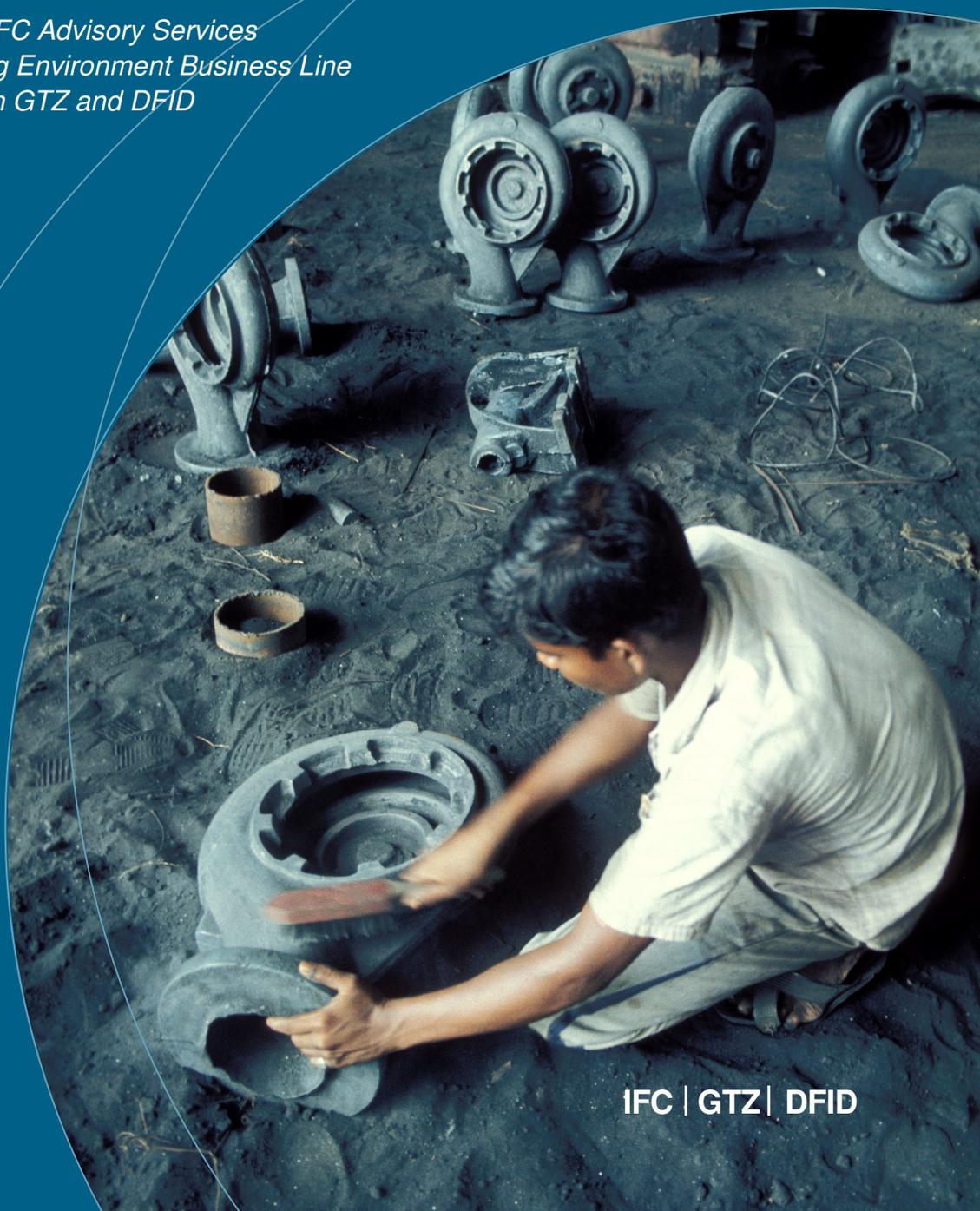


The Monitoring and Evaluation Handbook

For Business Environment Reform

*Prepared by the IFC Advisory Services
Business Enabling Environment Business Line
in association with GTZ and DFID*



Monitoring and Evaluation for Business Environment Reform: A Handbook for Practitioners

Prepared by the IFC Advisory Services BEE Business Line
in association with GTZ and DFID

NOTICE

The findings, interpretations, and conclusions expressed in this work are those of the authors and do not necessarily reflect the views of the World Bank Group, or the governments of the countries which they represent. The information in this work is not intended to serve as legal advice. The World Bank Group, DFID, or GTZ do not guarantee the accuracy of the data included in this work and accepts no responsibility for any consequences of the use of such data.

Rights and Permissions

The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The sponsors of the work encourage dissemination of its work and will normally grant permission promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, USA, telephone 978-750-8400, fax 978-750-4470, www.copyright.com. All other queries on rights and licenses, including subsidiary rights, should be addressed to the World Bank, DFID or the OECD Development Center.

ALL RIGHTS RESERVED

Investment Climate Department
The World Bank Group

Manufactured in the United States of America
First printing, June 2008

Cover photo credit: Thomas Sennett (World Bank Photo Collection)

ACKNOWLEDGEMENTS

The publication of this toolkit was made possible due to the generous support of the Government of the Netherlands under the Partnership program between the Netherlands Ministry for Development Cooperation and the International Finance Corporation.

This handbook is an output of an initiative aimed at building knowledge and capacity for monitoring and evaluation across development agencies on the topic of Business Enabling Environment, which is co-sponsored by the IFC (Investment Climate Department BEE Unit, SME Department M&E Unit), the World Bank (Private and Financial Sector Development Vice-Presidency), DFID, and GTZ.

This handbook was coordinated and edited by Benjamin Herzberg of the World Bank and IFC and was written by a team of experts from the consulting company DAI: Pat Richardson, Karen Langdon, Naomi Humphries. Tony Polatajko, Justin Highstead, Nick Godfrey, Richard Sandall of DFID, Corinna Kuesel, Susanne Hartmann, Antje Pfeiffer of GTZ, Geeta Batra, Jackie Coolidge, Andrei Mikhnev of the IFC composed a steering committee that advised the team and provided valuable comment throughout the composition of this Handbook.

The team conducted many interviews to gain knowledge from IFC, DFID and GTZ and compose the case studies at the end of this Handbook. All participating staff from the three organizations are thanked wholeheartedly for enabling the Handbook to be enriched with their knowledge and experience. Specific case contributors are noted in the case study section.

TABLE OF CONTENTS

Acknowledgements	5
Table of contents	6
Top 10 tips for M&E	8
Acronyms	9
SECTION 1: Introducing M&E for BEE	11
1.1 About this Handbook	11
1.2 The Business Enabling Environment (BEE)	14
1.3 The focus on M&E	20
1.4 The benefits of M&E	22
1.5 Understanding diversity, inclusion & sustainability	25
1.6 The challenges of M&E for BEE	28
1.7 Key terms and concepts in M&E	30
1.8 Key messages	33
SECTION 2: Frameworks and Indicators for M&E	34
2.1 The Logical Framework approach	34
2.2 Results-oriented approaches	38
2.3 Understanding indicators	43
2.4 Selecting indicators and setting targets	44
2.5 Using comparable and core indicators	51
2.6 Key messages	60
SECTION 3: Conducting Baselines and Collecting Data	61
3.1 Establishing baselines	61
3.2 Accessing and using secondary data	73
3.3 Collecting and using primary data	81
3.4 Key messages	84
SECTION 4: Evaluation and Impact Assessment	85
4.1 Planning an evaluation	86
4.2 Evaluation techniques	93
4.3 Assessing impact	111
4.4 Forthcoming developments in M&E for BEE	128
4.5 Key messages	130
SECTION 5: The Project Cycle of M&E	131
5.1 Step 1: Agreeing the starting point	132
5.2. Step 2: Identifying the approach and securing a budget	133
5.3. Step 3: Implementing the M&E Plan	144
5.4. Step 4: Analyze M&E Findings	147
5.5 Step 5: Communicating M&E findings	150
5.6 Key Messages	155

ANNEX 1: Case studies	157
Steps towards better business start-up in Alexandria, Egypt	158
Tracking the Impact of Reforms in Latvia	168
Mapping the Impact of BEE Reforms in Philippines	177
Developing M&E on Alternative Dispute Resolution in the Balkans	185
Measuring the impact of municipal simplification programs in Lima	193
Integrating M&E into an administrative barriers program in Sierra Leone	198
Setting up government-owned systems to track regulatory governance in Uganda	205
Tracking performance of the Business Environment Strengthening for Tanzania (BEST) program	212
Tracking results on competitiveness for specific sectors in Thailand	217
Impact assessment of Public-Private Dialogue initiatives in Cambodia, Lao PDR and Vietnam	225
ANNEX 2: Glossary	234
Annex 2.1. Key Terms	234
Annex 2.2. IFC BEE Core Indicators Definition	237
ANNEX 3: Bibliography	242
ANNEX 4: Technical Annexes	249
Annex 4.1. Conducting an enterprise survey	249
Annex 4.2. Tools for data collection	253
Annex 4.3. Donor approaches to M&E	257
Annex 4.4: Sample TOR for a mid term review	263
Annex 4.5. Quantification techniques	269
Annex 4.6. Sample TOR for applying quantification techniques	278
Annex 4.7: 20 Key questions for evaluation design	285

Top ten tips for M&E

1. Keep it simple and 'fit to project'
2. Monitoring and evaluation is not an add-on at the end - start early and build monitoring and evaluation into the project from the beginning
3. Negotiate between stakeholders to decide what to monitor and evaluate
4. Indicators should be objective, verifiable and clearly understood by all stakeholders
5. Identify a specific data collection for activities, outputs, outcomes and impact
6. Undertake a baseline and, if possible, establish a control group at the start of the intervention
7. Record information in sufficient detail to illustrate accountability and provide for future evaluations
8. Check that results can be directly linked to the intervention and acknowledge where other factors may have an influence
9. The process is only complete once the lessons have been put to use
10. Don't keep it a secret! All stakeholders needs to be kept aware of the results of monitoring and evaluation

Acronyms

ADR	Alternative Dispute Resolution
ARCS	Administrative and Regulatory Cost Surveys
BAA	Before and After Assessments
BDS	Business Development Services
BE	Business Environment
BEE	Business Enabling Environment
BEEP	Business Environment and Enterprise Surveys
BES	Business Environment Snapshot
CIT	Corporate Income Tax
DB	Doing Business
DAC	Development Assistance Committee
DCED	Donor Committee for Enterprise Development
DFID	Department for International Development
EBRD	European Bank for Reconstruction and Development
EU	European Union
FAO	Food and Agriculture Organization
FG	Focus Group
FIAS	Foreign Investment Advisory Service
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
IA	Impact Assessment
ICA	Investment Climate Assessment
IDEA	International Development Evaluation Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IIAA	Integrated Impact Assessment Approach
IMD	Institute for Management Development
LF	Logical Framework or LogFrame
LFA	Logical Framework Approach
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MF	Micro Finance

MSME	Micro, Small and Medium Enterprise
OECD	Organization for Economic Co-operation and Development
OVI	Objectively Verifiable Indicators
PCM	Project/Program Cycle Management
PLM	Project/Program Logic Model
PPD	Public Private Dialogue
PPJ	Post Project/Program Judgement
PSD	Private Sector Development
PSS	Private Sector Savings
RG	Regulatory Governance
SOV	Sources of Verification
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB(G)	World Bank (Group)

Section 1

Introducing M&E for BEE

1.1. About this Handbook

1.2. The Business Enabling Environment

1.3. The focus on M&E

1.4. The benefits of M&E

1.5. Addressing diversity, inclusion and sustainability

1.6. The challenges of M&E for BEE

1.7. Key terms and concepts in M&E

1.8. Key messages

1.1 About this Handbook

What is the Handbook about?

