

# **Global Policy Capstone: Cheetah Development**

## **Analyzing Success in the Field of Social Entrepreneurship**

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## Global Policy Capstone: Cheetah Development

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## Executive Summary

This report undertaken in partnership with Cheetah Development was to research the viability of financial metrics as measures of success in the field of social entrepreneurship in a developing country context. Specifically, as a new organization, Cheetah Development sought to gain recommendations for how it could best record and demonstrate its impact on the economic and human development within the Iringa region of Tanzania. The organization is concerned about the presence of positively biased evaluations in the field of international development, how it might overcome those biases, differentiate itself from other organizations, and attract investment to its social enterprises.



This report takes into consideration the historical, social, economic and political factors of Tanzania. It also identifies the pitfalls and best practices of evaluation within international aid organizations and businesses. Currently, Cheetah Development focuses on the importance of financial metrics in measuring impact. This report acknowledges the benefits of financial indicators, while stressing the importance of comprehensively measuring the social impact of Cheetah Development's work on Tanzanians themselves. This focus fits well with Cheetah Development's social enterprise model because it seeks to achieve social goals through business activities and the expansion of economic opportunity.

Recommendations that Cheetah Development focus its efforts in five key areas moving forward are:

- 1) Development of holistic evaluation mechanisms (both quantitative and qualitative) – through the creation and use of baseline surveys, logic models, selection of Impact Reporting Investment Standards (IRIS), and household surveys and interview questionnaires.
- 2) Continue and expand focus on leadership development of local Tanzanians, both volunteers and local business participants and employees.
- 3) Creation of a comprehensive stakeholder analysis for each business operation to account for both directly and indirectly affected individuals and groups.
- 4) Design of a Best Available Charitable Option (BACO) chart to increase visibility and attractiveness to donors and investors.
- 5) Prioritize the inclusion of women and explicit documentation of how Cheetah Development's operations impacts women in the community.

Through the implementation of these recommendations Cheetah Development will be able to achieve the following: overcome the trend of positively biased evaluations, accurately track and document its impact in a way that will allow them to improve effectiveness, and more successfully tell its story to potential donors and investors.

## Glossary

**Balanced Scorecard** - Developed at the Harvard Business School in the 1990s for private enterprises focused on creating links between strategic objectives and performance measures. Its main feature was the inclusion of non-financial measures such as “operational, customer, learning and growth perspectives” in addition to financial performance measures. These new measures show the interdependence between financial and non-financial aspects of a business. The combination of the measures has become significant in understanding and improving organizational performance.

**Cash flow** – Indicates solvency of a business and shows the amount of cash available for a business to meet its immediate financial obligations.

**Evaluation Bias/Positive Bias** - A term used to describe a common problem within aid evaluation where only positive outcomes are reported making it appear as though all or most individual projects are successful, while development and aid have largely been unsuccessful in achieving their global anti-poverty goals.

**Dependency Theory** - A body of social science theory based on the idea that that resources flow from a "periphery" of poor and underdeveloped states to a "core" of wealthy states, enriching the latter at the expense of the former. It is a central contention of dependency theory that poor states are impoverished and rich ones enriched by the way poor states are integrated into the global system, resulting in an unequal relationship between the “periphery” (dependent) and “core” (dominant) states.

**Human Capabilities Model** - The idea that social arrangements should aim to expand people’s capabilities – their freedom to promote or achieve valuable states of being and abilities. The model states that an essential test of progress, development, or poverty reduction, is whether people have greater freedoms broadly – educational, economic, social, political, etc.

**Inputs** - Resources invested in a program, such as time, financial resources, human resources and capital. (as used in a Logic Model)

**Micro Venture Capital (MVC)** - A unique blended model, combining aspects of both microfinance and venture capital to achieve the medium-sized investments necessary for small and medium-sized businesses to exist and be sustainable.

**Missing Middle** – The term signifies the void of small businesses and financing common in developing countries. This situation is perpetuated by limitations of venture capital for only large established businesses and small start-ups, preventing small- and medium-sized businesses from starting up or scaling up, stifling the business and economic environment.

**Neoclassical Economic Theory** - A basic economic framework based on the adherence to the theories of supply and demand. The theory envisions a system which can be summarized as one in which buyers seek to maximize their gain or satisfaction (“utility”) associated with the consumption of goods and services. Individuals also provide labor to firms and “in doing so seek to balance the gains from offering the marginal unit of their service and the loss of leisure”, making choices at the margin. Similarly, producers seek to balance the provision of a good or service with the cost of providing that good or service, in order to maximize profits. Overall,

neoclassical theory envisions economic “agents” (households, individuals, firms) seeking to maximize their utility within a given set of constraints and scarce resources.

**Neoliberalism** - In this context, Neoliberalism refers to a set of economic reform policies generally focused around free trade, open markets, and economic liberalizations. While there is not a set definition, the central ideas and policies include: (1) the primacy of the market, (2) cutting public expenditures on social services, (3) deregulation, and (4) privatization. Neoliberal thinking informed the Structural Adjustment programs of the World Bank and IMF.

**Net profit** – It measures the remaining income in the profit and loss statement after deducting all relevant expense.

**Output** - Products, goods, and services produced as a result of a program. (as used in a Logic Model)

**Outcomes** - Sustainable changes or benefits resulting (in the short or long-term) from an organization's demonstrated activities and outputs. (as used in a Logic Model)

**Performance measurement** - Quantifiable metrics by which a business, program, or organization evaluates whether it has accomplished its intended goals.

**Processes** - All action steps necessary to produce program outputs. (as used in a Logic Model)

**Return On Investment (ROI)** - The ratio of money gained or lost on an investment relative to the amount of money invested.

**Rostow’s Stages of Growth Model** - Developed in the 1960s, the Stages of Growth model posited that all countries pass through five stages of economic growth: (1) Traditional Society, (2) Transitional Stage, (3) Take Off, (4) Maturity, (5) High Mass Consumption. The theory builds off the Rostow model and emphasizes the need to investment in capital. The theory is limited in its applicability to developing countries, as it does not take the wider context of development into account.

**Structural Adjustment Programs (SAPs)** - Economic policies beginning in the 1980s which countries were required to adopt in order to qualify for World Bank and International Monetary Fund (IMF) loans and help them make debt repayments on the older debts owed to commercial banks, governments and the World Bank. The policies are for individual countries but have common guiding principles and features, which include export-led growth; privatization and liberalization; and the efficiency of the free market.

**Triple Bottom Line (TBL)** - An expanded definition of the “bottom-line” in business, which measures not only profit, but also business impacts on people and the planet (known as the “three Ps”). It aims to account for the financial, social and environmental performance of a corporation over a period of time, under the guidance that only a company that produces a TBL is taking account of the full cost involved in doing business.

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## Introduction

Recent years have seen a trend toward the blurring of lines between the for-profit and non-profit sectors. Just as non-profits begin to generate social enterprises and collaborate with both government and business to form public-private partnerships, corporations are venturing further into philanthropy and corporate responsibility. While the benefits of collaboration are clear, it is also becoming more difficult to define these emerging collaborations and determine appropriate operating models and strategies for this growing breed of organization.

Cheetah Development (Cheetah) operates within this mixture of business and non-profit as it seeks to reduce poverty in rural Tanzania by starting innovative businesses with goals of increasing employment, expanding local economies, and helping to create solutions to address regional barriers to prosperity. The Cheetah model achieves its social vision through the mobilization of investments in infant businesses helping them to start-up, grow, and expand. With a model that blends aspects of both non-profits and for-profits, the research and analysis of effective operating strategies in both spheres is important for both Cheetah and its peers. As they work to develop models that can evolve in dynamic circumstances. Most important, is the social and economic impact on the Tanzanians, as they are the one who are most affected by the work of businesses and non-governmental organizations (NGOs) throughout the country.

As a business venture with social goals, Cheetah faces the unique challenge of assessing its success and impact in both realms. It is with an eye toward overcoming this challenge that this research was undertaken with and for Cheetah. Specifically, this project sought to understand whether traditional measures of business success—namely net profit and return on investment (ROI)—are appropriate and effective measures for success of a hybrid organization like Cheetah within the context of a developing nation like Tanzania.

This question is of particular interest to Cheetah because it is a business-oriented alternative to development and aid programs. More specifically, Cheetah's leadership is concerned about the presence of positive bias in the evaluation of traditional NGO efforts. Positive bias is a phenomenon which allows most development projects to be deemed successful, while (by most accounts) international aid as a whole has largely failed to lift billions out of poverty around the world. This disconnect is troubling, and motivates Cheetah to think about how it can stand against the tide and create projects that are demonstrably effective in both a business and social development sense.

## Central Issue: Evaluation Bias

The work of Cheetah Development has been highly influenced by its efforts to combat the issues of ineffectiveness its leadership has noticed in some of its peer organizations. Cheetah was plagued by the questions of why individual development projects are consistently deemed successful, while foreign aid as a whole has been largely ineffective in achieving sustainable poverty alleviation. This phenomenon is known in academic literature as **positive evaluation bias**, and is noted as a significant problem in the field of international development and aid effectiveness. Cheetah is not alone in questioning the effectiveness of traditional program evaluation. For example, large organizations such as the Organization for Economic Cooperation and Development (OECD) and the United States Agency for International Development

(USAID) share similar concerns and advocate for rigorous evaluation standards so as to limit the incentives for organizations to pursue biased evaluations.<sup>i</sup>

Evaluation is generally an important tool to prove and ensure the effective use of aid money. Evaluation bias occurs due to two central problems. First, aid organizations use evaluation for two conflicting objectives of transparency and self-legitimization, and second the way evaluations are carried out allows room for collusion between the evaluator and the project manager.<sup>ii</sup> These are serious concerns for the evaluator and evaluated, as evaluation is simultaneously used as an instrument of transparency, control, accountability, legitimization, and institutional learning – objectives that are often in conflict. The legitimization component of the evaluation can be thought of as the objective to prove the success of organizational operations. Therefore, positive evaluations are thought of as potential marketing tools—useful for attracting funders and external attention. This is especially problematic given that donor organizations often tie new or sustained funding to evaluation outcomes, creating perverse incentives for organizations to report favorable results.<sup>iii</sup> For these reasons, Cheetah has sought to remove itself from evaluation bias by measuring the success of its social enterprises through the financial data produced by each business. With this framework in mind, we as consultants have set out to research and analyze the model they have chosen in order to recommend practical and effective ways Cheetah can evaluate its work and overcome evaluation bias.

