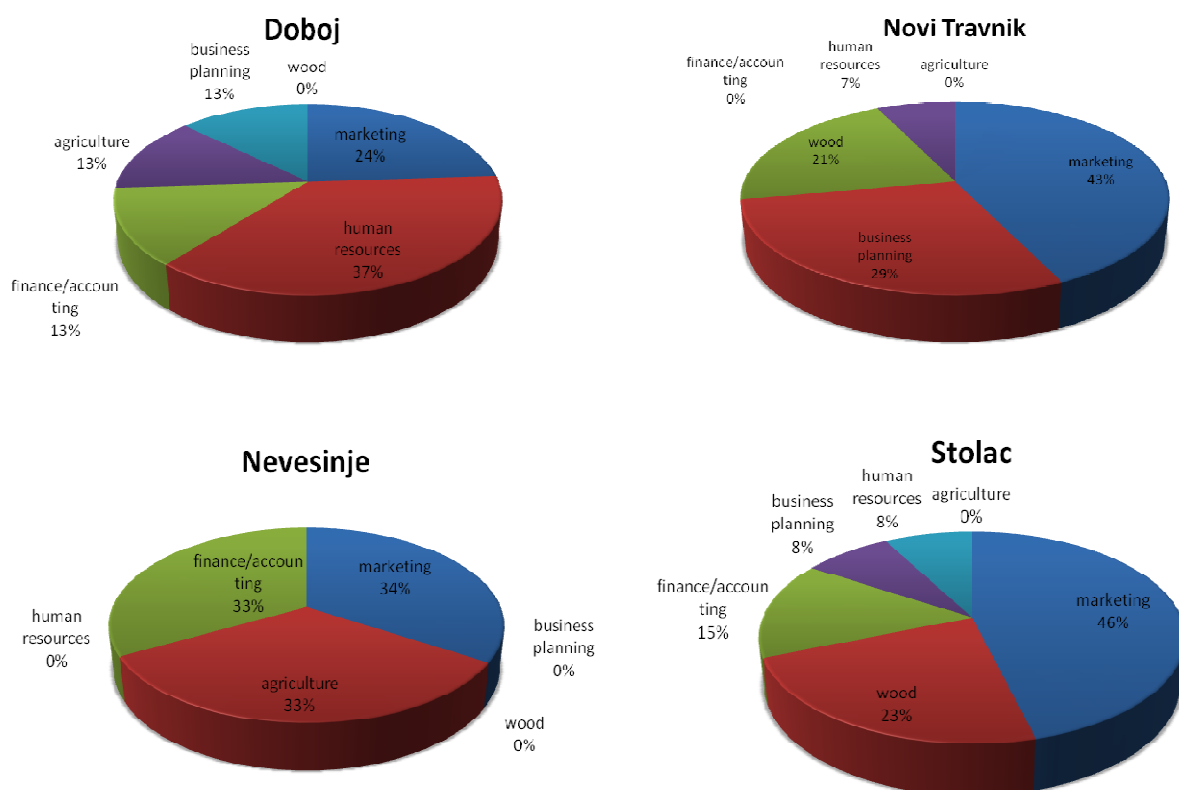
⁴ See <http://www.evidencebasedprograms.org/> or the ODI’s ODI’s Research and Policy in Development (RAPID) <http://www.odi.org.uk/RAPID>

⁵ One of the most well known methodologies demonstrates this problem by distinguishing between monitoring (in which those involved in the project give their views) and evaluation (in which objective criteria are used to assess observable changes in the economy). See page 106 of OECD 2007 OECD Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes

⁶ UNDP, 2007 Donor Mapping Report, Sarajevo, BiH

local entrepreneurs to develop ways of identifying what problems can be best addressed with the resources available.

The Business Bus provided a simple and cheap way of helping business to identifying key problems and to match their needs with offers from service providers across different regions. The central innovation was the focus on problem definition. Entrepreneurs received two hours of assistance from experienced business consultants to define a specific problem in their business. The problem had to comply with specific criteria⁷ and had to be manageable by a discrete set of actions and resources. These would be coordinated through an action plan that had clear markers against which progress could be evaluated. Each of these criteria was agreed between business and consultant in simple A4 sheets, copies of which were held by the business and the consultant. Although the sample was small (47 companies), the problems defined in the consultations provided clear evidence base on which to base future policy decisions in the very small and remote economies.



⁷ It could not relate to accessing financial subsidies.

These simple charts show a clear variation in demand for small business services by locality and even by individual enterprise. By defining a specific problem, each company revealed a need for a different intervention for which appropriate resources could be directed and results monitored closely. The main intervention was therefore not a large investment into fixed capital but in assisting small businesses to define their problems. As well as aiding the allocation of scarce resources, this also helped the recipients to better prioritise, plan and evaluate interventions made on their behalf. This improves transparency and by linking follow up consultations to identified surveys could link donor activities to local needs in a more targeted way than a large scale capital investment.

Conclusions

The Business Bus pilot demonstrated that Evidence Based Policy techniques need not be expensive or burdensome. If integrated into the design of a project, problem definition can both improve the outcome of the intervention and demonstrate the benefit to the recipients. Evidence Based Policy also enables transparent evaluations and decision making so that policies could be judged according to their outcomes and intended effects, rather than according to the supply driven agendas of the international community.