This is a Handbook for **Business Enabling Environment** (BEE) practitioners offering guidance on **Monitoring and Evaluation** (M&E) and within this the task of **Impact Assessment** (IA). It has been developed in consultation with International Finance Corporation (IFC) and the Foreign Investment Advisory Service (FIAS) of the World Bank Group (WB) together with the UK department for international Development (DFID) and Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ).

Development partners are aware of the need to improve the performance of current and future programs through the better planning and implementation of their interventions. There is also increasing pressure on development organisations to demonstrate the impact of their activities by implementing effective means of M&E. While there is a growing interest in M&E, there is often confusion about precisely what M&E entails.

The purpose of this Handbook is to strengthen awareness about M&E, engage interest in M&E, and to clarify what it entails, specifically for BEE practitioners.

To date, attention has been paid to measuring the delivery and performance of BEE programs, for example by monitoring program processes, activities and outputs. However, evaluating the benefits that have arisen as a result of development interventions has been much less robust and to a large extent has relied on assessments of outputs rather than focusing on outcomes and impacts.

Who is the Handbook for?

The Handbook is aimed at BEE practitioners with little experience or knowledge of M&E approaches and practices. It is not intended to make people M&E specialists. The Handbook is a resource for M&E work and an accessible means of sharing current good practice on M&E amongst BEE practitioners. Its messages and guidance are relevant for all BEE practitioners.

What does it include?

This Handbook provides detailed 'how-to' approaches for undertaking M&E including: definitions of basic M&E terminology, indicators, how to integrate M&E into project cycle management, and how to use evaluation techniques. The Handbook draws from both research and case studies to highlight good practice and identify lessons of experience from a range of BEE projects and from a variety of interventions and development partners. Its format is as a user guide with practical tips, checklists and step-by-step instructions based on field experience.

How should I use the Handbook?

The Handbook is not designed to be read from cover to cover, it is a resource guide which can be used for reference as and when needed. For this reason readers will find that key points may appear to be repeated in different sections. The structure includes: case studies, key guidance notes, templates, checklists, links to other toolkits and online documents, and sources of reference.

Structure of the Handbook:

Section 1: Introducing the BEE M&E Handbook

Section 2: Frameworks and Indicators for M&E

Section 3: Conducting Baselines and Collecting Data

Section 4: Evaluation and Impact Assessment

Section 5: The Project Cycle of M&E

Annexes (including Case Studies)

Will there be more information?

It is important to try and generate an on-going dialogue about M&E among BEE practitioners, given that it is an evolving aspect of BEE activity with emerging good practice. The Handbook sets out to be part of this dialogue by identifying and sharing current good practice, preparing realistic benchmarks - between different countries, initiatives and approaches – and mechanisms for measuring effectiveness across BEE interventions and projects. As more BEE interventions and projects emerge, the experiences will further contribute to the building of an evidence base and the development of a community of practice.

Another important role for the Handbook is to signpost readers to the ever growing range of resources that exist to support effective M&E and work on BEE. Annex 3, a bibliography, presents a compendium of key additional on-line and hard copy resources.

1.2 The Business Enabling Environment (BEE)

What is the BE and BEE?

The Business Environment (BE) consists of a complex interplay of policies, laws and regulations that affect business development in a given place and the institutions responsible for their enactment at the international, national, regional and municipal level. A widely-used definition of the BE is that agreed by The Donor Committee for Enterprise Development (DCED) in 2008¹:

“The Donor Committee for Enterprise Development defines the business environment as a complex of policy, legal, institutional, and regulatory conditions that govern business activities. It is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate (e.g., government agencies, regulatory authorities, and business membership organisations including businesswomen associations, civil society organisations, trade unions, etc.)”.

www.enterprise-development.net

The aim of all BE programs is to help create a more effective environment for investment and business development, to create what is frequently termed a Business Enabling Environment or ‘BEE’. Interventions typically focus on improving the regulatory regime that constitutes the BEE, and how it operates.

BEE interventions are intended to:

- **Support a more stable operating environment** - creating a market-oriented economy where the private sector (whether as small or large firms) can operate efficiently and effectively without unnecessary hindrance.
- **Influence policy and legal reforms** – to reduce the direct and opportunity cost of doing business without removing protections necessary for human health and safety of the environment.

¹ DCED is a forum of the main funding and inter-governmental agencies working for sustainable poverty alleviation through development of "the private sector". Established in 1979 it was known as the "Committee of Donor Agencies for Small Enterprise Development until 2005. www.enterprise-development.org (also .net)

- **Strengthen institutions** - to ensure that reforms in the BE are properly designed, implemented and enforced in a transparent and equitable manner.

What is a typical BEE intervention?

Reforming the BE is characterized by an increasing and evolving set of interventions. They are distinct from, but often complementary to other private sector development (PSD) interventions that primarily support, for example, the direct delivery of Micro Finance (MF) or Business Development Services (BDS).

Many models of program implementation and delivery include stand-alone activities that focus on one specific aspect of the BE; others are part of large programs with multi-components focusing on a suite of interventions which may incorporate other aspects of PSD. This Handbook makes reference to a breadth of BEE practice but focuses on some interventions in more detail.

Some BEE interventions are closely linked to the World Bank Doing Business (DB) indicators and are viewed as 'regulatory-based'. For example: business entry simplification, business licensing and operations reform. Import-export and sector (or industry) specific interventions are also regulatory-based but are typically implemented as part of larger PSD interventions to improve trade facilitation and value chains for specific sectors. The goal of business regulatory reforms is typically to reduce the burden of regulatory compliance for businesses (often coined as the 'obstacles to doing business' and the associated compliance cost) while government safeguards for human health, safety, the environment, competition policy and other aspects of social welfare. The benefits which may accrue from this include increased investment, productivity and employment as well as reduced corruption.

These regulatory-based interventions often have a defined measurable goal and objective and may involve elements of legislative change, administrative and procedural review. Another area of reform, Alternative Dispute Resolution, centers on reforming the legal framework but in a different way from other regulatory based interventions. This reform focuses on the introduction of institutions and processes for alternative means of commercial mediation.

Regulatory reforms and regulatory simplification can be implemented at national level (Box 1.1), or the sub-national or local level (Box 1.2) where the reform entities could be states, provinces, regional governments, municipalities or cities.

Box 1.1: Comprehensive business regulatory reforms in Sierra Leone

In Sierra Leone, FIAS and DFID have been working with the Ministry of Trade and Industry on the Administrative Barrier to Investment Program. The reforms center on the processes, procedures and regulations for starting-up, locating and operating a business.

> See the full case study on Sierra Leone in Annex 1

Box 1.2: Sub-national business registration reforms in Egypt

In Egypt, the Business Start-Up Simplification Project is implemented at sub-national level with the Governorate of Alexandria where it addresses both governorate and national level regulations and practices. This pilot project aims to create simpler, cheaper and more transparent start-up processes for investors and lessons learnt from the pilot will then be rolled out to other governorates .

> See the full case study on Egypt in Annex 1

Regulatory reforms can also be implemented at sectoral level, which the IFC classifies as *industry policy reform projects* (Box 1.3) and GTZ refers to as sub sector programs within their investment climate work. These projects focus on improving the policy framework in terms of laws, regulations, fiscal arrangement and administrative processes for particular industries. The objective of these projects is to strengthen the export and growth potential of key industries and improve policies to encourage new and existing entrepreneurs to access and exploit investment opportunities.

Box 1.3: Industry reform projects in Egypt and the Yemen

IFC is currently working on industry policy reform projects focusing on the mining industry in Egypt and Yemen. The current policy frameworks in both countries are outdated and do not present an attractive package for potential investors. Consequently, there are barely any investments in both countries, despite significant geographical potential.

The IFC is working with respective Chambers of Commerce, Ministries and Mining Authorities to revise the mining code, implement regulations, re-design the fiscal regime, and to map and simplify administrative procedures. Once this has taken place, a promotional conference will be held to publicize the new frameworks and attract new investors.

Source: F. Sader, IFC PEP-MENA

Regulatory reforms can also focus on particular types of business transactions such as cross-border trade logistics (Box 1.4) and tax administration (Box 1.5).

Box 1.4: What is trade logistics?

Trade logistics reform typically focuses on improving the efficiency and effectiveness of logistics services and systems that affect imports and exports. The purpose of the reforms is to reduce transaction costs and enhance competitiveness. Customs is the pivotal agency through which reforms are focused. However, trade logistics reform also includes the participation of other public and private stakeholders involved in international trade transactions.

A trade logistics reform intervention may focus on import clearances, including: cargo/goods declarations, temporary storage, physical inspections, collection or duty/tax and the release and delivery of good. On the export side, interventions may focus on exemptions, drawbacks, bonded warehouses, free zones and transit control.

Source: Uma Subramanian and Natalia Cubillos, IFC

Box 1.5: What are tax administration reforms?

Tax administration reforms are designed to improve the BEE by reducing the time and financial cost of complying with tax. Targeted solution design and implementation in different areas of the tax system is designed to streamline and increase accessibility, which is intended to improve the levels of investment, formalization and tax compliance. These reforms are typically implemented when firms, and especially SMEs, are deterred from formalizing by excessive tax compliance costs and risks.

Lower tax compliance costs for businesses may be achieved through a number of reform interventions including: consolidation of tax payments, streamlining reporting requirements, reducing delays in refunds, improving the targeting of inspections; adjusting sanctions; and provision of better information on tax procedures. Reforms may also include the introduction of higher mandatory VAT thresholds in order to encourage voluntary VAT registration.

Source: Richard Stern, Product Fact Sheet on Business Taxation and Jackie Coolidge, IFC

While regulatory-based interventions have been the dominant in the field of BE reform and hence M&E practice, other aspects of BEE reform are leading to the development of new M&E experiences, practices and tools. Both Alternative Dispute Resolution (ADR) and Public Private Dialogue (PPD) have well developed M&E processes, tools and templates.

Box 1.6: What is ADR?

ADR is a type of commercial mediation and conciliation which is introduced as an alternative to the court system. Commercial arbitration and mediation can reduce court backlogs, and provide faster and less costly means of dispute resolution.

ADR reforms aim to improve access to justice for local businesses, encourage the maintenance of business relationships between those in dispute and release disputed funds back into the economy.- especially to MSMEs. Reforms typically focus on defining a legal framework for ADR, establishing a network of mediation centers, training expert mediators and educating the private sector on the benefits of mediation.

The overall goal of ADR programs is to create a better business climate, primarily through the reduction in the costs of doing business and increasing the level of funds released from resolving economic disputes between companies. A secondary benefit may be the enabling of greater confidence and efficiency in the judiciary system and the reduction of backlogs in the courts.

Box 1.7: What is PPD?

The introduction and promotion of PPD and policy advocacy mechanisms complements other areas of BEE reform and investment climate reform more widely. PPD supports champions for reform thus creating momentum and accelerating the reform process. Creating forums for dialogue and policy advocacy is an active way of generating consensus via the private sector or civil society, or to generate pressure. It may be implemented at national or sub-national level, and can be generic or be sector-specific.

PPD comes in many forms. It can be structured or ad hoc, formal or informal, wide-ranging or focused on specific issues. Key issues concern: who participates, under what structure, identifying the right champions, and engaging the right facilitator. Typically, donor interventions in PPD act as the broker role.

While PPD has a range of potential impacts, it will not achieve anything on its own. It works by facilitating, accelerating or cementing other ongoing BEE initiatives which need stakeholder pressure in order for them to be successful. M&E for PPD is important to monitor the development and success of the process tools developed for advocacy. It also provides stakeholders with the ability to monitor internal processes, encourages transparency and accountability.