### Cheetah Development: A Unique Social Enterprise Model

In the scheme of development, aid, and business, Cheetah Development has a unique model which presents a number of exciting opportunities for its diverse stakeholders—investors (both Tanzanian and foreign), international development agencies, and Tanzanians themselves, to name a few.

Cheetah works within a newly developed model known as **Micro Venture Capital**. This model combines the common models of microfinance and venture capital to fill the financing gap that exists for small and medium-sized businesses in many developing countries as demonstrated in

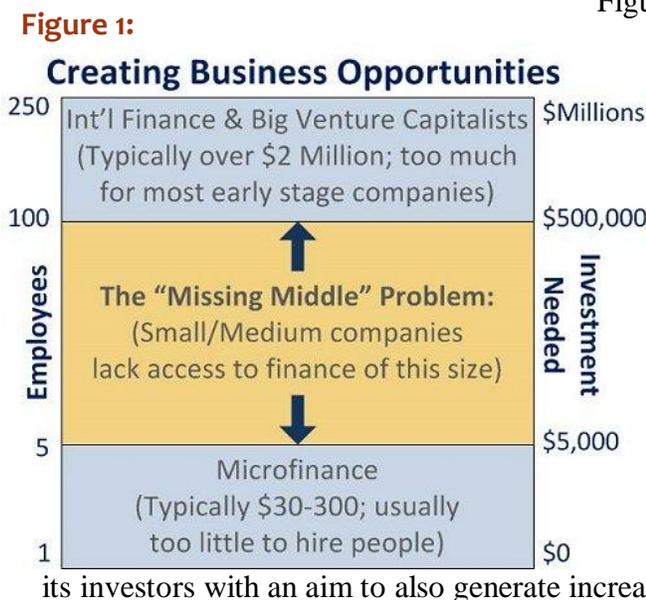
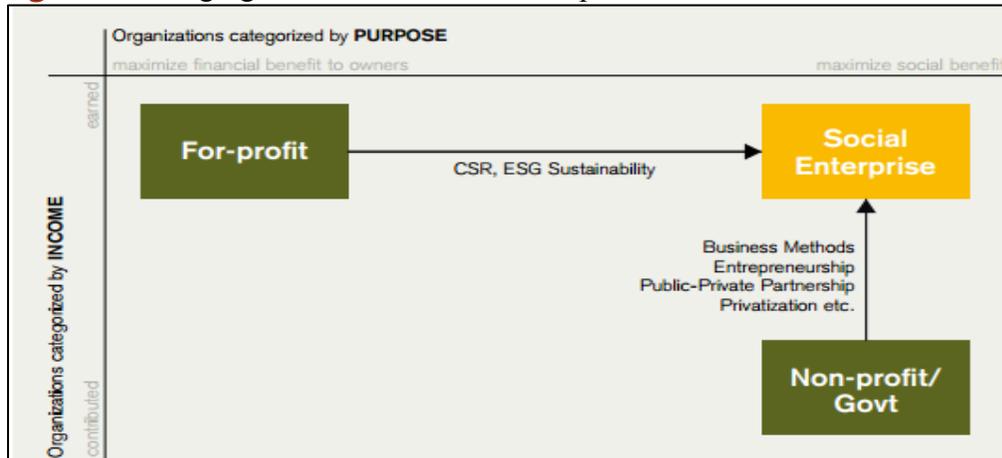


Figure 1. This gap is known as “missing middle” and is a significant barrier to business and economic development around the world. As a part of its economic development strategy, Cheetah employs an **Integrated Development Equation (IDEQ)** model, which seeks to address issues of human development through economic development. In addition to starting businesses and supplying financing, Cheetah offers support to those involved in the businesses through business mentoring and training. Cheetah works to break the local dependency chain by supporting local people to use their financial resources and human capital to improve their livelihoods. Therefore, Cheetah functions using an investment model that includes repayment to its investors with an aim to also generate increasing income for participants ensuring

sustainability. According to the model, the discipline of repayment teaches profitability; and for Cheetah, profitability means sustainability because it enables the enterprise to sustain itself.

As concerns about aid effectiveness become increasingly prevalent in the developing world, Cheetah presents a unique model that has the opportunity to set new standards for other projects working on economic and social development. Cheetah and the businesses it creates are distinct in their combination of social and economic goals. Each business, while seeking financial sustainability for itself, each one addresses a specific social problem. For instance, Reservoir Ltd. is an in-home canning business, developed to fight the issue of feast and famine hunger cycles due to post-harvest losses and inadequate household food preservation in the villages.

**Figure 2:** Emerging sector where social enterprise—maximize economic and social returns



Source: [https://infocus.credit-suisse.com/data/\\_product\\_documents/\\_shop/336096/investing\\_for\\_impact.pdf](https://infocus.credit-suisse.com/data/_product_documents/_shop/336096/investing_for_impact.pdf)

Because social goals are the primary motivating force of its businesses, Cheetah can be best understood as a social enterprise. A social enterprise primarily strives to achieve social goals through business means. However, in recent times there are emerging social enterprises that seek to maximize both financial and social goals as shown in Figure 2. In Cheetah’s case, its mission is to “create economic development” thereby reducing poverty in Tanzania and hence prioritizes both social and economic returns equally. This classification is important as the selection of metrics used to assess a program or business is greatly influenced by the mission the entity pursues. Therefore, understanding where Cheetah fits in relation to its peers, and the functional designation of Cheetah as a social enterprise, is of great significance to our analysis.

## Business and Development Context: Tanzania

The elements of the Tanzanian context are not inconsequential to the operations of Cheetah Development and its businesses. Regardless of where an organization or business works, it is essential that the environment and its people are well understood, so the created operations meet the needs and demands of those it serves. The following discussion regarding Tanzania’s history, politics, and society are, of course, not exhaustive but are important to the work of Cheetah. These facts have implications for Cheetah’s work that are different from those that would result from work elsewhere in East Africa or any other country around the world.

The United Republic of Tanzania gained independence in 1963, merging the two former colonies of Tanganyika and Zanzibar. Upon independence and unification, Tanzania established a socialist government through the Arusha Declaration. This declaration characterized governance and business in the country as one of state-owned enterprises, cooperatives with reliance on domestic production rather than trade for industrialization. Tanzania's first president, Joseph Nyerere, championed the socialist vision as a way to fight poverty and reverse the oppressive policies of their colonizers.

Within this system, cooperatives were an important part of economic life and recognized as a formal business enterprise. The focus on cooperatives and state-owned businesses during this time posed challenges for private enterprises, as the system in many ways was not favorable for establishment of private businesses by Tanzanians or foreign investment.

World events in subsequent years, such as the oil price crises, created a difficult situation for developing countries like Tanzania, as these countries had to rely on outside loans to finance their budget. Eventually, their needs were through the acceptance of loans met by the IMF and World Bank in 1986 with the Zanzibar Declaration. These loans were accompanied by strict economic regulations as conditions of disbursement – conditions widely known as Structural Adjustment Programs (SAPs). The adoption of SAPs radically shifted the socialist political and economic philosophies Tanzania held, to one that embodied the neoliberal philosophies held by the global North.

In its short 60-year history since independence, Tanzania has seen three significant shifts in political and economic philosophies – from colonialism, to socialism, to free market capitalism. These drastic changes in political and economic systems created a difficult environment for business in the country, and have contributed to holding back economic growth and poverty reduction.

Today, Tanzania represents one of the fastest growing economies in Sub-Saharan Africa. Amidst this growth in the economy, agriculture continues to dominate like many of its neighbors, representing 25% of its Gross National Product (GNP). Currently, the agriculture sector employs 85% of the country's total workforce, and is significantly gendered as 90% of women who work outside of their homes are employed in agriculture. The fact that most people are engaged in some form of subsistence agriculture signifies that, despite significant growth and rich natural resources, Tanzania still struggles with widespread poverty. The continued significance of a single sector perhaps indicates the necessity of growing more small- and medium-sized businesses that can gainfully employ individuals in new sectors.

The fact that agriculture remains the most dominant economic force in the country also presents the specter of potential environmental issues in the future. Beyond agriculture, Tanzania boasts forestry, fishery, tourism and mining industries – each of which are important to economic development and require sustained attention to their environmental impacts. Retaining a healthy environment is essential for ensuring the sustainability of economic growth. Destructive farming practices, overgrazing, mining, growing population and deforestation are already contributing to



**Regardless of where an organization works, it is essential that the environment and its people be well understood, so the created operations meet the needs and demands of those it serves.**



environmental degradation. Cheetah recognizes the link between environmental sustainability and its businesses; and since agriculture is a focus of its operations, this is an important step. The discouragement of the use of agro-chemicals, cultivation of steep slopes and riverbanks, and the promotion of adequate irrigation systems will all contribute positively to the physical and economic well-being of people in villages throughout Iringa now and for years to come.

In recent years, the Government of Tanzania (GOT) has outlined ambitious economic and poverty reduction goals, encapsulated in its Zanzibar 2020 and National Development 2020 plans. The world has noticed the growth in Tanzania, and many have joined the country in its reform efforts. Large partnerships have been forged between the GOT and the United Nations (Development as One), USAID (Partnership for Growth), and the Millennium Challenge Corporation (MCC-Tanzania Compact), among others. These partnerships have largely been focused on making Tanzania more economically robust through the identification of barriers to growth and the implementation of policy mechanisms and physical infrastructure that seek to create an enabling environment that is business-friendly. In addition to Western partnerships, Tanzania has also led efforts amongst its neighbors to coordinate a regional economic bloc known as the East African Community (EAC).



Despite these advances, businesses operating in Tanzania still encounter hurdles in their efforts to start-up and expand. Again, like many developing countries, Tanzania lacks sufficient enterprises to fill the “missing middle”. And while the government expresses its interest in expansion of the private sector, the delivery of the actions and infrastructure necessary can be slow due to other governance, financial, and capacity constraints.

According to plans produced both by the GOT and by its international partners, key reforms for the support of private sector growth would include:

- ❖ Eradication of corruption, fraud, and mismanagement in public and private sectors;
- ❖ Development of transportation infrastructure, both rail and over land roads to reduce obstacles to distribution and movement;
- ❖ Support for greater access to credit especially for small- and mid-sized businesses;
- ❖ Greater focus on pro-poor economic development strategies;
- ❖ Adoption of policies that support small and medium-sized businesses; and
- ❖ Promotion of further regional integration and international trade

Small- and Medium-sized Enterprises (SME) feel this constraint particularly strongly as the business environment generally favors large corporations, thus generating incentives for business people to operate informally outside regulatory reach. Cheetah’s enterprises, with their focus on SMEs can play an important role in reaching these high-level goals as its visions of a more sustainable and prosperous Tanzania align well with the goals of the GOT and its international

partners.

