

African Philanthropy

Philanthropy

The philanthropy data gap: measuring what matters

Rigorous evaluations such as randomised controlled trials are worth the cost



Tavneet Suri © Bryce Vickmark



9 HOURS AGO Tavneet Suri

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As philanthropy becomes a common source of finance for poverty-fighting programmes, it is natural for donors to want data about their impact on the people they want to help.

Yet measuring the benefits of philanthropy is surprisingly hard. How can we define and measure “income” in a village of subsistence farmers? Can we ask a street kid enrolled in a violence-prevention programme about his illegal activities? How do we know if a change in nutritional outcomes was the result of a social programme and not some other variable, like a change in food prices? How can we measure non-quantitative or non-monetary outcomes, like women’s empowerment or entrepreneurial motivation?

For many years, aid impact studies were based on anecdotal evidence or fragments of data. Over the past decade, searching for a more rigorous approach, development researchers have applied the “gold standard” of medical research: randomised controlled trials. In an RCT, researchers allocate an intervention, such as a microfinance loan, to a randomly selected test group of people and compare their outcomes with a control group.

Evaluations like these cost time and money, and philanthropists might balk: their mission is to spend their dollars to help people, not to fund surveys and data-crunching. But that ignores the all-important economic principle of “opportunity cost”. Every dollar you spend on a non-effective, or

less effective, programme is a dollar that is not working as hard as it could. This is a common concept in the private sector, where returns on investment are more easily observed. Yet philanthropists and charities often forsake measuring returns. As the scale and diversity of philanthropic efforts increase, such data become more crucial — any misalignment could have severe consequences.

Take microfinance: for years, philanthropists and governments touted microloans as a way of lifting people out of poverty. Tens of billions of dollars poured in annually. But, over time, the work of six independent teams of economists, running separate RCTs of micro-loan programmes in different countries, reached the same disappointing conclusion: while the poor liked and repaid the loans, going into debt did not bring the average borrower out of poverty.

In sub-Saharan Africa, one of the constraints on impact measurements is the historically low level of investment in the research resources and skills needed to collect and analyse large amounts of data.

This is starting to change. Researchers from the Massachusetts Institute of Technology's J-PAL — a network of academics from more than 50 universities — and non-profit group Innovations for Poverty Action have been building the infrastructure for RCTs. Thanks to them, philanthropists can now ask for rigorous impact measurement protocols to be integrated into implementation plans.

The World Bank, and many academics, are also making impact measurement and survey data more freely available. The private sector is also collecting and storing more information on customer use and behaviour. The arrival of “big data” may be around the corner in sub-Saharan Africa.

To date, Africa's private sector has not widely adopted rigorous scientific tools to understand the impact they could have. Although some companies are making great progress in creating products that could have enormous benefits for the poor, many have yet to be assessed.

An example of the potential: with my colleague William Jack, I found that as mobile money spread across Kenya, access to it lifted nearly 200,000 households out of extreme poverty. Safaricom, the pioneer of that mobile money platform, now plans to leverage its data to create new products at its Safaricom Alpha innovation centre.

However, aside from isolated examples, the private sector's internal capacity to innovate, test and study new products in Africa is limited. Philanthropic capital could help resource- or skills-constrained African companies to leverage the benefits of impact measurement tools, to better understand their positive impact on poverty.

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