In addition to targeting specific types of regulations and business practices, there is also growing recognition of the importance of regulatory governance. Experience has demonstrated that initial quick wins achieved from discrete reforms to specific regulations can quickly be undermined by a continuing flow of poor regulation from an unchanged system. The notion of reforming regulatory governance is thus emerging as an important field of practice in BEE which focuses on the systemic processes that define the development of the policy environment which in turn defines the legal and regulatory framework for business. Currently there is limited experience with systematically evaluating regulatory quality in developing countries. However, the concept of regulatory governance is well established within the OECD where solutions have included staged repeals of outdated regulations, institutionalization of Regulatory Impact Assessment (RIA) and the establishment of Regulatory Reform Units as institutional drivers of reform within government. The OECD has produced a body of work on indicators of regulatory quality². FIAS, DFID and the Dutch Ministry for Foreign Affairs formed a Program entitled Better Regulation for Growth in 2007 to explore this area and its relevance for developing economies. They have stated that while conceptually relevant, there is a need for a cautious and context-driven implementation of the OECD-led agenda and indicators for regulatory reform for developing economies³.

² See for example: Sigma (2007): *Regulatory Management Capacities of Member States of the European Union that Joined the Union on 1 May 2004*. Sigma Paper No 42

See also: Radaelli, C & De Francesco, F (2007): *Regulatory quality in Europe: Concepts, Measures and Policy Processes*

³ DFID, FIAS, Dutch Ministry of Foreign Affairs (2007) *Better Regulation for Growth*, flier

Best practice guidance for practitioners on how to design and deliver BEE interventions is available through a range of publications and websites⁴. The IFC has a set of Toolkits* focusing on good practice for implementation⁵, and some advice on M&E issues. This Handbook focuses on the M&E aspects of these interventions and in doing so complements these implementation guides.

IFC Business Reform Toolkits:

- Reforming Business Registration Regulatory Procedures at the National Level
- Business Licensing Reform: A Toolkit for Development Practitioners
- Good Practices for Business Inspections
- Simplification of business regulations at the sub-national level
- Reforming the Regulatory Procedures for Import and Export: Guide for Practitioners
- Alternative Dispute Resolution Manual: Implementing Commercial Mediation
- The Public Private Dialogue Handbook: a Toolkit for Business Environment Reformers; www.publicprivatedialogue.org

Other resources:

- FIAS (2005): A manual for the identification and removal of administrative barriers to investment
- IFC (2005): Tax Administration and Small and Medium Enterprises (SMEs) in Developing Countries

⁴ See Annex 3 - Bibliography

⁵ www.ifc./ifcext/sme.nfs/content/BEE+toolkits

1.3 The focus on M&E

Who is driving the agenda on M&E?

Development partners are increasingly looking at the impact of aid and aid effectiveness, often referred to as Impact Assessment. This has been articulated in the Paris Declaration which made explicit commitment to increasing the impact of aid through the Millennium Development Goals (MDGs)⁶.

In 2002, at the International Conference on Financing for Development in Monterrey, development partners agreed to focus on *managing for development results*⁷, an approach that advocates a stronger orientation of monitoring systems towards **development results**. This approach shifts the emphasis towards identifying what changes, especially benefits have been achieved directly or indirectly by development interventions, as well as measuring what has been done. Ongoing review, assessment and learning is prioritised equally with end of project evaluation. For this to happen it is important that M&E issues are addressed from the project inception and that good M&E systems are incorporated at all levels of reporting and are closely linked to Project Cycle Management (PCM) practices.

A commitment to managing for development results has caused bilateral, multilateral and national organizations to review how the practice of M&E can achieve greater consistency, comparability and aid effectiveness. Some development partners, such as GTZ, have revised their M&E terminology and frames referring to 'results oriented M&E' to encourage a focus on results at all stages of an intervention. The implication of this shift is explored further in sections 2 & 4.

What is the purpose of M&E?

M&E provides government officials, development managers, the private sector and civil society with better means for learning from past experience, improving service delivery, planning and allocating resources and demonstrating results as part of accountability to

⁶ for a complete listing of goals, targets and indicators for MDGs see:

<http://www.un.org/millenniumgoals/index.html>

⁷ <http://www.mfdr.org/index.html>

key stakeholders. Although evaluation is distinguished from monitoring, they are in fact interdependent (see table 1.1). *Monitoring* presents what has been delivered and *evaluation* answers the question “what has happened as a result of the intervention?”

Impact evaluation is a particular aspect of evaluation, focusing on the ultimate benefits of an intervention.

Table 1.1: What are Monitoring and Evaluation and Impact Evaluation?

<p>Monitoring</p> <p>Regular systematic collection and analysis of information to track the progress of program implementation against pre-set targets and objectives.</p> <p><i>Did we deliver?</i></p>	<ul style="list-style-type: none"> ▪ Clarifies program objectives ▪ Links activities and their resources to objectives ▪ Translates objectives into performance indicators and sets targets ▪ Routinely collects data on these indicators, compares actual results with targets ▪ Reports progress to managers and alerts them to problems
<p>Evaluation</p> <p>Objective assessment of an ongoing or recently completed project, program or policy, its design, implementation and results.</p> <p><i>What has happened as a result?</i></p>	<ul style="list-style-type: none"> ▪ Analyzes why intended results were or were not achieved ▪ Assesses specific casual contributions of activities to results ▪ Examines implementation process ▪ Explores unintended results ▪ Provides lessons, highlights significant accomplishments or program potential and offers recommendations for improvement
<p>Impact assessment</p> <p>Assesses what has happened as a result of the intervention and what may have happened without it - from a future point in time.</p> <p><i>Have we made a different and achieved our goal?</i></p>	<ul style="list-style-type: none"> ▪ Seeks to capture and isolate the outcomes that are attributable (or caused by) the program ▪ Will review all fore-going M&E activities, processes, reports and analysis ▪ Provides an in-depth understanding of the various causal relationships and the mechanisms through which they operate ▪ May seek to synthesize, compare, contrast a range of interventions in a region, timeframe, sector or reform area

Monitoring gives information on where a policy, program or project is at any given time (or over time) relative to respective targets and outcomes. Monitoring focuses in particular on efficiency, and the use of resources.

While monitoring provides records of activities and results, and signals problems to be remedied along the way, it is descriptive and may not be able to explain why a particular problem has arisen, or why a particular outcome has occurred or failed to occur.

Evaluation deals with questions of cause and effect. It is assessing or estimating the value, worth or impact of an intervention and is typically done on a periodic basis – perhaps annually or at the end of a phase of a project or program.

Evaluation looks at the relevance, effectiveness, efficiency and sustainability of an intervention⁸. It will provide evidence of why targets and outcomes are or are not being achieved and addresses issues of causality.

Impact Assessment is an aspect of evaluation that focuses on ultimate benefits. It sets out to assess what has happened as a result of the intervention and what may have happened without it. Where possible impact assessment tries to differentiate between changes that can be attributed to the program from other external factors that may have contributed as well as examining unintended changes alongside those intended.

1.4 The benefits of M&E

Why should we undertake M&E?

Monitoring and evaluating program performance enables the improved management of the outputs and outcomes while encouraging the allocation of effort and resources in the direction where it will have the greatest impact. M&E can play a crucial role in keeping projects on track, create the basis for reassessing priorities and create an evidence base for current and future projects through the systematic collection and analysis of information on the implementation of a project.

Until recently, M&E has primarily met donor needs for **proving** or **legitimizing** the purpose of the program by demonstrating the effective use of resources. The **LEGITIMIZATION** function demonstrates whether reforms are having the desired effect in order to be accountable to clients, beneficiaries, development partners and taxpayers for the use of resources (see table 1.2).

⁸ DAC Principles for Evaluation of Development Assistance can be found at www.oecd.org/dac/evaluation. A fact sheet is available at <http://www.oecd.org/dataoecd/15/21/39119068.pdf>

Table 1.2: M&E as a legitimization function - PROVING

Are we achieving the desired benefits for the right target groups?	Are we achieving these benefits as efficiently and effectively as we can?
--	---

From an impact perspective, it is often necessary to ‘prove impact’ in order to make resource allocation decisions and to ensure the most effective use of limited resources towards the goal of increasing prosperity in the developing world. Consequently, there is a need for rigor in the means of assessing results that can help reveal causality i.e., have programs resulted in sustainable gains in welfare? Have they reinforced the development of efficient and transparent markets? Have they increased economic growth and reduced poverty? Answering these questions is extremely challenging, especially for BEE interventions which are open to the influence of a wide range of factors. However efforts are being made to adopt more rigorous practices including the use of systematic, quantitative approaches and analysis.

There is a growing awareness of the need for practitioners to conduct their own evaluation activities in order to increase understanding of development results, which in turn lead to increased **learning** and **improving** within their organization. This **LEARNING** function enhances organizational and development learning to increase the understanding of why particular interventions have been more or less successful. Additionally, this understanding informs decision making and potentially improves performance (see table 1.3).

Table 1.3: M&E as a learning function - IMPROVING

Are we doing things right?	Are we doing the right things?
Could we do things better?	Could we do better things?

In addition to the benefits gained from undertaking M&E, there are other benefits to be derived from the way in which M&E activities are undertaken. For many BEE interventions there is a strong emphasis on engaging local stakeholders and particular government institutions in order to help build local ownership of and assist the long term sustainability of reforms. Using a strong participatory approach to M&E, with the active engagement of government officials, helps to build, strengthen and embed local M&E capability and oversight processes. This helps to build a credible ongoing evaluation

capacity in country. This participative dimension and benefit of M&E is viewed as particularly important by DFID in their BEE interventions.

1.5 Understanding diversity, inclusion & sustainability

How does BEE relate to poverty reduction and the MDGs?

The Millennium Development Goals emphasize that ultimate focus for development interventions is on addressing the issues of poverty and sustainable development. The latter having an environmental dimension as well as looking at the probability of economic and social benefits continuing beyond the intervention. The MDGs also suggest that the key cross-cutting themes for all development interventions should be *diversity, inclusion and sustainability*.

In monitoring, evaluating and assessing the impact of any BEE, there is a need to recognize that the BE does not present a 'level playing field' for all enterprises and entrepreneurs, likewise it is probable that not all will benefit equitably as a result of reforms in the BE. There will be winners and losers. In any M&E approach and system there is a need to ensure that checks are put in place and an explicit examination is made of whether the results or benefits for specific groups or stakeholders take cognizance of the themes of equity and sustainability. It should be possible to assess who are the likely 'losers' and 'winners' as a result of any BEE intervention.

What are the relevant elements of diversity?

BEE reforms are directed towards improving the BE for PSD and investment. However there are a multitude of different stakeholders who make up or who are involved in the organizations and practices of the BE (legal, political, private, financial), together with the businesses that operate within this environment (international, large, micro, informal). It cannot be assumed that all stakeholders perceive and experience the BE in the same way: there are *diverse* experiences and perceptions. Some stakeholders will benefit from reforms and others will lose out. For example, in all societies 'gender' is a universal dimension of diversity, it is also very often a dimension of disadvantage⁹. So, women

⁹ An example of an evaluation of gender equality in DFIDs development assistance can be found at www.dfid.gov.uk/aboutdfid/performance/files/wp10.pdf. This document specifically addresses issues for BEE interventions

business owners will not necessarily benefit from BEE interventions in the same way or to the same extent as their male colleagues, because of the experiences and circumstances of business ownership and operation associated with their gender.

In evaluating whether reforms have changed conditions for the better, it will usually be necessary to utilize specific approaches and tools to capture the experiences of different groups so that a more complete picture of the results, the benefits and the success of the intervention can be produced.

Typical dimensions of diversity to be considered are given in Box 1.8.

Box 1.8 : Dimensions of Diversity

Recognition and consideration of diversity issues means explicitly considering:

- Businesses operating in different **sectors**
- Those based in different **locations** (notably rural versus urban versus capital city, but not exclusively)
- Business owners of different **gender, ethnicity, age, religion and or socio economic background**
- Those running **different sized businesses** ranging from micro to large

The experiences of those in the **informal** sector even if they are not a direct target of the reforms

What are the relevant elements of inclusion?

Not all businesses and business owners experience the BE and doing business in the same way. Some find it more 'disabling' or 'enabling' than others by virtue of socio-economic characteristics, what type or scale business they run or where they operate. Not all groups stand equally in having their voices and needs heard in the design, implementation and assessment of BEE reforms. They are not equally included in the reform process. Good project and evaluation design and implementation should explicitly recognize and reflect this variation in access to knowledge surrounding BEE interventions, especially where there is an absence of or limited representation of certain groups.