Additionally, Foreign Direct Investment (FDI) remains a significant aspect of economic growth in Sub-Saharan Africa, especially as related to the creation of businesses of all sizes. According to the Brookings Institute, SMEs contribute 15% to the GDP of low-income communities, a figure that should be an incentive for the GOT as well as prospective investors. Moving forward, the barrier for Tanzanian leaders in capturing foreign investment is the historic skepticism seeded from the colonial period. There remains an “ideology of anti-colonial sentiment and economic nationalism which are heavily biased against foreign capital”.<sup>iv</sup> Removal of barriers and adoption of useful policies will take time, but may eventually allow more unique enterprises a window of opportunity to create new paths to economic development.

Cheetah Development, as an organization that seeks to address issues of income, employment, poverty, and investment simultaneously, is positioned to set a standard for SME investment in Tanzania and forge a new path to economic development of interest to both the government and its peer NGOs. Cheetah can interact within the Tanzanian context to do this in three key ways:

- 1) Beginning to fill the ‘missing middle’ with sustainable socially conscious enterprises to address job creation and high rates of poverty—setting a standard for social enterprise investment in Tanzania.
- 2) Playing a leadership role in advocating for environmental sustainability in organizational practices by discouraging excessive use of agro-chemicals, cultivation of steep slopes and riverbanks, and promote development of adequate irrigation systems.
- 3) Aligning its work with the priorities of the Tanzanian government in order to work toward the poverty reduction goals and strategies laid out in the 2020 National Development Plan.

## Economic Growth in Development: Strengths and Limits

In order to understand the economic environment in which Cheetah functions, it is important to grasp the main theoretical underpinnings of global and development economics. Cheetah operates its businesses amidst markets that are increasingly global and an economic system that is often biased against countries like Tanzania. It is thus important for Cheetah’s leadership to recognize and understand the wider economics at play, so the organization can most effectively achieve economic success with an awareness of how global economics can both help and hinder the social goals that motivate Cheetah to do its work.

The theories largely guiding economic relations and development theory today are those developed and fostered since World War II when development and poverty eradication became foreign policy priorities of Western states. Over the last 60 years, global economic thought has grown and changed encompassing a wide variety of perspectives from all sides of the political spectrum. The most dominant theories however, and those adopted most strongly by global powers, encompass ideas such as **neoclassical theory**, **neoliberal theory**, and **Rostow’s Stages**

**of Growth model.** These theories build upon one another and emphasize the importance of investment, capital, individual self-interest, free trade, open markets in developing economies, and the idea that economic growth in all countries will follow similar linear paths towards economic development. As Escobar notes, the focus on economic growth for development, “presupposed the existence of a continuum stretching from poor to rich countries, which would allow for the replication in the poor countries of those conditions characteristic of mature capitalist ones.”<sup>v</sup>

Using these ideas as frames, poverty is defined as a problem of insufficient income, leading to

the widely held conclusion that the key to development is economic growth.

This differs from other conceptions of poverty, which might define it as a lack of power and political organization, or the lack of capabilities and opportunities rather than one strictly of income. Under the dominant frameworks, economic growth is increased through measures like FDI, removal of tariffs, and focus on export promotion through technological change and investments in human capital. The theories hold that growth will increase income and living standards, leading to improvements in social outcomes in areas such as education and health in developing nations. Using these ideas, poverty eradication is most effectively achieved by increasing the GDP of a given country.

While dominant, it is essential to note that neoclassical and neoliberal theories do not exist unchallenged or without evidence against them. Most notably, development policy has been pursued in line with these theories since the 1950s, and while growth has occurred in some cases, the world has also seen growing and unprecedented inequality—the highest levels of which have been recorded in Africa. Critics who ascribe to frameworks such as **dependency theory** and the **human capabilities model**—each created and championed by thinkers from the global South—have noted significant shortcomings of the dominant models. These alternative theories focus on the impact of power dynamics between the global North and South as well as the importance of integrating additional measures such as the Human Development Index (HDI)<sup>1</sup> into calculations of the impact of development efforts. Measures like the HDI allow for qualitative changes in

### Key Theories in Development Economics

<b>Neoclassical Theory</b>	Dominant economic framework; prioritizes the individual and theories of supply and demand toward the end of economic growth
<b>Rostow’s Stages of Growth Theory</b>	Influential economic framework which posits that all countries experience a linear path of economic growth through five predictable stages
<b>Neoliberal Theory</b>	Dominant, contemporary economic theory; Stresses the necessity of free trade in fostering development; Guiding ideology of Structural Adjustment Programs
<b>Dependency Theory</b>	A theory of the global economic system which notes the relationship between developed (core) and developing (periphery) nations as one of dependency and extraction, wherein benefits accrue to the core from the periphery
<b>Human Capabilities Approach</b>	Amartya Sen’s well-known theory that re-conceptualizes development as a process that should be focused not solely on expanding economic growth, but expanding the capabilities and freedoms of individuals (social, economic, political, educational, etc.)

<sup>1</sup> An index developed by the United Nations Development Program which measures changes in human development by measuring human well-being through economic, education, and health indicators.

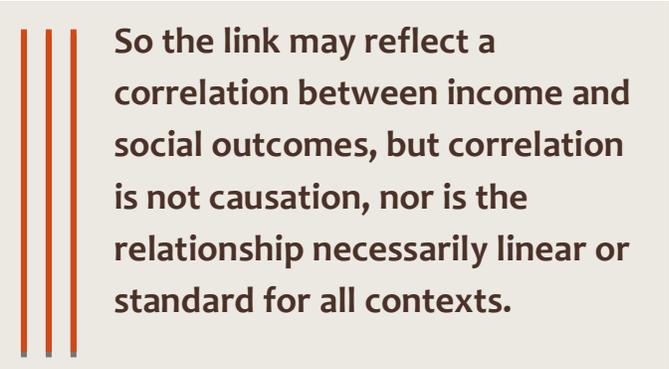
things such as culture, institutions, and individual capacities to be measured in addition to quantitative changes in measures such as GDP.

In the view of Amartya Sen’s human capabilities model, the failure of development is due to the oversimplification of development itself. His model insists that development be re-conceptualized to be understood as the expansion of the capabilities of individuals—political, social, educational, economic, etc. Current measures of development like GDP are limited, as “GDP was originally developed as a measurement tool, and is now used as the measure itself.”<sup>vi</sup> In such a complex world it is essential that economic measures are supplemented since they only include (and thus deem valuable) activities that generate or move money—thus including income-generating activities that are a societal negative (i.e. human trafficking, oil spills) and dismissing activities that improve society but are not monetarily valued (i.e. rainforest preservation, women’s domestic work). Additionally, measures such as GDP and per capita income mask inequality and assume that all boats rise in a rising tide, which has not been true of Sub-Saharan Africa, suggesting that there are other important factors not being adequately measured or considered.

Current global economic models have been, and continue to be, especially detrimental to developing nations, many of which were required to take on neoliberal conditions as a part of SAPs by the World Bank and IMF, policies Tanzania adopted in 1986. As discussed earlier, neoliberal policies, said to spur economic growth, have produced consequences that have been devastating for long-term growth—the devaluation of currency, removal of subsidies for and reduced investment in social sectors (such as health and education), and reduction in wages—together leading to increased poverty, unemployment, and inequality. Overall, the policies have little to show in terms of broad effectiveness. This is not to discount the importance of economic growth or business promotion in development, but to illustrate that it has been long touted as the sole way to development, and despite many iterations and recent growth trends, has largely failed to lift millions out of poverty.

It is true that economic growth is an important piece for improving the well-being of people—an individual or household’s economic status can determine and shape the opportunities they have to improve their

situations. Some studies have documented the link between increased household income and improvements in social outcomes like those of health and education. The reverse is also true, though. Good health and education outcomes improve the access and ability of individuals to increase their incomes. So, the link may reflect a correlation between income and social outcomes, but correlation is not causation, nor is the relationship necessarily linear or standard for all contexts. Additionally, the results of studies that seemed to clearly demonstrate the link between economic development and factors of human development, have since been severely discounted as the link between the two does not stand up to change over time. The 2010 Human Development Report notes these trends and the fact that over the last several decades, improvements in economic development have largely not coincided with improvements in human development. The report explains:



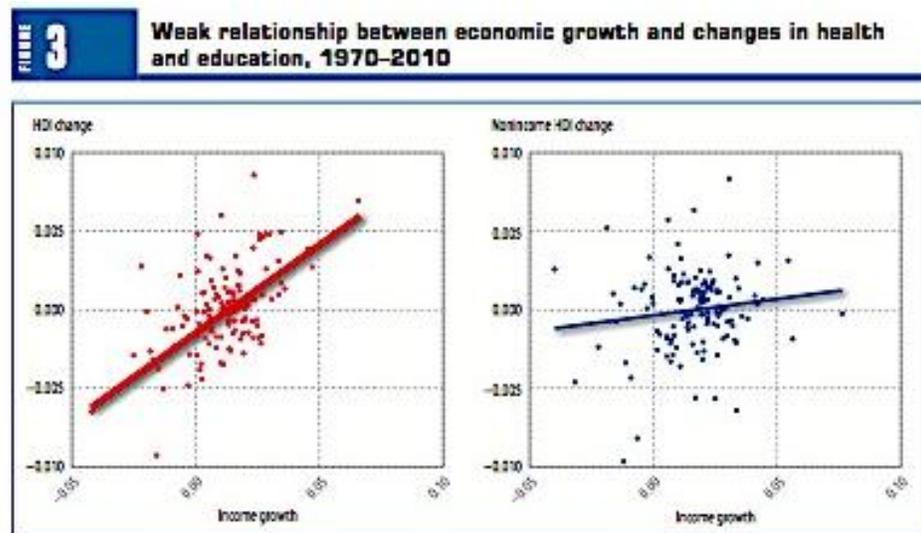
**So the link may reflect a correlation between income and social outcomes, but correlation is not causation, nor is the relationship necessarily linear or standard for all contexts.**

“...Countries became top performers on the HDI [Human Development Index] through two broad routes: fast income growth or exceptional progress in health and education. These findings suggest that over the past 40 years the forces driving improvements in health and education are different from those driving improvements in income. Had these processes had the same drivers, the processes would have broadly coincided. But we show that they did not.”<sup>vii</sup>

These findings have been growing and are corroborated by economists like William Easterly<sup>2</sup>, François Bourguignon of the Paris School of Economics, and Charles Kenny of the World Bank. Bourguignon along with several African and European colleagues even noted: **“the correlation between GDP per capita growth and non-income [Millennium Development Goals] is practically zero.”**<sup>viii</sup> Their work does not suggest that income and social indicators are totally unrelated, but rather that there is a “...lack of relationship between *changes* in income (growth) and *changes* in the non-income dimensions of human development. It thus does not negate a basic fact, which is that *levels* of income and *levels* of health and education are positively and significantly correlated.”<sup>ix</sup> In other words, at certain levels of income, higher levels of education and health can be expected, but improvements health and education over time are not strictly due to changes in income.