A number of questions can be asked (see Box 1.9) to help ensure that the M&E approach takes into account issues of inclusion and that the M&E process is itself as inclusive as possible.

Box 1.9: Ensuring inclusion

Recognition of inclusion means explicitly considering:

- **What** is being evaluated and **who** are all the stakeholders for this?
- **Who should be included** in the evaluation?
- **Who has been excluded** from the evaluation?
- **How** is the evaluation to be undertaken – does this exclude anyone?
- What **tools and techniques** are used to collect data – i.e. when, where and who does the data collection. Do these exclude or at least not encourage the inclusion of any groups?

What are the relevant elements of sustainability?

Evaluations should consider the extent to which reforms involve changes that are sustainable (environmentally, socio-economically and institutionally) and that the benefits derived from changes in the BEE are also sustainable beyond the lifecycle of the program.

A number of questions can be asked (see Box 1.10) to help ensure that the M&E approach takes into account issues of sustainability and that the M&E process is itself as sustainable as possible.

Box 1.10: Building sustainability

Recognizing the importance of developing sustainable reforms means explicitly considering:

- What will happen after the intervention has been implemented?
- What mechanisms are in place to help ensure that reforms will be actioned and/or continued after the program has finished?
- Who is the local champion for these reforms?
- The likely effect on the physical environment?
- The likely effect on socio-economic conditions?
- Is there local capability for and interest in the ongoing M&E of the reforms?

As noted earlier participative approaches to program design, implementation and evaluation are part of a development approach that aims to build longer term sustainability into its interventions.

1.6 The challenges of M&E for BEE

There are many misconceptions and myths surrounding M&E namely: it's difficult, it's expensive, it requires high level skills, it is time and resource intensive, it only comes at the end of a project and it is someone else's responsibility. There is often a sense of frustration because expectations of M&E activities appear to outstrip resources and skill sets. This might relate to the context within which M&E is designed, who is responsible for designing the processes and who is responsible for the analysis.

What makes the evaluation of BEE interventions difficult?

Certainly, evaluating BEE programs is complex, not least because:

- *It is not always easy from the outset to be clear about what constitutes 'success.'* For example, the reduction in the absolute number of regulatory procedures may be less relevant than reductions in costs and processing times or the number of steps for each regulation or compliance procedure. Similarly, while 'time' taken to comply may fall due to a reform intervention, it is still feasible that 'cost' may increase. This raises questions over how to value, compare and balance the outcomes of interventions. It will depend on the context of the reform.
- *The impacts often emerge long after the intervention is completed, and are often several degrees removed from the 'inputs' of a program or intervention.* Most assessments and evaluations are conducted at best within six months of the end of a program, which may in itself only be of a few years duration - that is often insufficient time to embed changed attitudes and roles within institutions.
- *Business environments can be affected, positively or negatively, by a host of external factors beyond the influence of BEE projects,* such as changing world prices of input factors, trade reform, health problems in the labour force, fiscal and monetary policy etc.
- Interventions not typically labelled BEE, such as education improvements, civil service reform, service delivery improvement, and political reform, can all

contribute to increased economic development, and the impact of these reforms is hard to distinguish from typical BEE interventions.

- The ‘burden’ of business regulations and regulatory compliance will differ according to the size of the business, location of the business, and also the sector/activity of the business. These present complex issues for sample determination and size, ensuring accuracy and also the aggregation of findings
- While measures of business regulation are captured effectively in the World Bank Doing Business indicators, it should be noted that these may not in fact be the primary consideration of government/private sector stakeholders or the focus of reform efforts (see Section 3). For example, reforms may be aimed at unincorporated businesses which are not captured in the DB rankings. Care must be taken to ensure that indicators accurately capture the area of reform

Table 1.4: The Challenges of M&E for BEE

Contextual challenges	
Complexity	<p>For example:</p> <ul style="list-style-type: none"> ▪ Different stakeholders and development partners have different requirements ▪ Requirements change during the life cycle of a program ▪ Different donor reporting requirements
Data availability	<ul style="list-style-type: none"> ▪ Baselines not conducted ▪ Limited availability of local, especially current, data ▪ Limited disaggregation of data ▪ Lack of sample frames
Attitudes and Commitment	<ul style="list-style-type: none"> ▪ Where there are multiple stakeholders it is difficult to engage collective commitment ▪ Stakeholders may be suspicious about how and why information will be used, especially if progress is slow or limited

Diversity and Inclusion	<ul style="list-style-type: none"> ▪ Recognising issues of diversity and inclusion explicitly
Design and Analysis challenges	
Counterfactuals	<ul style="list-style-type: none"> ▪ How to measure what the outcome would have been if the reform measure had not been implemented.
Causality and attribution	<ul style="list-style-type: none"> ▪ How to account for complex impact relationships between program activities, outputs and use of outputs by partner organizations and eventually their impact on enterprises. ▪ How to isolate individual reform measures in embedded programs or multi-donor settings ▪ How to isolate the effect of 'BEE' interventions from other PSD reforms and also external factors
Timeframes	<ul style="list-style-type: none"> ▪ Time lags and long gestation periods between activities, outputs and outcomes
Diversity and inclusion	<ul style="list-style-type: none"> ▪ Capturing issues of diversity ▪ Recognising inclusion issues for specific BEE interventions ▪ Ensuring inclusion in the evaluation process
Practical challenges	
Cost	<ul style="list-style-type: none"> ▪ Finding funds to undertake robust M&E throughout the program and not just at the end ▪ Ensuring the M&E budget is in proportion to the scale of the intervention
Skills and abilities	<ul style="list-style-type: none"> ▪ Coping with a low level of local/internal evaluation skills and experience ▪ Utilising an appropriate mix of local and external resources ▪ Building local capability and capacity for ongoing evaluation activities and oversight

How can these challenges be addressed?

While there are challenges for designing and undertaking M&E for BEE there are also proven strategies and tactics that can mitigate these challenges and point ways of overcoming anticipated challenges. Certainly for BEE programs the scope, scale and

timeframes of the interventions are complex, as are the sets of stakeholders and processes involved. Therefore as a general rule:

- Firstly, it is important to define realistic expectations for assessments of BEE interventions and recognize that learning will come from innovation and practice rather than thinking and theorizing alone.
- Secondly, that not 'one size fits all' and selection of the most appropriate approach, methodology, techniques and tools is required.
- Thirdly, recognize that discussions about progress towards goals and debates about what are appropriate indicators can be an instructive part of the planning process.

To that end, an important principle is to ensure that an M&E is considered alongside program design and assessment and that an M&E system and plan is put in place which clearly articulates how evaluation will occur throughout the project management cycle. This Handbook offers strategies and tactics for practical implementation of effective M&E activities that help address the challenges.

1.7 Key terms and concepts in M&E

What are the key terms for M&E?

When discussing the actual practice of M&E there is a number of widely recognized concepts and terms. These terms have precise meanings and yet are often used in everyday language in a much looser way. Terminology and definitions are open to variation and debate and can vary in their specific use from one development organization to another.

Table 1.5 provides some key terms and the generally accepted definitions. It is how the terms will be used throughout the Handbook. These, combined with the additional information in the Annexes should provide a good working knowledge of current practice for M&E in BEE reform.

Table 1.5: Key M&E Terminology

<p>Inputs</p>	<p>The resources that will be used including people, money, expertise, technology and information to deliver the activities/tasks of the project/program. It is usual to monitor the inputs and activities providing information for analysis and ultimately data for an evaluation.</p>
<p>Activities or tasks</p>	<p>The actions taken or the work performed as part of an intervention. For example, the provision of technical advice, training sessions, facilitation of meetings or events etc Activities utilize inputs, such as funds, technical assistance and other types of resources to produce specific outputs. Essentially activities or tasks are what the project will ‘do’.</p>
<p>Outputs</p>	<p>These are the immediate results derived from the activities of the project. These outputs might be directly experienced by those being targeted by the intervention e.g. training advice or indirectly through outputs like reports, mapping of a situation etc.</p>
<p>Outcomes</p>	<p>These are the short-term and medium-term results of an intervention’s outputs, usually requiring the collective effort of partners. Outcomes represent changes in conditions that occur between the completion of outputs and the achievement of impact. Reductions in the number of procedures or cost of registering a business are outcomes from a business simplification project. It is usual to evaluate outcomes providing information for analysis and ultimately data for impact assessment</p>
<p>Impacts</p>	<p>Positive and negative, long-term results/benefits for identifiable population groups produced by an intervention, directly or indirectly, intended or unintended. In the case of BEE interventions, impact would include changes such as such as higher productivity, greater income</p>

	and investment levels, and economic growth.
Impact Assessment ¹⁰	<p>Seek to capture impacts that have occurred and ideally to differentiate those changes that are attributable to the project/intervention from other external factors.</p> <p>It can take place throughout the project program but usually towards or after the end of a project/program and is undertaken by those not involved in the project implementation.</p>
Baselines	<p>A set of factors or indicators used to describe the situation prior to a development intervention and act as a reference point against which progress can be assessed or comparisons made. These are sometimes referred to as benchmarks.</p>
Indicators or performance indicators or key performance indicators (KPIs)	<p>A quantitative and/or qualitative variable that allows the measurement and verification of changes produced by a development intervention relative to what was planned.</p> <p>A typical outcome indicator for business simplification is the 'change in the number of procedures needed to register a business'.</p>
Targets	<p>Indicators are a means by which change will be measured; targets are definite ends or amounts which will be measured.</p> <p>A target is an explicit statement of the desired and measurable results expected for an indicator at a specified point in time. Targets should be expressed in terms of quantity, quality and time</p>
Milestones	<p>Significant points in the lifetime of a project. A particular point in the project by which specified progress should have been made.</p>

¹⁰ The distinction between evaluation and impact assessment reflects the distinction some development partners and other guides make. For some, impact assessment is integral to M&E, for others it is a distinct element. The use of *results* as a key term is becoming more prevalent. . This is discussed further in other sections.

1.8 Key messages

Building and sustaining an M&E system is not easy – it requires commitment, time, continuous effort, resources and ideally a champion to promote and prioritize the importance of M&E. But it is possible and there is evidence from current practice that efficient and effective M&E can be undertaken for BEE interventions.

- BEE interventions are focused on influencing policy, legislation, regulations and the enactment by institutions
- There are a number of key terms to understand and be able to use for M&E work. Familiarization with the concepts, the strengths and weaknesses takes time, but is a worthwhile investment.
- More rigorous approaches to designing M&E are required in order to know if the commitment to the MDG's is being achieved,
- M&E are distinct yet interdependent entities that tell us if we are on the right track, doing the right things, for the right groups of people in the best way possible.
- Once an M&E system is in place the challenge is to sustain it. In this respect M&E systems are a continuous work in progress
- There are challenges to designing and implementing effective M&E but current practice provides strategies and tactics for addressing those challenges. The following sections, case studies, annexes and suggestions for further reading will offer a range of ideas, tried and tested frameworks, theories and experiences to draw on.

Section 2

Frameworks and Indicators for M&E

2.1. The Logical Framework approach

2.2. Results-oriented approaches

2.3. Understanding indicators

2.4. Selecting indicators and setting targets

2.5. Using core and comparable indicators

2.6. Key messages

Successful projects are usually well designed, focused on their purpose with clearly articulated aims, objectives and actions. The same is true for the successful assessment of programs and projects. It is important to have a clear framework and plan of action for M&E activities that is incorporated into the overall project plans. This section looks at how M&E can be effectively integrated M&E into project planning through the use of tried and tested approaches and the development of key indicators.

2.1 The Logical Framework approach

A range of frameworks and systems exist for the planning and management of projects. A widely used tool in the development community is the **logical framework** approach (LFA) and the associated **Log Frame (LF)**¹¹, as it is commonly termed, and the underlying **program logic model (PLM)** (see Box 2.1).

Box 2.1: The Logical Framework Approach:

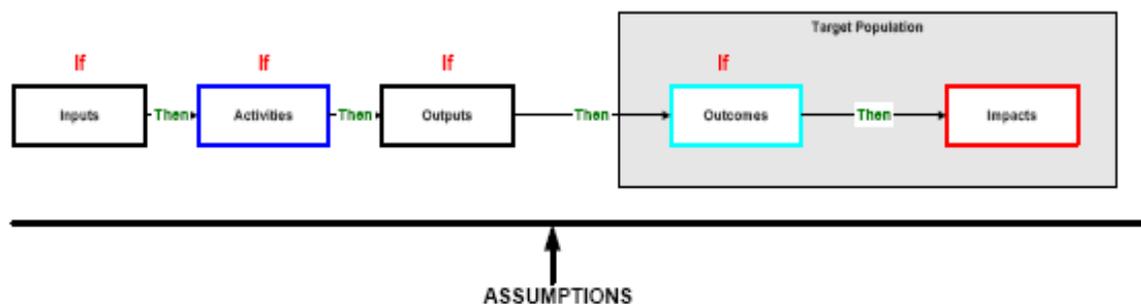
The Log Frame helps to clarify the objectives of any project, program, or policy and improve the quality of M&E design. It aids in the identification of the

¹¹ It is useful to distinguish between the two terms: the Logical Framework Approach (LFA) and Logical Framework (LF or Logframe). They are sometimes confused. The Logical Framework Approach is a project design methodology, the LogFrame is a document. The LFA method was developed by Leon J. Rosenberg, under contract to USAID in 1969.

expected causal links – the ‘program logic’ - in the following results chain: inputs, processes, outputs, outcomes, and impact. It leads to the identification of performance indicators at each stage in this chain, looks at the evidence needed to verify these indicators as well as the assumptions that underlie them and the risks which might impede the attainment of results.

The Log Frame is so named because of the logic processes that underpin its creation and format. This logic is explained and demonstrated through something called the program logic model. This is a way of thinking about how the various components of a project relate to each other to achieve impact and meet goals. The model is illustrated in Figure 2.1. This shows that specified **inputs** are used in a project to produce or undertake a series of **activities** which in turn deliver things such as advisory services, training, and public awareness campaigns as part of programs and projects.

Figure 2.1: The program logic model ¹²



These activities are intended to result in **outputs** (including coverage or “reach” across specified beneficiary groups), such as reports, recommendations, training events, and media coverage. In turn, these outputs are expected to yield certain **outcomes** in terms of changes in knowledge, behavior and performance among beneficiaries in the target population. Finally, it is anticipated that projects will generate **development impacts** including such things as higher productivity, increased income, investment and employment.

Many development partners use some form of the logic model to design, plan and manage their programs. Recently the IFC have utilized the LF approach and developed

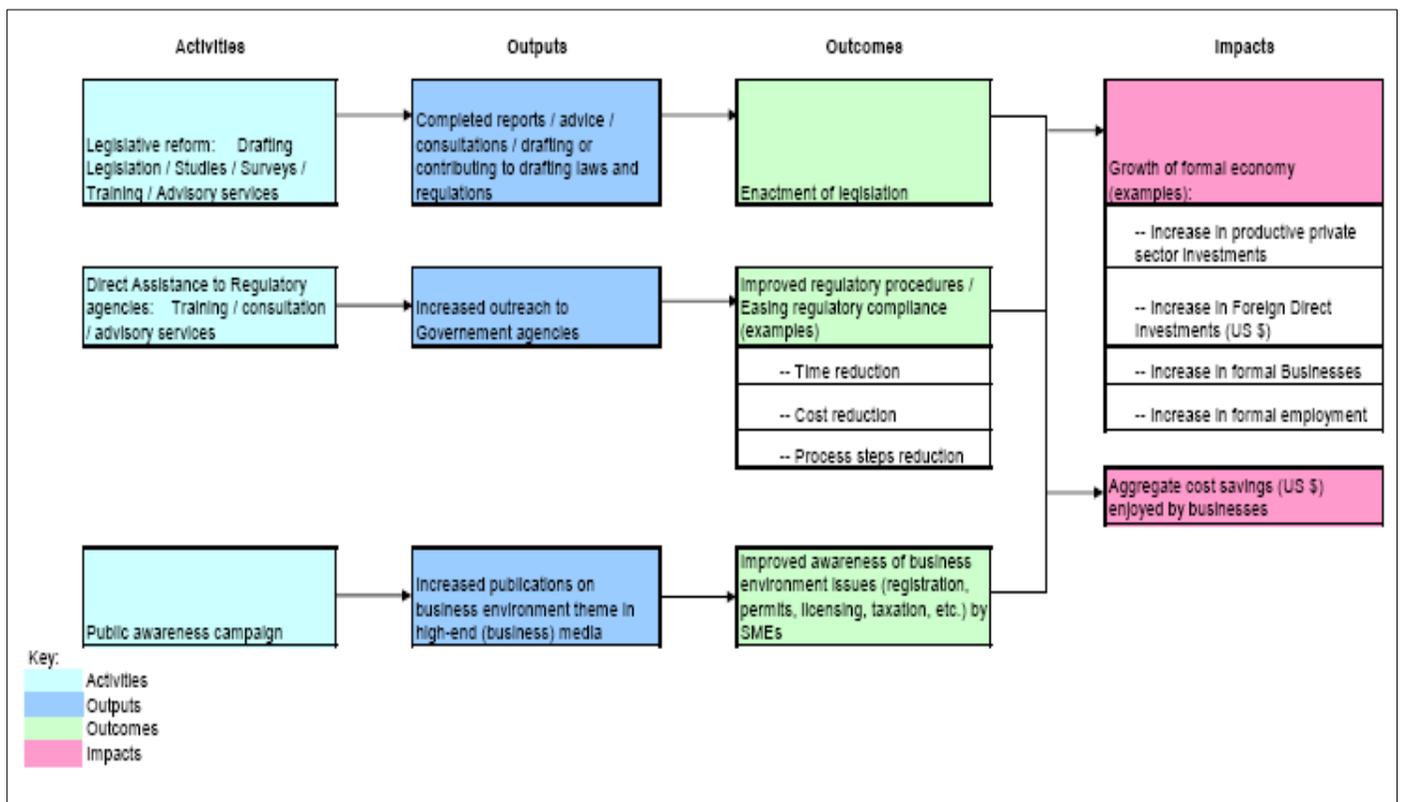
¹² Illustration adapted from “Guide to Core Output and Outcome Indicators for IFC Technical Assistance Programs”, G Batra, Results measurement Unit, SME Department, IFC.

a series of logic models to underpin their PSD interventions including those for BEE. Figure 2.2. shows the LF with typical activities outputs outcomes and impacts for IFC BEE type of interventions.

How does the Log Frame help with Project Evaluation?

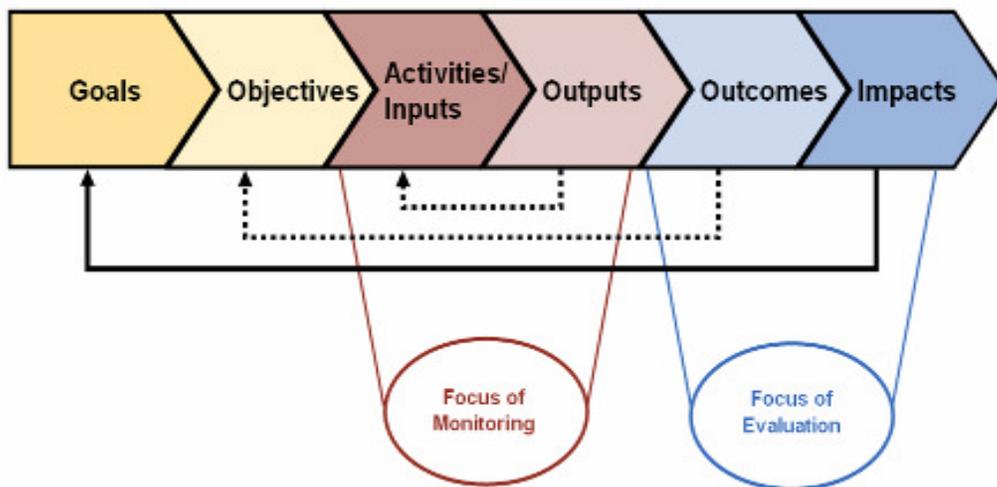
The LF and its PLM can provide useful frameworks and tools for evaluation work. They can be used to demonstrate the role of monitoring, evaluation and impact assessment and the specific points at which M&E should be undertaken in the program or project implementation. Figure 2.2 illustrates the PLM for BEE reforms as defined by the IFC.

Fig 2.2: BEE Program Logic Model for BEE reforms



As Figure 2.3 shows, **monitoring** work focuses on the progress and tracking of inputs, implementation of activities and production of outputs. **Evaluation** tends to take place at specific points/stages in a project and permits an assessment of progress over a longer period of time. The focus is on tracking changes in relation to outcomes (with reference to objectives) and impact, in terms of the project goals.

Figure 2.3: The Place of M&E in the logic model



Also the LF, when presented in a table-like matrix format can be a useful way of capturing both the content of a project together with the key components of the M&E plan.

Table 2.1 summarizes a project and its key M&E feature in a systematic way showing:

- what a project intends to achieve;
- what it intends to do to achieve this and how;
- what the key assumptions are in doing this; and
- how the inputs activities, outputs, outcomes and impact will be monitored and evaluated.

Table 2.1: The Logical Framework Matrix Structure

Program /Project Logic at different levels	Performance or Objective Verifiable Indicators (OVIs)	Sources of Verification (SOV)	Assumptions or Risks
<p>Goal/Overall Project Objectives: What are the wider problems which the Project will help to resolve? This is the development impact to which the project contributes - at a national and/or sectoral level.</p>	<p>The measures for judging whether or not the goal has been achieved. Measures of the extent to which a sustainable contribution to the goal has been made.</p>	<p>Sources of information and methods used to collect and report on the goal /overall objectives</p>	<p>What are the external factors needed to sustain the goal achievement? What are the risks that might prevent this sustainable achievement?</p>
<p>Purpose/Objective Outcome What are the expected benefits (or dis-benefits) and to whom will they go? What improvements or changes will the project bring about?</p>	<p>Measures by which achievements at the end of the project can be quantified - indicating that the purpose has been achieved and that these benefits are sustainable.</p>	<p>Sources of information and methods used to collect and report on achieving the purpose</p>	<p>What are the assumptions and hence risks concerning the purpose/goal linkage i.e. achievement of the project purpose towards the project goal or overall objectives</p>
<p>Project Outputs: The direct measurable results (goods and services) of the project which are largely under project management's control</p>	<p>Measures of the quantity and quality of outputs and the timing of their delivery.</p>	<p>Sources of information and methods used to collect and report on achieving the project outputs</p>	<p>What are the assumptions and hence risks concerning the output/purpose linkage. What are the external factors outside of the control of the project which, if not present, will restrict or stop the project achieving its purpose</p>
<p>Project Activities: The activities or tasks that need to be undertaken to accomplish or deliver the identified project outputs.</p>	<p>Implementation/work program targets.</p>	<p>Sources of information & methods used to collect & report on project activities</p>	<p>What are the assumptions /risks concerning the activity/output linkage? What external factors are needed to achieve the project outputs?</p>
<p>Project Inputs The resources needed to deliver the project activities (funds, people equipment etc)</p>	<p>Implementation/work program targets.</p>	<p>Sources of information to report on inputs are needed to produce the projects activities</p>	<p>What are the assumptions /risks concerning the input/ activity/ linkages. What external factors are needed to achieve the project activities</p>

The matrix includes **performance indicators**, sometimes called **Objective Verifiable Indicators (OVIs)**, the **Sources of Verification (SoV)**¹³ for those OVIs, and the **assumptions** and **risks** considered that could work against achieving the objectives.