Figure 3:

These scatterplots show the weak relationship between countries that have experienced economic growth and those that have seen positive changes in human development indicators.



Source: 2010 Human Development Report, UNDP

<sup>2</sup> See: Easterly, “Life During Growth” (1999)

It is useful to note then, that economic development—while important—does not occur in a vacuum. The societal and global factors that surround economic activity cannot be disregarded as outside the scope of what occurs economically in a given place. Cheetah Development has done well in recognizing the intersection of the economic and social aspects in the variety of businesses it has set out to create—each one developed to solve long-standing community issues through business that will both address the problems that are at once social and economic in nature. It is important for those a part of Cheetah to understand the intricacies and shortcomings of the link between economic and human development because the organization is built on a theory of change that takes the connection between the two for granted. With a deeper knowledge of the weaknesses of the link between economic and human development, Cheetah will be empowered to create more effective businesses that consider additional factors.

**Cheetah Development has done well in recognizing the intersection of the economic and social aspects in the variety of businesses it has set out to create—each one developed to solve long-standing community issues through business that will both address the problems that are at once social and economic in nature.**

## Merits and Challenges of Financial Metrics and Non-profit Evaluation

As previously mentioned, this research is concerned with the use of profit as an indicator of success or failure of social businesses developed by Cheetah. Net profit is one among many performance measures commonly used in private sector to rigorously assess an organization's financial sustainability, to measure its performance against its economic goals, to provide operational controls, and to maintain efficient organizational management. Common financial measures in this context are *cash flow*, *net profit*, and *return on investment* (ROI). These metrics measure various financial aspects of a business and are crucial to measuring the sustainability and flexibility of an organization. For this reason, these and other financial metrics have started to permeate the non-profit world, with specific relevance for social enterprises as demonstrated by Cheetah's preference for using such measures.

### Realization of inadequacies of financial metrics by the private sector

As a business currently focused on its financial and social impacts, it is essential for Cheetah to take into account the drawbacks of financial measures before solely relying on profit for evaluating its programs. The private sector identified weaknesses of traditional financial measures by the 1980s in the midst of growing competition, more demanding customers, and rapidly changing technology.

The following are some drawbacks of financial metrics as identified by various literatures:

- ❖ **Emphasis on internal operation** - In Cheetah's context, it is important to capture the wider implications of profits and losses on the population and changes in human development. However, financial metrics do not capture customer satisfaction and are usually focused on short-term objectives and information that are relevant for

*shareholders* rather than *stakeholders*. In this way, Cheetah's reliance on financial metrics can provide a myopic view of its effectiveness that can pose challenges for Cheetah in future.

- ❖ **Inability to establish cause-effect relationships** - Measuring only the financial indicators of each business will not provide a comprehensive idea to Cheetah about which factors led to profit or loss. This is because financial metrics do not capture the “how” and “why” questions. In the absence of information beyond financials, it will be difficult for Cheetah to decide what is necessary to change or emphasize to improve operations and outcomes.
- ❖ **Susceptibility of financial measures towards manipulation** - Cheetah considers the use of social measures problematic because of the vulnerability of those measures to be shaped according to the evaluators' preference. However, financial measures are not free from manipulation themselves. In fact, the choice of performance measures by an organization is highly dependent on the values and priorities of the most influential stakeholders.

As a result, there has been a significant push toward understanding factors that influence performance measures in the corporate world rather than focusing solely in financial measures, giving rise to multidimensional tools such as **Balanced Scorecard** and **Triple-Bottom Line**. This approach to performance measurement also breaks the idea of having a universal set of performance measures that are applicable to all organizations and shows the need to create measures depending on the context.

### Problems in program evaluation in non-profit sector

In order to more fully understand their successes and impacts, it is advantageous for social enterprises like Cheetah Development to get acquainted with the various performance measurements prevalent in the for-profit and non-profit sectors. The analysis of strengths and weaknesses of these metrics used in respective sectors will assist Cheetah in developing an inclusive evaluation tool. It is important to distinguish between performance measurements and program evaluation, because NGOs tend not to include financial metrics while evaluating their programs. In many cases, the terms **performance measurement** and **program evaluation** are used interchangeably. However, this is incorrect because program evaluation encompasses a broader view of programs, capturing not only impacts themselves, but also how and why those impacts are occurring. Program evaluation attempts to understand the potential causal links between performance measurements and program missions, enabling managers to identify factors that need to be adjusted to improve results.

Some of the inefficiencies of program evaluation in non-profit sectors are as follows:

- ❖ **Focus on social aspects with less emphasis on potential efficiency** - Social enterprises like Cheetah clearly identify the financial inefficiencies that are prevalent in non-profits which can prevent social actors from maximizing the potential value creation. Professionals working in non-profits tend to be satisfied with the social impact they are able to make, even though resources are not utilized to their fullest potential. Some non-profit leaders possess inadequate management skills and knowledge of the sophisticated financial metrics essential to ensuring sustainability. Others may pay little attention to

financial management despite having expertise, due to the dominance of social value in non-profits. Cheetah therefore, can fill the role of improving efficiencies that maximize the creation of social value.

- ❖ **Complexity in identification of social measures** - Cheetah clearly embodies double-bottom line goals through the equal prioritization of economic and social impacts. In the non-profit world, it is common to measure **inputs**, **processes**, and **outputs** to evaluate a specific program. The main drawback of program evaluation in the non-profit sector is that **outcomes**, which can be short term, intermediate, or long-term, are usually ignored, because they measure achievement of mission, and are often abstract and unquantifiable. The performance indicators chosen in non-profit sectors are derived in terms of what is invested such as money, time, and equipment; what activities are conducted and number of participants reached. As a result, it becomes impossible to determine whether the measured output is making any difference to the mission of an organization. For example, a non-profit with a mission of eradicating poverty cannot assess its performance by simply counting the number of participants in their program. This reality aligns closely with the frustrations Cheetah has experienced with its peer NGOs, through observing the measurement of outputs instead of outcomes. Cheetah should be wary of falling in this same trap through the measurement of profit or income to the exclusion of social impacts.

It is imperative for social enterprises like Cheetah to include integrated performance despite the complexity involved in identifying good measures to assess social impacts. In its efforts it is important for Cheetah to be mindful of the two primary deficiencies in program evaluation in the non-profit sector—the exclusion of financial metrics as performance measures of success, and the possibility for disconnect between performance measurement and social mission due to the measurement of inputs and outputs as opposed to outcomes—and work to counteract these trends in its own operations.

Grameen Bank is a great example of a social enterprise that integrates profitability metrics such as number of borrowers, size of loans, and rate of repayment along with socioeconomic indicators to evaluate their outcome of bringing people out of poverty. When asked how best to measure social enterprises, Mohammed Yunus, the founder of Grameen Bank, responded:

**The exclusion of financial metrics as performance measures of success, and the possibility for disconnect between performance measurement and social mission due to the measurement of inputs and outputs as opposed to outcomes.**

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"In a profit-maximizing business, success is measured by the profits made in a given year and by the prospect of increasing them in the years to come. In a social business company, success is measured according to the social objective. To do so, suitable indicators are used that, for example, measure reduction in the number of undernourished children, reduction in child mortality or increase in the number of people having access to drinking water, etc."<sup>x</sup>

In the realm of integrating financial and social measures, or integrated performance measurement, there are two dominant viewpoints that can be helpful for Cheetah in terms of evaluation.

1. **The pessimistic view** holds that the attempt to include comprehensive performance measurements in social enterprises can lead to information overload due to the inability to choose appropriate metric that reflects intangible social outcomes.
2. **The optimistic view** believes the use of performance measurements in social enterprise will greatly aid the organization in identifying the diversity of stakeholders whose opinions were not initially prioritized. Optimists see performance measurement as an opportunity to stimulate dialogue, clarify the organization's goal, build stakeholder confidence, attract additional funders, enhance reputation, and to identify trends and surfacing issues. Paton suggests the best way for social enterprise managers to reach the middle ground, saying:

“It is reasonable to engage constructively with measurement while being very alert to its limitations and misuse, and to approach the performance agenda positively while also being fully aware that every valid and useful method can become an occasion for goal displacement (by being pursued inappropriately or excessively).”<sup>xi</sup>

Hence, remaining open to new ideas and using the measures of effectiveness that are relevant to its context are important for Cheetah. This will enable Cheetah to adjust, assess and also create performance measures that will be appropriate to their current needs.

# RECOMMENDATIONS



## **RECOMMENDATION 1: Develop and implement holistic evaluation mechanisms.**

Given that Cheetah Development functions as a social enterprise, we recommend that Cheetah implement evaluation mechanisms able to track the organization's social impact in addition to the financial metrics already being recorded. The accurate measurement of the success and impact of any business or development initiative is essential to ensuring both sustainability of the operation, and positive results for participants. Since Cheetah works in rural Tanzania with people who are vulnerable due to their poverty and susceptibility to shocks<sup>3</sup>, whether an evaluation takes place and the process through which it is done, matters greatly. Additionally, with a wider understanding of the impact of the businesses, Cheetah will also be better equipped to tell its story in a full and compelling way.

**Cheetah Development has the opportunity to turn the tide in program evaluation within the development and social enterprise communities by prioritizing thorough evaluation of its work. This means putting concerted effort towards being unbiased, with a willingness to admit failures, and dedication to being a learning-driven organization focused on the well-being of Tanzanians.**

As has been consistently argued, financial metrics are insufficient on their own for evaluating Cheetah as a social enterprise and the success of its businesses over time. Therefore, social and environmental impacts must be considered prior to implementation and evaluated at regular intervals to monitor and correct any unintended consequences; much as a business plan needs to be altered if it is not attracting customers or accruing a profit. To do this well in the realm of social (and potentially environmental) impacts, we recommend four distinct steps:

- 1. Conduct a Baseline Survey:** In order for any evaluation to be accurate and truthfully document program impact, a baseline survey must be conducted. In general, a baseline survey is a census-like survey that will collect data on village population, demographics, economic activity, average household income, etc. (see Appendix D), and would serve as the starting point by which to measure progress or regress over time. Ideally, this survey would be completed using a random sample of households in the villages where programs were to be implemented, soon after programs have begun. However, in Cheetah's case, programs have started without an initial assessment. This is an issue in that the impact assessment of Cheetah's initial programming may not be entirely accurate since there is no data on the status of the communities before Cheetah arrived. However, the absence of an initial assessment does not preclude Cheetah from the necessity of conducting a survey as soon as possible that can serve as a baseline for years to come. Cheetah's records suggest that a very basic survey was completed for the main villages in Iringa in which Cheetah operates before work began. However, this survey was quite limited in its measures and served mostly as an advisory mechanism for Cheetah to choose successful partner villages, as opposed to measuring the improvement of lives in each village due to Cheetah's presence.