¹³ SOVs is the term used by the IFC but some others refer to Means of Verification (MOVs) which are the same thing.

2.2 Results-oriented approaches

Results-oriented measurement is a project planning and M&E approach developed and used by GTZ¹⁴. This approach is a variant to the LF in the sense that it is based on similar logic and uses some of the same terminology. However the approach highlights two aspects of M&E activity that are different to standard LFs:

- a) The focus on measuring ‘results’ throughout a project which are described and linked by a causal impact chain; and
- b) How impact is measured and attributed throughout the impact chain.

What are results and impact chains?

GTZ emphasize the use of the term of ‘**results**’ in their M&E although they do use the LF terminology of activities, outputs and outcomes. The use of the term **results** reinforces the view that benefits can be produced throughout the implementation of a given program and not just towards the end of the project period. The different results that are derived from the inputs, activities, outputs, and outcomes of a project are linked through a logical process called a **causal impact chain**.

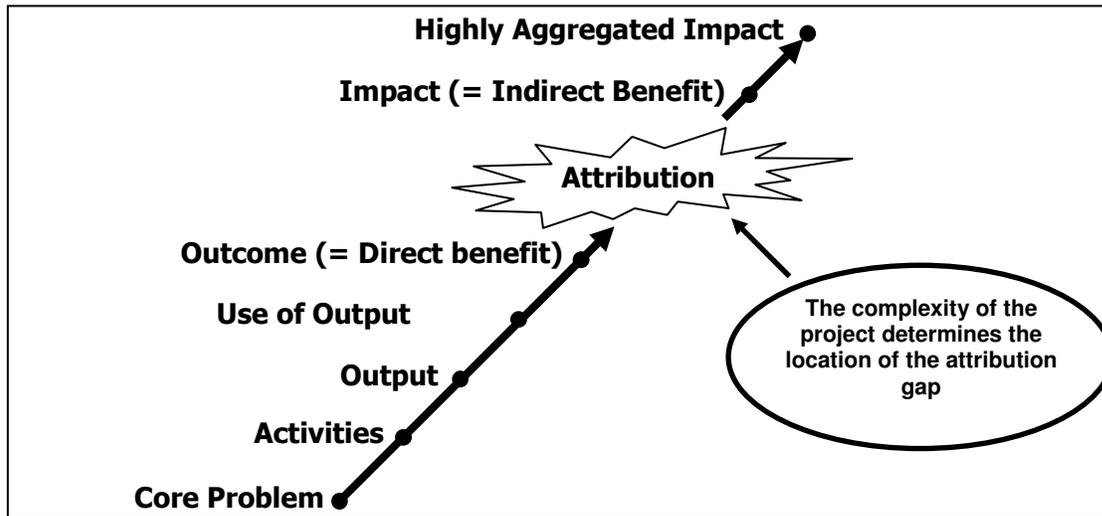
Like a Log Frame, the results-based impact chain also gives attention to activities, outputs, outcomes and impact. As Figure 2.4¹⁵ shows, starting from the core problem inputs are used to launch **activities** that generate **outputs**. These are then utilised by target groups or intermediaries (use of outputs), generating medium-term and long-term development results i.e. **outcomes and impacts**.

This results-based impact chain model is also translated into a matrix similar to the Log Frame, for project planning and management as is illustrated by the Case Snapshot 2.1 for GTZ’s BEE work in Vietnam.

¹⁴ More information can be found at: http://www.gtz.de/de/publikationen/begriffswelt-gtz/en/include.asp?lang=E&file=8_26.inc

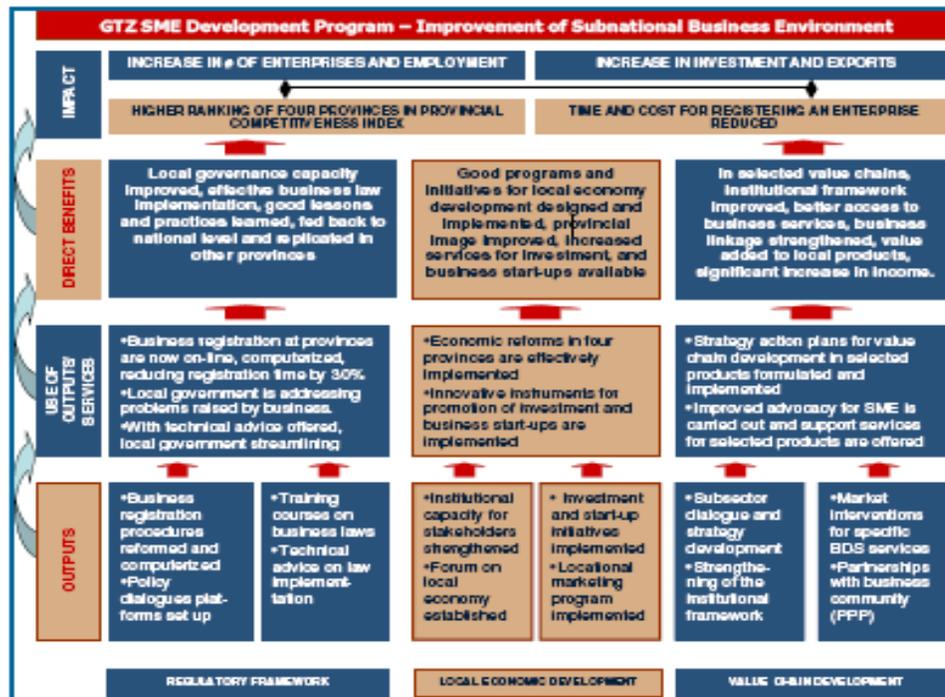
¹⁵ GTZ Results-based Monitoring Guidelines for Technical Cooperation Projects and Programmes May 2004 Unit 04 Corporate Development OU 042 Internal Evaluation

Fig 2.4: GTZ Results based Impact Chain



Case Snapshot 2.1: GTZ Impact Chain for Sub National BE program in Vietnam

In Vietnam, GTZ is implementing an SME Development program at provincial level to support four provinces improve their business and investment climate – An Giang, Dak Lak, Hung Yen and Quang Nam¹⁶. The provincial action plans are based on three pillars: Improving the provincial regulatory framework; assisting local stakeholders in implementing promotional policies and PPD and Strengthening business and cooperative relationships between stakeholders of selected value chains. The three pillars cover a wide range of activities, but are strongly related and are summarised in the impact chain diagram below:



¹⁶ More information can be found at <http://www.sme-gtz.org.vn>

What is the Attribution Gap?

The results-based impact chain is different in one important respect to the traditional LF approach. It gives explicit acknowledgement of the challenges of attributing cause and effect (or impact) to a given intervention, attempting to identify when the attribution of impact to an intervention becomes compromised. The results based impact chain starts the process of reflecting on the effect of an intervention from the outset and continues to conduct evaluative review throughout, including the period that would be described as monitoring in the LF. In Figure 2.4, up to the level of "outcome" the ability to attribute or link changes directly to the intervention is relatively easy in most cases - i.e. observable change can be demonstrated to be a direct result of the development intervention.

Further up the impact chain, external factors that are not directly related to and/or under the influence of projects and programs being assessed, increasingly come into play and can have important influences on the changes that occur. At this point it is explicitly acknowledged that observed changes in project target groups may not be directly attributable to the project interventions and outputs. The point or level beyond which the results cannot be directly linked to the intervention and benefits are 'indirect' is termed the **attribution gap**. The causal impact chain links the outcomes of individual interventions to potential direct and indirect benefits. 'Impact' relating to project goals tends to be seen as something that is measured at an aggregate level i.e., the point at which there have been a series of related interventions.

The 'attribution gap' is contextual, depending on the complexity and scale of the project being considered and as such can occur at different points in the causal chain.

These subtle but important differences in the way that different development partners view and capture impact within their M&E frameworks are discussed further in section 4 and Annex 4.3.

How will the logic models and frameworks improve the quality of M&E processes?

Using a tried and tested form of LF¹⁷ will not only encourage a clarity of purpose and practice for project implementation but will also provide the same for the nature and form of project M&E to be undertaken. Training is often required to promote the

¹⁷ There are many web based and printed resources on LFs. Each organisation will also have their own guidance notes.

effective use of LFs. However, if used appropriately they provide an opportunity and vehicle for engaging a range of partners and other stakeholders in a participatory approach to M&E and communicating intent to a wider audience. There are strengths and weaknesses in any approach. Table 2.2 summarises those associated with Log Frames.

Table 2.2: The Strengths and Weaknesses of Logical Frameworks.

Strengths:	Weaknesses:
<ul style="list-style-type: none">▪ Clarity of M&E indicators methodology and assumptions▪ Encourages review of progress and taking corrective action▪ Encourages participative approaches by engaging partners and stakeholders in clarifying objectives and designing activities▪ Considerable good practice and literature available▪ Assists in the preparation and management of operational plans for M&E	<ul style="list-style-type: none">▪ Of limited value if done in isolation▪ assumptions of causality ,may be weak▪ Can be counter-productive if adhered to too rigidly▪ Sometimes difficult to accommodate the unexpected▪ Needs some training/expertise to design and use effectively▪ If not updated during implementation, can fail to reflect changing conditions

2.3 Understanding indicators

Putting together a Log Frame or impact chain for a project involves identifying performance indicators (or OVIs) which are going to help us 'objectively verify' whether or not our interventions have achieved the intended activities, outputs, outcomes and impact.

The fundamental challenge for the program manager is to develop appropriate performance indicators which measure project performance. These indicators measure the things that projects do, what they produce, the changes they bring about and what happens as a result of these changes.

In order to choose indicators, decisions must be made about *what* to measure. Having the right indicators underpins effective project implementation and good M&E practice. Therefore time, effort, debate and thought should be given to their identification, selection and use.

What is an indicator?

To measure something it is important to have a unit or variable 'in which' or 'by which' a measurement is made i.e. an indicator. In BEE work if the aim is to make registering a business easier, then changes in the time taken and the costs of registering are useful indicators of whether and how the intervention has made a difference.

What types of indicators do I need?

Firstly, there is need to distinguish indicators for different **levels of assessment**, that is monitoring, evaluation and impact indicators. The former (monitoring) concern tracking the progress of project implementation and primarily relate to inputs and activities. The latter two (evaluation) relate to measuring the results of the project: the outputs, the outcomes and ultimately, impact. Each aspect of implementing a project or program has typical types of indicators illustrating performance at each project level as Table 2.3 shows.

Table 2.3: Typical indicators for different levels of assessment

Level of indicators	Typical examples	BEE Examples
Inputs/ Activities	<ul style="list-style-type: none"> ▪ Human resources ▪ Financial resources ▪ Material resources ▪ Training 	<ul style="list-style-type: none"> ▪ Training for officers ▪ Awareness events for stakeholders ▪ Mapping exercises
Outputs	<ul style="list-style-type: none"> ▪ Products ▪ Recommendations/Plans ▪ Studies/Reports ▪ Legislations drafted 	<ul style="list-style-type: none"> ▪ Mapping reports ▪ Press releases ▪ Written inspection reports ▪ Awareness of various audiences ▪ Training for stakeholders ▪ Legislative drafting
Outcomes	<ul style="list-style-type: none"> ▪ Change in knowledge and/or behavior ▪ Improved practices ▪ Increased services ▪ legislation passed 	<ul style="list-style-type: none"> ▪ Positive client feedback ▪ Reduction in number of steps, time and cost in a process ▪ Increasing use of mediation center/one-stop shop
Impact	<ul style="list-style-type: none"> ▪ Increased sales ▪ Increased employment ▪ Increased profitability 	<ul style="list-style-type: none"> ▪ Increased formalization ▪ Increased exports/imports ▪ Sustainability of mediation center / one stop shop ▪ % increase in municipal revenue

Indicators, wherever possible, need to generate consistent measurements. They need to be selected or constructed so that when different observers measure performance, they will come to the same conclusion. Different types and aspects of interventions may require **different types of indicators** or a **combination of indicators**.

2.4 Selecting indicators and setting targets

Table 2.4 sets out the main types of indicators that are used in evaluation work, how they are used, and some observations on how they are used.¹⁸

¹⁸ Adapted from IFC Handbook on Project Thinking Tools prepared by University of Wolverhampton 2007

It is important to use both qualitative and quantitative forms of data in your M&E practice because each can bring a different perspective to the same event or change and act as a check on the other sources as a means of verification or refute.

Table 2.4: Different types of evaluation indicators

Indicator types	Characteristics and use	Observations
Direct	For observable change resulting from activities and outputs	May simply be a more precise and operational restatement of the objective.
Indirect (proxy)	Useful when the objective is not directly observable e.g. 'competitiveness' is not a thing as such but comprises a bundle of performance criteria including an increase in profitability, in turnover, in range of products, % sales	May be used instead of or in addition to direct indicators e.g. improved institutional capacity; where the cost of directing measuring may be prohibitively expensive. There must be a <i>clear relationship</i> between what is being measure and the indicator being used
Qualitative	A way of measuring levels of participation, attitudinal change, behavioral change; emergence of leadership, access to political processes, evidence of consensus e.g. business satisfaction levels, attitudes of officials, the experience of women registering businesses	Special effort and attention required to get real value. It is generally easier to measure behavior than feelings so need to observe or measure how often things occur e.g. a measure of confidence might be how often someone speaks and the reaction of the listener.
Quantitative	Can measure frequency, growth rates, prices, e.g. numbers of laws that need reform or reduction in the cost of customs fees for exporting or time taken to register a business	Often perceived as more reliable and more useful for comparison as they are 'countable'
Process	Allows measurement of <i>how</i> things are being done; belief that better implementation and real problems and needs will be considered; often qualitative	Often subjective as means of verification relies on personal perspective ¹⁹ . Important means of addressing diversity and inclusion.
Cross-cutting	Often used to describe indicators relating to gender, diversity, environment	Will still need to be direct, indirect, quantitative or qualitative.
Formative	Set up within a timeframe to be measure <i>during</i> a phase of intervention.	Sometimes used interchangeably with milestones.
Summative	Used to measure performance at the <i>end</i>	Formative and summative are terms also applied to evaluations.

¹⁹ The Public Private Dialogue Hand Book and the Strategic Communications Handbook both provide a good source of evidence and examples of process indicators for BEE reform. See www.ifc.org/ifcext/sme.nfs/content/BEE+toolkits

Where do process cross-cutting indicators fit in?

Process Indicators:

M&E is inevitably focused on results and so what has been achieved tends to be the priority. However, the process of how results are achieved is often as equally important as the results themselves. For example, measuring the changes in attitudes and commitment of the front line officers when reforming business registration procedures may give insight into why the businesses are still reluctant to register despite decreasing the time and cost of doing so.

Process-related aspects in evaluation can be more difficult to measure as it is harder to predict when they will occur and who will be involved. Also processes can be experienced and perceived differently by different stakeholders involved and this needs to be taken into account. However, these different perspectives can be illuminating and important to consider.

Public Private Dialogue (PPD) work is an approach to BEE reform that does not necessarily achieve change in itself but by systematically facilitating, accelerating or cementing other initiatives. The focus for indicators at outcome and impact levels are on levels of understanding and behaviour change and therefore likely to be qualitative indicators. But as a facilitating mechanism we also need to gain insight into the perception of the various stakeholders in terms of the dynamics of the process and the responses to what is going on.

IFC have recently developed a Handbook on PPD²⁰ which provides guidance on M&E issues, including the selection of indicators.

The following example in Box 2.2 demonstrates how process can be by measuring **the perceived level of influence PPD** has had in the reform process.

²⁰ IFC Business Reform Toolkits: The Public Private Dialogue Hand Book and the Strategic Communications²⁰Handbook both provide a good source of evidence and examples of process indicators for BEE reform.

Box 2.2: Level of influence indicator for PPD

In looking at the level of influence that PPD is perceived to have had in achieving reform, the reform process is divided into 16 steps and stakeholders are asked to score the role of PPD from 0 to 3 as below:

- 0 – The PPD had no impact on this step.
- 1 – This step benefited from input from the PPD.
- 2 – The role of the PPD was crucial in the accelerating this step.
- 3 – The PPD was solely responsible for this step.

The ratings of the level of influence is then cross checked against other data collected to counter variations in perceptions between different stakeholders. Results can be summarized and visualized in a table with colour coding to illustrate the evaluated impact of the PPD on the reform process of all the regulatory or legislative changes it will claim to have contributed to

PPD influence on reform process	Drafting							Executive		Legislative						
	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	Step 14	Step 15	Step 16
Reform #1	3	2	0	1	2	0	0	0	1	2	0	2	0	2	0	0
Reform #2	3	2	2	1	2	0	0	0	2	1	0	1	0	1	0	0
Reform #3	1	2	1	1	1	1	0	0	0	2	0	2	1	2	0	0
Reform #4	0	0	0	2	3	0	0	0	1	1	0	1	0	1	0	0
Reform #5	3	1	0	1	0	1	0	0	1	1	0	0	0	0	0	0
Reform #6	3	1	1	1	3	0	1	0	2	0	1	0	1	0	0	0
Reform #7	2	2	0	1	3	0	2	1	0	0	1	0	0	0	0	0
Reform #8	3	2	0	1	2	0	0	1	1	0	0	1	0	1	0	0
Reform #9	2	1	1	0	2	1	0	0	0	1	0	2	0	2	0	0
Reform #10	1	3	0	1	1	1	0	0	2	2	0	0	0	0	0	0
Total	21	16	5	10	19	4	3	2	10	10	2	9	2	9	0	0

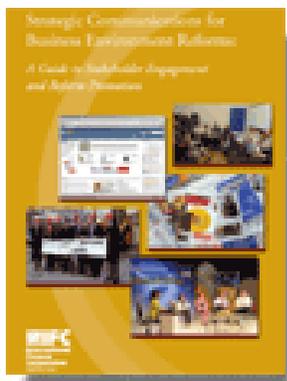
In this example, it is clear that the impact of the PPD on the reform process lies at the beginning of the process, in identifying issues and organizing the consultation process during the drafting phases.

An excel-enabled version of this tool is available for download at: www.publicprivatedialogue.org

Communication is another area where process indicators are critical to measuring its success²¹. The role of communication is increasingly recognised as important, both for achieving developmental results and sharing knowledge about results with others. As a result communication strategies are increasingly distinct and explicit components of development projects and as such need to be evaluated.

²¹ [http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/beetoolkitcom/\\$FILE/BEEtoolkitcom.pdf](http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/beetoolkitcom/$FILE/BEEtoolkitcom.pdf) Strategic Communications for BEE Reform: A guide to stakeholder engagement and reform promotion IFC BAH 2007

Fig 2.5: Strategic Communications Toolkit



Cross-cutting indicators:

The activities of and results arising from development interventions can be experienced and perceived differently by different stakeholders. Successful M&E take this into account. Indicators must adequately reflect and capture the views and experiences of different stakeholders. Table 2.5 gives some of the typical stakeholders for BEE interventions.

Table 2.5: Typical Stakeholders for BEE interventions

Private Sector	Public sector	Civil society	International community
<ul style="list-style-type: none"> ▪ Local and foreign investors ▪ Small and medium sized businesses ▪ Large corporations ▪ Financial institutions ▪ Business Associations, ▪ Chamber of Commerce ▪ Professional organizations ▪ Individual business leaders ▪ Business women 	<ul style="list-style-type: none"> ▪ President’s office ▪ National and local public institutions ▪ Ministers and advisors ▪ Civil servants ▪ Parliament ▪ Political parties ▪ Investment commissions and councils 	<ul style="list-style-type: none"> ▪ National and local NGOs ▪ Trade unions ▪ Academia ▪ Citizen advocacy groups ▪ General population ▪ Consumers ▪ Employees ▪ National, local and international media 	<ul style="list-style-type: none"> ▪ Multilateral development partners ▪ Foreign governments ▪ International development NGOs ▪ International media

In considering indicators for different stakeholders, it is important that to consider and include those who may lose out as a result of the interventions well as those that will benefit.

Are targets the same as indicators?

The terms *indicator* and *target* are often used synonymously, but in fact, there is a subtle but important distinction. **Indicators are the means** by which change will be measured and **targets are the ends**.

- **Indicator:** *an increase in the proportion of businesses registering their business*
- **Target:** *a 5% increase per month in the proportion of businesses registering their businesses within 5 days*

In the former example, determining the success of a reform in registration could be attributed to any increase in registration no matter how small and over any given number of days. Targets set the amounts of change to be achieved and measured and the timeframe within which this will be achieved. So in the example – successful performance will have occurred if there has been a 5% increase in businesses registering in less than 5 days per month.

Indicators are more likely to be objective if they include elements of quantity, quality and time (QQT). They ‘become’ targets when they incorporate all of these aspects²². If we look at some typical output and outcome indicators for a business registration simplification program we can apply targets.

Table 2.6: Indicators and Targets

Project output indicators and targets	Project outcomes indicators and targets
<p>The production of a report with full mapping of existing procedures by month 2 <u>Target:</u> report on all registration processes will be produced and delivered in hard and electronic copy to the team leader by March 31st 2007</p>	<p>Number of laws/regulations changed because of reform work by month 10 <u>Target:</u> At least 25% of those regulations deemed ‘redundant’ will have been cut by September 30th 2007.</p>
<p>Number of trained individuals in technical workshops by month 10 <u>Target:</u> At least 40 officers – 10 from each of the 4 core partners will have successfully completed the three core workshops by September 30th 2007</p>	<p>Reduced cost and time of registration in each process under reform by month 22 <u>Target:</u> There will have a been a 50% reduction in time and 25% reduction in cost of registering a business in X by the September 30th 2008</p>

Sometimes there is insufficient data to develop targets at the early stages of a project and it would be a fundamental mistake to do so and make up unrealistic targets.

²² It is not possible to ‘QQT’ every indicator, for example, an indicator that captures the change in attitudes of government officials about reform or changes in officials attitudes to businesses as customers of their service.

Therefore it is entirely acceptable to present indicators without targets in an early LF. The important thing is that the LF includes indicators that measure the elements of change that are likely to happen. Once approval has been given and the intervention is underway indicators can be checked with partners and stakeholders and targets can be constructed and agreed.

What makes a good indicator?

Having selected the type of indicators to use with your M&E it is important to check that they make sense and work in practice. Training manuals and M&E workshops will often use the mnemonics SMART and SPICED. This is intended as a checklist for assessing the construction of indicators.

Indicators used for gathering performance information should be..... SMART

S	Specific: Reflect what the project intends to change and are able to assess performance
M	Measurable: Must be precisely defined; measurement and interpretation is unambiguous. Provide objective data, independent of who is collecting data. Be comparable across projects allowing changes to be compared.
A	Attainable: Achievable by the project and sensitive to change. Feasible time and money to collect data using chosen indicators. Available at a reasonable cost
R	Relevant: Relevant to the project in question.
T	Time bound: Describes when a certain change is expected.

Indicators used when collecting subjective information should be..... SPICED

S	Subjective: Contributors have a special position or experience that gives them unique insights which may yield a high return on the evaluator's time. What may be seen by others as 'anecdotal' becomes critical data because of the source's value.
P	Participatory: Indicators should be developed together with those best placed to assess them. This means involving the ultimate beneficiaries, but it can also mean involving local staff and other stakeholders.
I	Interpretable: Locally defined indicators may be meaningless to other stakeholders, so they often need to be explained.
C	Cross-checked: The validity of assessment needs to be cross-checked, by comparing different indicators and progress, and by using different informants, methods, and researchers.
E	Empowering: The process of setting and assessing indicators should be empowering in itself and allow groups and individuals to reflect critically on their changing situation
D	Disaggregated: There should be a deliberate effort to seek out different indicators from a range of groups, especially men and women. This information needs to be recorded in such a way that these differences can be assessed over time.