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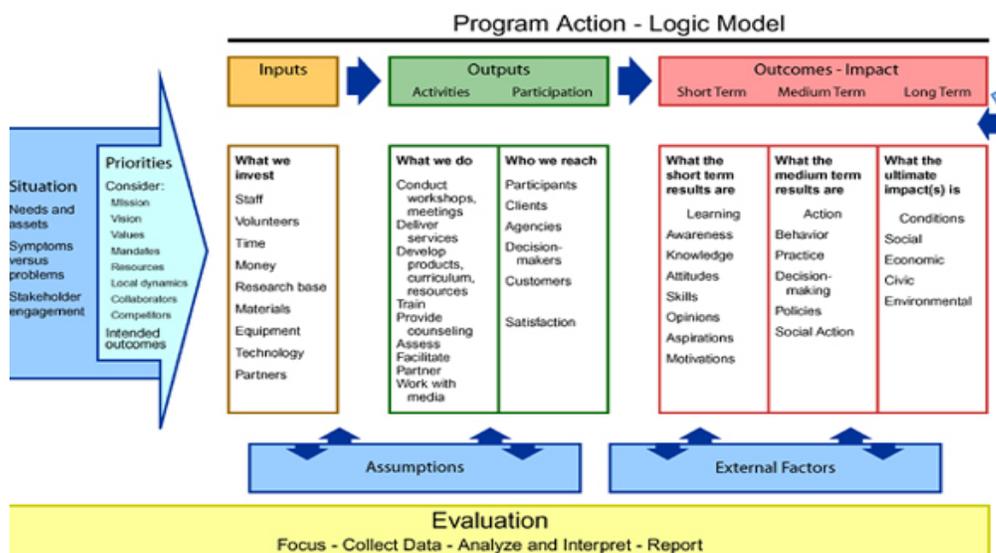
<sup>3</sup> A shock refers to an unforeseen event that dramatically affects an individual or family, in this case, in a financial way. (i.e. a death in the family or a drought)

With a USAID health grant beginning in April, having baseline data to use for the assessment of Cheetah’s health initiatives will be critical in demonstrating the successes and challenges of the businesses, and will allow Cheetah to tailor its strategies to ensure the best outcomes. Depending on the desired result, it may be necessary to conduct surveys or interviews on both program participants and non-participants. The inclusion of non-participants creates a control group, allowing evaluators and Cheetah to understand whether changes (positive or negative) can be attributed to program participation or another outside factor. This method would enable Cheetah and others to understand the impacts “with and without” involvement. Alternatively, if “before and after” impacts or participants are the only measures desired, then a control group would not be necessary.

Due to the fact that a baseline survey is more useful the earlier it occurs in the life of a program, **this is a short-term recommendation and is intended for implementation within the next 4-6 months.** A template of a household survey questionnaire from the UN Statistics Office, as well as sample baseline survey measures are contained for reference in Appendix C and D, respectively.

2. **Create a logic model for each business:** A logic model is a tool common to non-profit organizations, which allow an organization to delineate the inputs, outputs, and outcomes that are likely through each of its programs. **The use of a logic model for each business will enable Cheetah to match existing resources with future goals. Its use will help Cheetah to build evaluations that are both strategic and all encompassing, identifying both short- and long-term outcomes and think about how best to measure them.** Outcomes are especially important to identify and measure because they are the results that allow an organization to know and show that it is achieving its mission. Using this framework in Appendix A will help Cheetah to align the business model and mission with strategies that needs to be adopted, will enable managers to recognize appropriate performance measures to be collected, and will generate an improved method of evaluation that will lead the organization in the right direction.

Figure 4:



Source: <http://www.uwex.edu/ces/pdande/evaluation/evallogicmodel.html>

3. **Select appropriate IRIS measures:** In an era in which rigorous evaluation is of growing importance for illustrating social benefits, consistency of evaluation methodology and terminology is a major concern when comparing the outcomes of different development operations. IRIS, or the Impact Reporting and Investment Standards, are a set of standardized measures developed by a coalition of social entrepreneurs, foundations and social organizations with the common goal of “creating a common language for reporting social and environmental impact”<sup>xii</sup> for social enterprise. These standardized definitions give universalization to the language and methodology of the non-financial indicators as is common with financial data.

The full taxonomy includes some 446 indicators within nine categories including; Cross-Sector, Agriculture, Education, Energy, Environment, Financial Services, Health, Housing/Community Facilities and Water (See Appendix F for full list). Of course, not every organization uses measures from every category, but the measures allow for flexibility and customization in standardized reporting across industries and sectors.

**When implemented, Cheetah Development will be able to effectively integrate measures from categories like: Agriculture, Education, Financial Services, Health and potentially Water and Environment, allowing the organization to capture the intersections of impacts inherent in its work.**

Figure 5:

## Impact Reporting and Investment Standards

ID	Section	Subsection	Sector	Indicator Name	Definition	Reporting Format
PD1620	Product Description	Product/Service Information	Agriculture	Crop Type	Type of crop produced. Choose one: Source: Adapted from Food and Agriculture Organization (FAO) of the United Nations (see excel detailed list)	Selection
PD4686	Product Description	Product/Service Information	Agriculture	Livestock/Fish Type	Type of livestock product produced. Choose one: Source: Food and Agriculture Organization (FAO) of the United Nations (see excel detailed list)	Selection
PD1635	Product Description	Product/Service Information	Education	Acquisition of Education Materials	Method by which educational materials (new books or course packets) are acquired by the school. Choose all that apply: - Produced by the school - Purchased - Received donations	Selection
PD4120	Product Description	Product/Service Information	Education	Hours of School Offered per Week	Number of hours of school offered per week.	Number of hours
PD8635	Product Description	Product/Service Information	Education	Days of School Offered per Year	Number of days of school offered per year.	Number of days
PD9759	Product Description	Product/Service Information	Education	Extracurricular Programs Offered	Extracurricular programs provided by the school during the reporting period. Choose all that apply: - Arts - Community service - Religion - Sports - Other	Selection
PD2713	Product Description	Product/Service Information	Energy	Energy Capacity	Potential energy generation over the lifetime of the product based on the planned operation of the product/system. Footnote energy type(s) and other calculation assumptions.	Number of kWh
PD5578	Product Description	Product/Service Information	Energy	Energy Used by Product Replaced	Energy that would have been used by the replaced product during the lifetime of the organizations product. Footnote product replaced, source for product utilization information and other calculation assumptions.  Note: This calculation should be for energy usage by the product replaced over the course of the product lifetime of the organization's product and not over the course of the product lifetime of the product that is being replaced.	Number of kWh

Source: <http://iris.thegiin.org/xbml-taxonomy>

The IRIS reporting standards are quickly becoming recognized and adopted industry-wide, and it will only be a matter of time before investors are demanding uniformity among impact investing reports. As more organizations and businesses adopt the

standards, there will be greater alignment between investment impact reporting, providing greater consistency and transparency between evaluators and those being evaluated. **This increased transparency will allow Cheetah’s investors and potential donors to understand the comparative impact of Cheetah’s businesses, potentially building greater organizational legitimacy and support.** Early adoption of the standards would put Cheetah on the cutting edge, gaining a competitive advantage in securing investment and donation funds—benefits that can be more easily obtained now while Cheetah is a young organization and able to quickly maneuver to take advantage of opportunities.

4. **Design household surveys and interview questionnaires for use at regular intervals:**

In order for Cheetah to understand and share the full story of its work, it is essential that meaningful data—both quantitative and qualitative—be collected on each business operating throughout the region. This means that in addition to the tracking of financial, inventory, and output data collected for each business, that social outputs and outcomes are tracked as well. Both types of data should be collected because they both measure different things, and thus tell different stories.

Quantitative data measures items that can be numerically represented (i.e. income, number of years of schooling, etc.) and is more easily collected as it can be administered through household surveys. **Using surveys, Cheetah can gather information about household income, diet, education levels, time use<sup>4</sup>, home and land ownership, and many other statistics that will enable the organization’s staff to better understand each community and how their lives may have changed due to involvement with Cheetah’s activities.** These types of surveys vary enormously in content and length, and designed to fit various villages and project types. (See Appendix C for survey example) Household surveys such as these will enable Cheetah to gather quantitative data on the villages that will be important for assessing needs and understanding the impact of projects.

Qualitative data, on the other hand, is generally collected through interviews and focus groups. It allows an organization to obtain the answer the questions of “how” and “why” a something might be occurring. For instance, if a survey indicates that health outcomes are improving in a village, the accompanying interviews can investigate why that might be – Is it because incomes are increasing and people are now able to afford healthcare? Is it because a new well was put in and now people are less vulnerable to water-borne disease because they have clean water? Is it because a new clinic was built close to the village and now people are able to go to the doctor when necessary? There are many, often intersecting, reasons why a trend might be happening; but without asking the questions, it is difficult for any organization to fully understand and properly react to any trend on its own. Qualitative data is able to fill in the gaps of political, social and relational dynamics inherent in organizations, households, and communities that quantitative data misses.

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<sup>4</sup> For example, time spent collecting water, time spent working in agriculture, time spent cooking, etc.

Using qualitative methods Cheetah will be able to collect information from participants and non-participants that cannot be captured numerically—personal stories about what is or is not working, understanding of personal and power relationships, and the politics of community organizations and the businesses themselves. And because these forces are present, powerful, and often unseen, it is important that any evaluation explicitly seek them out. Quantitative and qualitative methods cannot replace one another, but are complementary, and should be used together to gain a more complete picture.

Understanding that Cheetah is in a stage of limited capacity and resources, we recommend that Cheetah employ a mixed-methods approach, using some quantitative and some qualitative methods. By mixing the two, Cheetah can tailor the each to fit organizational needs and context, as well as reduce the costs that might accompany conducting each separately. To develop the tools (i.e. surveys and interview questionnaires) that will allow Cheetah to achieve these recommendations in a situation of limited funding, we recommend that the organization look to a third-party. A third-party would lend invaluable expertise and could be a group of Tanzanian graduate students studying evaluation, a pro-bono non-profit consultant, or another group of Humphrey Capstone consultants. Useful resources for connecting with these groups are provided in Appendix F.

The types of large-scale evaluation and analysis described here are time-intensive and sometimes costly, and some things will need to occur in stages, and others will require the use of outside expertise. Due to the fact that these types of large-scale evaluation and analyses are time-intensive and sometimes costly, the full development of each aspect will happen over time. We imagine the creation of logic models and the selection of IRIS indicators can happen in the near-term, the next 1-2 months. We then suggest that the baseline survey be conducted within the next 4-6 months. While the development and deployment of the first round of impact surveys and interviews can happen within the next year.

We recognize that it is easy to say from an advisory perspective that more rigorous evaluation should be undertaken, as it is necessary for the creation programs with the greatest impact. But we also recognize that more rigorous evaluation often requires significant resources. Naturally, in the use of resources for evaluation there is an opportunity cost, leaving fewer resources for other activities. As consultants, we acknowledge this tension, and recommend that in the presence of scarce resources, that careful consideration is given to selecting quality metrics that allow Cheetah to measure the most important things comprehensively, as opposed to measuring many things poorly or foregoing evaluation altogether.

### **Integration with Current Systems: QuickBooks and Salesforce**

Taking into consideration the QuickBooks system that Cheetah currently uses for its financial data collection, we recommend that Cheetah implement the use of Salesforce and Pulse programs. Salesforce is a commonly used and reasonably priced financial tracking system in both the non-profit and for-profit worlds. It is convenient in that its applications allow integration and syncing with QuickBooks, such that any data entered into Cheetah's QuickBooks system would automatically be entered into Salesforce. Additionally, Salesforce allows the addition of a plug-in called Pulse—which efficiently organizes and tracks social data (using IRIS indicators) in the same way that QuickBooks tracks financial data. Pulse is a free program, and its use would enable Cheetah to integrate all of its indicators, financial, social, and environmental into one program. Making an organizational software change is costly in the amount of time needed for

training staff to use it; yet making those changes now at the early stages of each project is comparatively less costly and demanding than it will be in years to come. Additionally, Pulse has an active support team that Cheetah could utilize, that is dedicated to assisting organizations in the successful implementation the program.

## **RECOMMENDATION 2: Continue and expand focus on leadership training and development of local volunteers, staff, and participants.**

Cheetah has invested significant efforts into leadership and management training activities that include a range from business mentorship of farmers involved in the Pearl Foods cooperatives to skills training of its student interns and volunteers from the Universities of Tumaini and Dar es Salaam. These efforts and their results are positive externalities of Cheetah's work that are not currently being captured through the measurement of the financial metrics of Cheetah's businesses. In order to expand and account for the work already being done in this area, the activities should be documented so that the efforts can be assessed, improved, and marketed as an important piece of Cheetah's model. The social value currently being created through these efforts can be gathered through interviews, surveys, or focus groups and can track changes in skills, attitudes, motivations, and behaviors. These kinds of social impact stories can be leveraged by Cheetah to demonstrate impact and attract donors, staff, and volunteers while contributing to the creation of a well-run organization focused on empowering individuals.

Additionally, it is important that Cheetah increase opportunities for all Tanzanians involved in its work (farmers, staff, interns, employees of other businesses) to build leadership and management skills. The increased support and training of Tanzanians will help ensure the success and sustainability of Cheetah's operations as it begins to franchise because its employees and participants will be prepared to be successful managers, and opportunities available for Tanzanians into the future as they continually gain and use new skills will be increased. Cheetah could begin to do this by making the requirements and expectations of advancement within the organization transparent to all people (both within and outside the organization) who might be interested in pursuing the skills necessary to be a part of Cheetah's work. This would allow individuals to understand what they need to learn, accomplish, or pursue to move from an intern to a staff member, or a co-op participant to a franchise manager.



**Participation that empowers and builds skills in individuals is a powerful tool of development as well as business.**

This recommendation also gets at the issue of participation in development, a topic that has emerged as a 'best practice' in recent decades as a way to empower, as well as gain feedback and knowledge from local communities. Participation that empowers and builds skills in individuals is a powerful tool of development as well as business. This is true both because it creates programs that are more effective as they are more connected to the needs and expertise of those who are participating, and because it builds capacity for engaged citizenship. In this way, participation can be seen as both a means and an end, building skills that will enable Tanzanians to be more engaged citizens empowered to make the changes they desire in their own government over the long term.

### **RECOMMENDATION 3: Conduct a stakeholder analysis to ensure the inclusion of direct and indirect impacts of Cheetah Development's operations.**

To further enable the adoption of holistic measurement practices, we recommend that Cheetah conduct a stakeholder analysis for each of its businesses and of the organization as a whole. A stakeholder analysis is a process to identify all possible direct and indirect stakeholders affected by particular program/business activities; to understand their interests and power; to explore their influence on each other; and to be aware about potential risks. Since Cheetah uses a for-profit model to accomplish social goals, it is important for Cheetah to identify all stakeholders who are directly or indirectly affected by their service and goods. Keeping in mind that measuring profit as an indicator of success will not necessarily satisfy or capture all stakeholders affected by the organization.

It should be noted that all transactions within a community are at once social and economic—meaning that there are impacts that flow from economic exchanges that impact social well-being and interaction that are not usually captured in the cost of the transaction itself. For Cheetah, conducting a full stakeholder analysis means acknowledging the organization's relationships and impact on investors, Tanzanian farmers and participants/employees of the other businesses, volunteers working for Cheetah as well as those who are not directly involved with the projects (i.e. the families of participants, other community business owners) but could or should be included within the analysis.

A disregard for “interests, needs, concerns, powers, priorities, and perspectives of stakeholders represents a serious flaw in thinking or action that too often and too predictably leads to poor performance, outright failure or even disaster”.<sup>xiii</sup> Cheetah will get a better understanding of impacts of its businesses on wider stakeholders and can avoid future challenges by increasing its accountability. This exercise will help Cheetah to consider using other metrics to help the organization evaluate its impact on other important stakeholders who may have been ignored earlier since the use of financial metrics is mainly reflective of impact on people who are directly rather than indirectly affected by the business. Along with conducting stakeholder analysis for the organization, Cheetah can also use stakeholder analyses for evaluation purposes to involve stakeholders in every stage of the evaluation process - planning, design, data collection, analysis, and implementation of recommendations.

Numerous stakeholder analysis techniques can be used to reveal different aspects of a business or program. The example of stakeholder analysis in Appendix B shows one of several ways to conduct a stakeholder analysis. This particular technique can help Cheetah to identify all possible internal and external stakeholders, to explore interrelationship among those stakeholders, and examine the extent of influence each stakeholder has on the organization. Cheetah can revise its stakeholder analysis over time and implement other stakeholder analysis tools at various stages of its operation for planning and making strategic decisions.

## RECOMMENDATION 4: Design and create a BACO chart to show the returns of Cheetah to increase visibility and appeal to investors.

BACO, or the Best Available Charitable Option, is a framework for social ventures to relate their impact to that of traditional NGOs. The aim of the comparison is to show the multiplication of impact, both socially and economically, of a dollar invested versus a dollar donated. Very technically, “The BACO calculation ultimately conveys the net cost per unit of social impact”<sup>xiv</sup>. Forbes magazine notes that in social business investing “progress is measured not in ROI, but rather against the good that could have been done by simply giving the money away.”<sup>xv</sup> By creating, using and publicizing this framework Cheetah can increase their visibility and appeal to investors. And because the BACO reports in financial metrics for a social impact, it works seamlessly with the reporting structure of a social enterprise like Cheetah.

The Center for High Impact Philanthropy at the University of Pennsylvania reports, “High impact philanthropy means getting the most good for your philanthropic buck. It is the process by which a philanthropist makes the biggest difference possible, given the amount of capital invested.”<sup>xvi</sup> The BACO is a tool that helps prove exactly this.

The following is an example of a BACO chart created by the Acumen Fund:

### INSECTICIDE TREATED NETS

Figure 6:

Table 1: Cost Analysis		BACO	Acumen Fund investment
Committed funds		\$325,000	\$325,000
Cost of disbursement & management <sup>7</sup>		\$65,000	\$130,000
Expected return		\$0	6% annually for 5 years
Return [ principal + interest earned = ] ( <i>financial leverage</i> )		\$0	\$422,500
Net revenue (Cost) [ return - disbursement - costs - ]		(\$390,000)	(\$32,500)

Table 2: Social Impact Projections		BACO	Acumen Fund investment
Comparable product cost		\$3.50	-
Total output:	bed nets	92,857	2,000,000
Investor share of output <sup>8</sup>		100%	20%
Investor output (enterprise efficiency)	bed nets	92,857	400,000
Impact factor	persons protected / bed net	2	2
Social impact [ total output * impact factor = ]		185,714	800,000
Bottom Of Pyramid (BOP) Penetration <sup>9</sup>	% customers in BOP	100%	50%
BOP impact [ social impact * BOP Penetration = ]		185,714	400,000
Product efficacy (technology leverage)	# of effective years of malaria protection	2.5	5
Total social impact [ BOP impact * product efficacy = ]		464,286	2,000,000

Table 3: BACO Ratio		BACO	Acumen Fund investment
Net cost	[cost - return]	\$390,000	\$32,500
Total social impact	person years of malaria protection	464,286	2,000,000
Net cost / Unit of social impact		\$ / person year	\$0.016
BACO Ratio		cost-effectiveness multiple	52

Source: [http://www.acumenfund.org/uploads/assets/documents/BACO%20Concept%20Paper%20final\\_B1cNOVEM.pdf](http://www.acumenfund.org/uploads/assets/documents/BACO%20Concept%20Paper%20final_B1cNOVEM.pdf)

## **RECOMMENDATION 5: Prioritize the inclusion of women and explicitly document the impacts of Cheetah’s work on women in the community.**

As is being increasingly noted by development professionals and institutions, the role of women is crucial to the success and sustainability of any initiative. The inclusion and recognition of women is essential not only because they are integral parts of any community, but also because different genders are often affected in divergent ways by similar circumstances. Since Cheetah works with individuals as well as households, it is important for gender dynamics to be understood and documented within the scope of its work. Both the inclusion of and impacts on women are not only crucial to the growth of Cheetah, but more importantly to the development of business and prosperity of people in rural Tanzania.

Cheetah Development has recognized and included women in large portion in the businesses it is currently running and developing. The inclusion and participation of women as a significant part of programs is a necessary first step, but not an end in itself. This is evidenced by the fact that efforts at equity through participation (i.e. equal numbers of men and women participating in a project) have the ability to mask the presence of power relationships by making them more invisible than they were when they were apparent through unequal participation.

This does not mean that participation of women is not a goal—it is. It simply means it must be met with efforts to discern the gender and power dynamics that linger even after equal participation has been achieved. The qualitative methods discussed earlier can be especially useful in discovering gender dynamics at both the household and community levels. For example, in many income analyses, it is typical for households to be considered ‘unitary’— which assumes all household members, agree on decisions made at the household level and that those decisions are always made in everyone’s best interest, usually by a male head of household. However, years of research have found this model to be misleading, and instead propose that household research be completed in a way that considers intra-household dynamics. The use of an intra-household perspective allows for the disaggregation of differences by gender, and for greater understanding of intra-household bargaining taking place mainly between male and female heads of household, but not exclusively.

The intricacies of these intra-household dynamics can be better understood through individual interviews, where individuals (especially women) can be empowered to speak about relationships and how power is wielded. Related to Cheetah’s work this will be especially useful when looking at the impacts of increasing incomes at the household level, as it has been well documented that women and men often use their incomes in very different ways. Noting primarily that a woman’s earned income has a greater impact on household well-being, because they tend to spend their money on things like health and education needs of children, whereas men tend to allocate less to these areas. Additionally, earning an income can have positive or negative implications for a woman’s relationship with her husband (i.e. greater empowerment or in some cases increased domestic violence), which has implications on how programs and businesses should be designed and run.

## Conclusions

Cheetah Development is a unique organization at an exciting stage, with a lot of potential. With its innovative model, Cheetah has the opportunity to set the standard for effective evaluation in the social enterprise world—overcoming evaluation bias and telling compelling stories of its own work. Since Cheetah works within the NGO and business sectors and the lines defining these sectors are blurring, it is imperative that both financial and social outcomes are measured and reported. Financial measures, while critical, are not enough to prove positive social impact.

The returns of effective and holistic evaluation to Cheetah will be many, including:

- ❖ A greater ability to adapt businesses and operations to the needs of the community;
- ❖ Clear data representing the impacts of the programs over time which can be used for reporting, marketing and fundraising purposes; and
- ❖ An understanding of the full impacts of the Cheetah model on the lives of Tanzanians

Through implementation of all-inclusive assessment of its businesses and a commitment to being a learning-driven organization, Cheetah Development can achieve its mission of creating sustainable economic opportunities for Tanzanians while setting an example of effectiveness in social enterprise and development. Together, all of these results will enable Cheetah to grow stronger over time, maximizing its profits and sustainability.

It is essential for Cheetah to document its operations, successes, and failures. Through honesty in evaluation, Cheetah will not only be an example within the development and social enterprise fields, but will increase the viability and impact of each of the businesses it operates. Cheetah has the opportunity to be a leader in effective evaluation and turn the tide that tends toward positively biased evaluations and ineffective projects.

Our recommendations to Cheetah vary in the resources required and their likely timeline, yet combined will move Cheetah forward as an organization and help to ensure that the impacts made on the lives of Tanzanians are positive, sustainable, and reflective of their values and desires.

Finally, we believe that the significant returns to Cheetah and those it serves, for prioritizing quality evaluation of all relevant factors (social, environmental, and economic), outweigh the costs. For the individuals involved, thorough evaluation will give them many outlets to give feedback and influence changes in the organization that affects their lives; it will also help to build participant buy-in as Cheetah holds itself accountable and makes adjustments that respond to their concerns. Together, all of these results will enable Cheetah Development to grow into the strong and sustainable organization it envisions, forging fruitful partnerships with Tanzanians in ways that are empowering and allow communities to pursue the lives they deem valuable.

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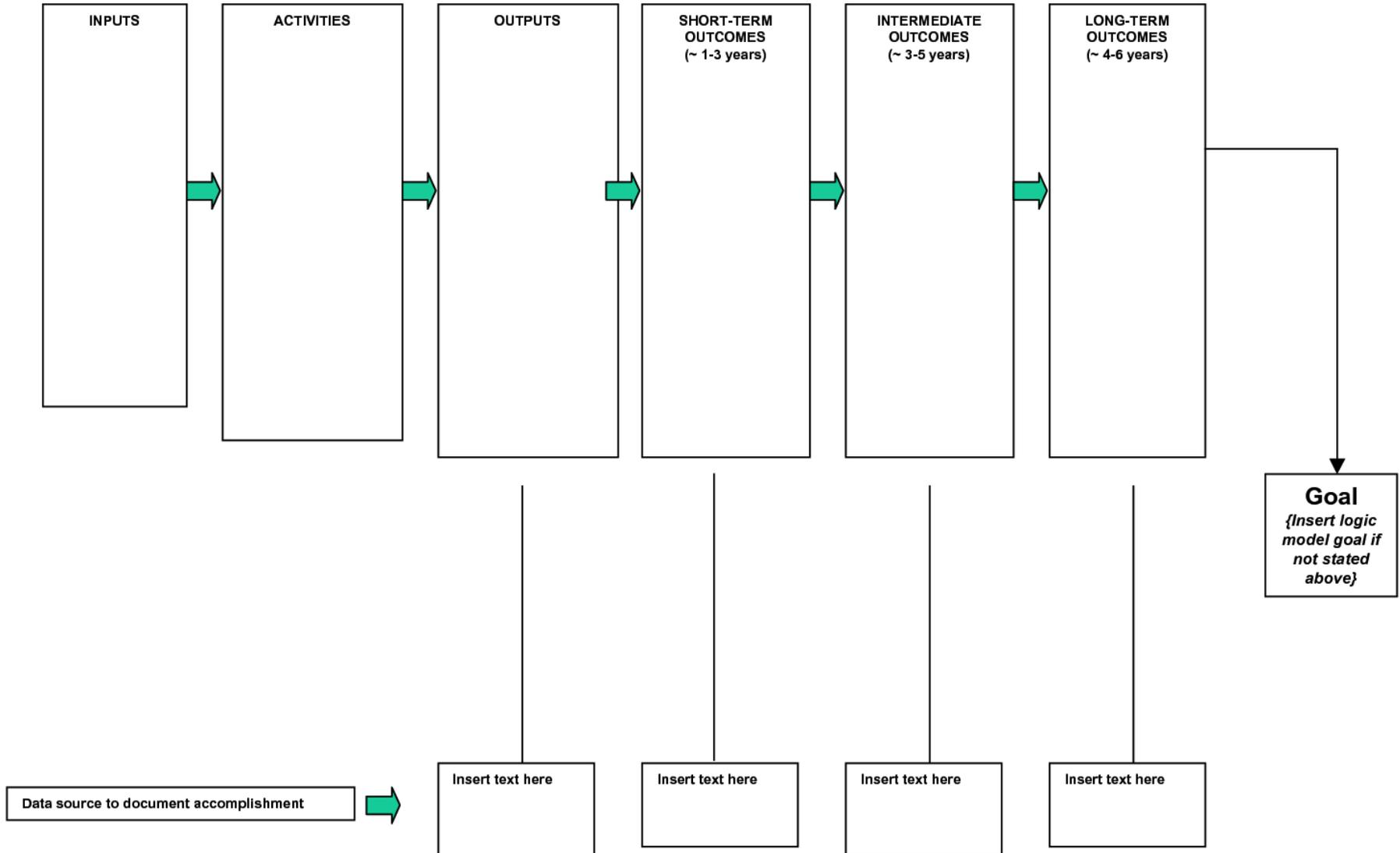
# APPENDIX A: Sample Logic Model

## ASSUMPTIONS UNDERLYING THE WORK

1. How and why do stakeholders expect program activities to lead to the intended outcomes? 2. What beliefs do they hold about this work? Etc.

**{Insert Program name and/or priority for Logic Model}**

*{Insert Program name, goal, or objective from work plan that is reflected in the Logic Model below}*



## APPENDIX B: Tools & Examples for Stakeholder Analyses



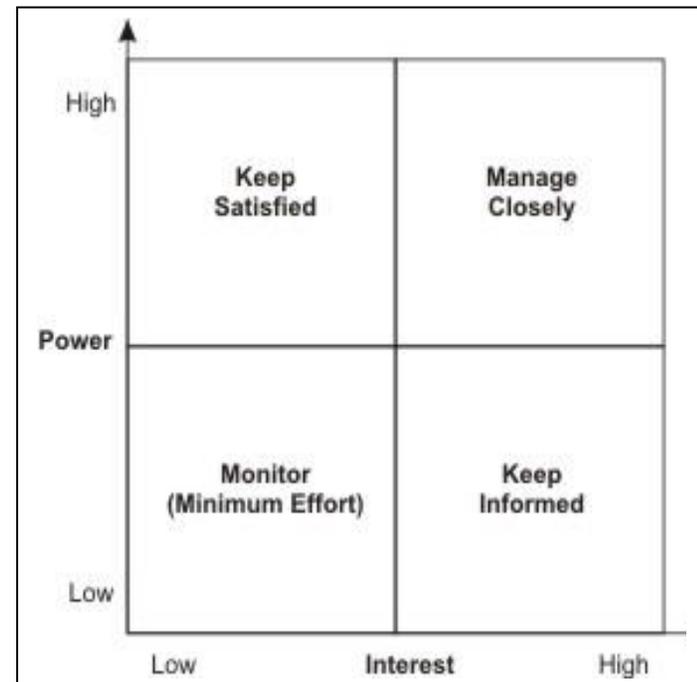
## APPENDIX B: Tools & Examples for Stakeholder Analyses (cont.)

Stakeholder Names and Roles	How Important? (Low – Med – High)	Current Level of Support? (Low – Med – High)	What do you want from stakeholders?	What's important to stakeholders?	How could stakeholders block your efforts?	What is your strategy for enhancing stakeholder support?

Stakeholder Analysis Template

**Power vs. Interest Grid**

Can be used as a piece of a stakeholder analysis as a way to understand where each stakeholder fits in regards to their power over and interest in the outcomes of the organization's work.



# APPENDIX C: Sample Household Survey Questionnaire (UN Statistics)

## *Household Sample Surveys in Developing and Transition Countries*

**Figure III.1: Illustration of questionnaire formatting**

1. Is this dwelling owned by a member of your household?

YES .....1   
 NO .....2 (»12)

2. How did your household obtain this dwelling?

PRIVATIZED .....1  
 PURCHASED FROM A PRIVATE PERSON .....2  
 NEWLY BUILT .....3  
 COOPERATIVE ARRANGEMENT .....4  
 SWAPPED .....5 (»7)  
 INHERITED .....6 (»7)  
 OTHER .....7 (»7)

3. How much did you pay for the unit ?

YES .....1   
 NO .....2 (»7)

5. What is the amount of the installment?

AMOUNT (UNITS OF CURRENCY)   
 TIME UNIT

6. In what year do you expect to make your last instalment payment?

YEAR

7. Do you have legal title to the land or any document that shows ownership?

YES .....1   
 NO .....2

8. Do you have legal title to the dwelling or any document that shows ownership?

YES .....1   
 NO .....2

9. What type of title is it?

FULL LEGAL TITLE, REGISTERED ..1   
 LEGAL TITLE, UNREGISTERED .....2  
 PURCHASE RECEIPT .....3  
 OTHER .....4

10. Which person holds the title or document to this dwelling?

WRITE ID CODE OF THIS PERSON FROM THE ROSTER

1ST ID CODE:   
 2ND ID CODE:

11. Could you sell this dwelling if you wanted to?

YES .....1   
 NO .....2 (»14, NEXT PAGE)

12. If you sold this dwelling today how much would you receive for it?

AMOUNT (UNITS OF CURRENCY)

13. Estimate, please, the amount of money you could receive as rent if you let this dwelling to another person?

AMOUNT (UNITS OF CURRENCY)   
 TIME UNIT

»» QUESTION 28, NEXT PAGE

TIME UNITS:	DAY.....3	MONTH.....6	YEAR..9
	WEEK.....4	QUARTER.....7	
	FORTNIGHT..5	HALF-YEAR...8	

## APPENDIX D: Example Baseline Survey Measures

	Topic	Level of Observation	Description
A-1	Household Identification	Household	Household identifier variables
A-2	Survey Staff Details	Household	Enumerator, Supervisor, Data entry clerk identifiers, Date and time of interview and data entry, and Observation notes by enumerator regarding interview
B	Household Member Roster	Individual	Roster of individuals living in household, Relationship to the household, Gender, Birth Year, Age, Marital status, Spouse Identification, Parental Status
C	Education	Individual	Educational attainment, school characteristics, and expenditures
D	Health	Individual	General health status and Utilization of health services
E	Labor	Individual	Labor market participation during the last seven days, wage work, non-farm enterprise activity, and domestic activities within the home
F	Food Outside the Household	Individual	Tanzanian shilling value of food consumed outside the home during the last seven days
G	Children Living Elsewhere	Children living elsewhere	Children of household members who live elsewhere
H	Governance	Household	Government officials (if known), Information on attendance at local government meetings, Religious affiliation, and Participation in religious activities
I-1	Violence Against Women	Women age 15-50 years	Attitudes about violence against women and types of violence experienced
J	Housing, Water, and Sanitation	Household	Dwelling characteristics, Water source, Sanitation facilities, and Use of fuel and electricity
K	Food Consumption	Household	Quantity and value of food consumed within the household during the last seven days by source.
L	Non-Food Expenditures (in past week and month)	Household	Non-food expenditures during the last (1) week or last (1) month
M	Non-Food Expenditures (in past twelve months)	Household	Non-food expenditures during the past 12 months
N	Household Assets	Household	Property considered assets of the household
O	Assistance and Groups	Household	Government and non-governmental assistance received
P	Credit	Household	Loans or credit received by the household during the last 12 months, Conditions of the transaction, and Intended use
Q	Crime and Justice	Household	Crimes or disputes suffered by the household during the last 12 months, and Associated interactions with the police and justice system
R	Recent Shocks	Household	Economic shocks experienced by the household during the last 5 years
S	Deaths in the Household	Household	Deaths of household members in the last 2 years
T-1	Household Re-contact Information	Household	Re-contact information
T-2	Anthropometry	Individual	Anthropometric information on household members aged over 7 months

**The corresponding household survey questionnaire can be found at:**

[http://siteresources.worldbank.org/INTLSMS/Resources/3358986-1233781970982/5800988-1286190918867/NPS\\_Household\\_Qx\\_English\\_Year\\_2.pdf](http://siteresources.worldbank.org/INTLSMS/Resources/3358986-1233781970982/5800988-1286190918867/NPS_Household_Qx_English_Year_2.pdf)

## APPENDIX E: Background: Cheetah Development

Cheetah Development (Cheetah) is a Minnesota-based organization started in 2009 to create opportunities for economic development in Tanzania through the creation of small businesses. Despite being a young organization, Cheetah has an expansive vision that targets “changing the world by unleashing the potential of entrepreneurs in developing nations.” Cheetah’s mission seeks to make this vision real by “creating economic development for disadvantaged people through strategic, profitable investments in small businesses that are supported by intensive mentoring”<sup>1</sup>. Cheetah has begun to pursue its vision in the rural region of Iringa, Tanzania, where several small- and medium-sized businesses (SMEs) are planned.

Cheetah’s model does not follow that of traditional NGOs as it combines the efficiencies and flexibilities of business with a wider social agenda that prioritizes the eradication of poverty—a model that can be most accurately described as social enterprise. Cheetah mobilizes investors to finance through a new model they call, Micro Venture Capital (MVC). Micro Venture Capital combines the two most prevalent financing schemes in Sub-Saharan Africa, microfinance and venture capital. Currently, countries face a financing environment that only supports are either very large or very small investments, corresponding to venture capital and microenterprise, respectively. In microfinance, loans are typically \$30-300, whereas venture capitalists are often unwilling to invest anything below \$500,000. This wide gap in financing is known as the “missing middle”<sup>2</sup>, and creates a significant challenge for small and medium-sized business that wish to start-up or scale-up, as financing is largely unavailable for them. Cheetah’s investment model combines these two models in order to address the “missing middle”—a gap in business financing that prevents small- and medium-sized businesses from starting or scaling up. In the face of this gap, Cheetah is pioneering the combination of the two models in an effort to unleash the power of SMEs in Tanzania. In addition to investment, Cheetah’s model also works to ensure success and sustainability by including the critical ingredients of capital, technology transfer, and business mentoring to its business models.

Cheetah identifies its perspective of development through business as the Integrated Development Equation (IDEQ). The model pursues a process for economic development in undeveloped regions and seeks sustainable solutions and increases the impact of traditional aid approaches. The model catalyzes the available local resources, such as ideas and expertise, to deliver a comprehensive approach to development. Since a majority of Tanzanians in rural areas work as farmers in subsistence agriculture, Cheetah based its programs in the agriculture sector

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<sup>1</sup> Cheetah Development Business Plan and Pro Forma Financials, pp7  
[http://cheetahdevelopment.org/cheetah/docs/cheetah\\_business\\_plan\\_v160210.pdf](http://cheetahdevelopment.org/cheetah/docs/cheetah_business_plan_v160210.pdf)

<sup>2</sup> Missing Middle: “Developing countries have a large number of microenterprises and some large firms, but far fewer small and medium enterprises. In high-income countries, small and medium enterprises (SMEs) are responsible for over 50% of GDP and over 60% of employment, but in low-income countries they are less than half of that: 30% of employment and 17% of GDP. This SME gap is called the 'missing middle'.”  
<http://www.hks.harvard.edu/centers/cid/programs/entrepreneurial-finance-lab-research-initiative/the-missing-middle>

in order to be most relevant and impact the greatest number of people. Cheetah's focus on agriculture comes not only from concern about feast and famine cycles that occur regularly in the rural areas of Tanzania, but out of their recognition that one of the underlying causes of this cycle is the broken value chain that prevents farmers in Iringa from getting their excess produce to markets. Due to the broken value chain, at present, 40% of the food grown, rots due to the lack of venues for sale and limited food preservation capabilities. This is evidenced by the fact that 40% of the food grown in Tanzania is left to rot and is never consumed.

Cheetah Development operationalizes its vision of Integrated Development through the creation of several linked enterprises that addressing the social and economic needs of citizens in rural villages. The first, Pearl Foods farmers cooperative, is currently the only business running, and is the basis for Cheetah's work. Four additional businesses are currently in planning an development, but build upon the Farmer's Cooperative in key ways. Kabisa, a bicycle factory that will produce industrial-strength bicycles in Iringa to overcome the issue of transportation of crops to and from the marketplace. P<sup>3</sup> Healthcare is a health insurance cooperative for farmers involved in the Pearl Foods cooperative, and seeks to address the voiced concerns of inadequate access to healthcare by farmers. Reservoir Ltd., an at-home produce canning business, focused mainly on women, with the goal of reducing post-harvest loss by increasing food preservation techniques. And finally Jacob's Well is a well maintenance and restoration service created to allow access to water on a continual basis. It is Cheetah's intention to build each enterprise so they are strong enough to expand and franchise around the country, able to positively impact more and more lives.

## APPENDIX F: Useful Resources

**Full IRIS taxonomy file:** (Microsoft Excel document)

<http://iris.thegiin.org/files/iris/downloads/iris-20111130.zip>

**Information on relevant University of Minnesota Graduate Capstone Programs:**

Humphrey, Masters of Public Policy:

<http://www.hhh.umn.edu/degrees/mpp/capstone.html>

Humphrey, Masters of Development Practice:

<http://www.hhh.umn.edu/degrees/mdp/curriculum.html>

Carlson, Masters of Business Administration: <http://www.csom.umn.edu/MBA/index.aspx>

School of Public Health, Masters of Public Health:

<http://www.sph.umn.edu/programs/degrees/>

**Salesforce Software:**

**Data transfer from QuickBooks to Salesforce:**

<http://www.mydbsync.com/content/salesforce-quickbooks-integration-o>

**Software Pricing:**

Small-business edition for up to 5 users (\$15 per month)

<http://www.salesforce.com/smallbusinesscenter/editions/>

**Pulse Software:** Salesforce add-on for tracking social indicators

**Download and information web link:** <http://www.app-x.com/pulse>

**Creating a Best Available Charitable Option (BACO) Chart:**

[http://blog.acumenfund.org/wpcontent/uploads/2007/01/BACO%20Concept%20Paper\\_01.24.07.pdf](http://blog.acumenfund.org/wpcontent/uploads/2007/01/BACO%20Concept%20Paper_01.24.07.pdf)

[http://www.acumenfund.org/uploads/assets/documents/BACO%20Concept%20Paper%20final\\_B1cNOVEM.pdf](http://www.acumenfund.org/uploads/assets/documents/BACO%20Concept%20Paper%20final_B1cNOVEM.pdf)

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