2.5 Using comparable and core indicators

Why does it matter *who* sets the indicators?

Who sets indicators is fundamental, not only to ownership and transparency, but also to the effectiveness of indicators chosen. M&E specialists may feel that M&E experts are best placed to set indicators. In this way, they can be more confident of the construction achieving the primary purpose of:

- Ensuring the ***right things*** are measured – relating the goal and the target group.
- Achieving a ***means of comparing results*** – to other projects in a given place and time or different places and times.
- To be ***transparent about the basis*** on which performance is being measured and judged.

Others believe that more appropriate indicators are developed through a participative process of development with intervention partners and stakeholders. This is likely to achieve greater ownership of the results of the intervention. The insight of a local view may bring the added benefits of a greater commitment to collecting the required data, understanding of the importance of accuracy and timely collection and help to build local evaluation capability and capacity as noted in section 1.

Ideally, both views can be incorporated. One way of achieving this is to have a set of **core or common or comparable indicators** that have been developed by the experts to allow for cross project and or country comparison and then **customized indicators** developed through local participative processes of analysis and design.

Are there BEE indicators that could be standardized across interventions and agencies?

The development of core indicators is one way to provide a basis for comparison and the creation of benchmarks. Some development partners are setting out to standardize the use of indicators across their own projects. Both IFC and GTZ are well advanced in this respect. For example the Results Measurement Unit at IFC has produced a practical guide²³ which presents *a core set of mandatory output, outcome and impact indicators for the IFC five Business Lines – Access to Finance, Business Enabling*

²³ “Guide to Core Output, Outcome and Impact Indicators for IFC Advisory Services Programs” March 2007 G Batra.

*Environment, Environmental and Social Sustainability, Infrastructure, and Value Addition to Firms*²⁴. The 25 core indicators for the IFC BEE business line are given in Table 2.7. The Annex 2.2 gives the definition of each of those indicators.

Table 2.7: IFC Core Indicators for BEE reform programs²⁵:

Output indicators
<ul style="list-style-type: none">• Number of entities receiving advisory services• Number of media appearances• Number of new laws/regulations/amendments/codes drafted or contributed to the drafting• Number of participants in workshops, training events, seminars, conferences• Number of participants reporting satisfied or very satisfied with workshops, training, seminars, conferences, etc.• Number of procedures/policies/practices proposed for improvement or elimination• Number of reports (assessments, surveys, manuals) completed• Number of women participants in workshops, training events, seminars, conferences, etc.
Outcome indicators:
<ul style="list-style-type: none">• Average number of days to comply with business regulation• Average official cost to comply with business regulation• Number of businesses completing a new/reformed procedure in a given jurisdiction• Number of entities that implemented recommended changes• Number of recommended laws/regulations/amendments/codes enacted• Number of recommended procedures/policies/practices that were improved/eliminated• Number of cases successfully settled through ADR• Number of days to settle a case through ADR• Number of jurisdictions reporting at least one Doing Business reform• Number of reforms resulting from advisory service as measured by Doing Business• Number of investor inquiries in targeted sectors

²⁴ <http://www.ifc.org/ifcext/rmas.nsf/Content/StandardIndicators>

²⁵ As of April 2008

- Number of investor inquiries in targeted sectors leading to an investment
- Score obtained by Investment Promotion Intermediary on IP performance review

Impact indicators:

- Number of formal jobs
- Value of aggregate private sector savings from recommended changes (US\$)
- Value of investment/financing facilitated by advisory services (US\$)
- Value of funds released through ADR (US\$)

Outputs are closely related to project deliverables. They include recommendations and amendments to laws and regulations, trainings, and consultations which can be counted.

Outcomes capture the implementation of program recommendations. In the intermediate term, they relate to evidence of recommendations and action plans being implemented, laws and regulations amended and passed, organizations improving their operations, and improved procedures. Data can be sourced from the regulatory agencies that are implementing the regulatory and/or process reform and verified by business surveys or focus groups.

In the longer term, outcomes can be viewed from both the government (public welfare) and the enterprise perspective and are typically seen in terms of reduced steps, time and cost of gaining the registration, license or permit, or complying with the regulatory procedures. They can also capture reduced risk through the reduction in delays and reduction in corruption. This in turn leads to quicker and cheaper registration and increased levels of compliance with regulatory systems.

The **impact** of business regulation reforms is the contribution to economic growth in the formal economy via the improved business enabling environment. Indicators include the aggregate cost saving enjoyed by businesses through the improved regulatory environment, productive private sector investments (i.e., foreign direct investments, gross fixed capital formation) and the number of formal enterprises and jobs (formalization).

At the IFC, depending of the BEE products being deployed in a project, project officers are now required to use the mandatory indicators listed above. The matrix hereafter is

used to match core indicators with specific BEE products. The letter “c” in the matrix indicates that the indicator is “core” for a given BEE product.

Fig 2.6: BEE Product – Indicator Matrix:

BEE BUSINESS LINE	OUTPUTS								OUTCOMES										IMPACTS									
	INDICATORS	Number of entities receiving advisory services	Number of reports (assessments, surveys, manuals) completed	Number of procedures/policies/practices proposed for improvement or elimination	Number of new laws/regulations/amendments/codes drafted or contributed to the drafting	Number of participants in workshops, training events, seminars, conferences, etc.	Number of women participants in workshops, training events, seminars, conferences, etc.	Number of participants reporting satisfied or very satisfied with workshops, training, seminars, conferences, etc.	Number of media appearances	Number of recommended laws/regulations/amendments/codes enacted	Number of recommended procedures/practices that were improved/eliminated	Average number of days to comply with business regulation	Average official cost to comply with business regulation	Number of entities that implemented recommended changes	Number of businesses completing a new/reformed procedure in a given jurisdiction	Number of cases successfully settled through ADR	Number of days to settle a case through ADR	Number of investor inquiries in targeted sectors	Number of investor inquiries in targeted sectors leading to an investment	Number of jurisdictions reporting at least one Doing Business reform	Number of reforms resulting from advisory service as measured by Doing Business	Score obtained by investment Promotion intermediary on IP performance review	Value of aggregate private sector savings from recommended changes (US\$)	Value of funds released through ADR (US\$)	Value of investment financing facilitated by advisory services (US\$)	Number of formal jobs		
Business Entry	c	c	c	c	c	c	c	c	c	c	c	c	c	c									c			c		
Business Operation	c	c	c	c	c	c	c	c	c	c	c	c	c	c										c			c	
Business Taxation	c	c	c	c	c	c	c	c	c	c	c	c	c	c										c			c	
Alternative Dispute Resolution	c	c		c	c	c	c	c	c	c			c		c	c								c	c			
Sub-national Doing Business	c	c	c	c	c	c	c	c					c							c	c			c				
Doing Business RRR	c	c	c	c	c	c	c	c	c	c	c	c	c							c	c			c				
Investment Policy & Promotion	c	c	c	c	c	c	c	c	c	c			c	c			c	c				c				c	c	
Industry-specific BEE	c	c	c	c	c	c	c	c	c	c	c	c	c	c										c		c	c	
Trade Logistics	c	c	c	c	c	c	c	c	c	c	c	c	c	c											c		c	c
Access to Land	c	c	c	c	c	c	c	c	c	c	c	c	c	c											c		c	c

In addition to these core indicators there are additional indicators that might be relevant to specific types of programs and especially relevant at the outcome and impact levels. The indicators chosen for a specific project will be dependent on the nature of the intervention (and also any requirements from the supporting donors and other key stakeholders).

For instance, different industries are usually regulated in different ways. For example, the chemical industry will involve different legislation and regulations than say those in the garment sector. Hence industry-specific reforms may include a suite of regulatory reforms in reference to a particular industry/sector. Additional indicators will need to capture the outcomes and impact on the industry itself and associated increases in productivity, growth (for example via exports) and investment.

Alternatively, business tax is a specific type of business transaction within the BEE, where reform measure might include improvements to tax policy (e.g. reduction in standard corporate income tax (CIT), or elimination of tax holidays), and/or changes to tax administration (e.g., allowing more statutory deductions for CIT). As a result of tax reform, we would expect to see a reduction in Marginal Effective Tax Rates (METR)²⁶

Examples of additional indicators for these types of specialized regulatory reforms are given in table 2.8:

Table 2.8: Additional sample indicators for industry-specific reform:

Outcome indicators:	Impact indicators:
<ul style="list-style-type: none"> ▪ Number of days saved in obtaining a license in the sector/industry ▪ Number of procedures streamlined/eliminated in the sector/industry ▪ Number of days to export/import in the sector/industry ▪ Total cost to export/import in the sector/industry ▪ % capacity utilization in the sector/industry ▪ % of sales/exports returned or discounted in the sector/industry ▪ Number of new business generated (contracts/ investment/ subcontracts/ new registration in sector) in the sector/industry ▪ Number of sector specific licenses issued 	<ul style="list-style-type: none"> ▪ Number of new formal jobs in sector / industry (expected job creation) ▪ Number of new investments attracted / expected in the sector/industry ▪ % of sector/industry share of GDP ▪ Value of country exports/world exports ▪ Value added per employee per hour ▪ % of sales increase for companies in sector/industry

²⁶ The METR measure the degree to which additional income is taxed. It is a useful measure for evaluating the financial incentives to engage in activities which will generate or increase income.

Table 2.9: Additional sample indicators for tax reform

Outcome indicators:	Impact indicators:
<ul style="list-style-type: none"> ▪ Change in mandatory VAT threshold ▪ Number of firms registering for VAT on voluntary basis ▪ Number of tax payments per year ▪ Time required for tax compliance ▪ Cost required for tax compliance ▪ Risk of delay of refund beyond specified time (% of firms) ▪ Risk of severe fines/sanctions (% of firms) ▪ Reduction in METR 	<ul style="list-style-type: none"> ▪ Private fixed gross capital formation (as % of GDP) ▪ % increase number of firms registered for tax ▪ % increase in number of firms paying tax

What are the advantages and disadvantages of core indicators?

Using core indicators has distinct advantages. They provide an objective and comparable basis for assessing performance and therefore provide a solid foundation for management decisions. The comparable dimensions mean that core indicators can be used for benchmarking and facilitating learning within the donor institution and external stakeholders.

However, there are also challenges and limitations to using core indicators. One of the main arguments is *'our situation is different'* and that core indicators do not address country-specific objectives. They are seen as a very 'top down approach' imposed on field offices and projects and do not promote local stakeholder ownership in projects or their evaluation.

A major issue for BEE programs is that core indicators, especially for outputs and outcomes, typically use counting techniques. For example, an outcome for a business regulatory reform program is the number of revised laws passed. An issue arises when this type of indicator is used comparatively, perhaps to compare progress in different countries. Does this really compare like with like?

In one country a major piece of law may need adjustment to reduce cost and time in business licensing procedures. This could be counted as '1' as an output indicator. In a neighbouring country, the legal framework for business regulations could look quite different, and the reform intervention in this case has required multiple small legislative

changes. In this case, the output indicator is for example, 6. But, does this then compare like with like? What is the magnitude, or 'quality' of the indicator?

In this respect, core indicators will only tell some of the story. They are important for developing benchmarks and for donor oversight of reform interventions. However, they must be contextualised and complemented by additional customized (or bespoke) indicators and other monitoring information. This will be discussed in more depth in Section 3.

Are core indicators the same as 'comparable' indicators?

With the stronger orientation of monitoring systems towards impact and development results, there has been a strong push by some organisations within the donor community to develop internationally comparable evaluation indicators. The aim is that different types of aid interventions will have 'results' indicators that are typical or common to that field of intervention and BEE reform is no exception to this.

One of the most commonly used universal set of indicators in the field of BE reform is the **World Bank's Doing Business**²⁷ (DB). These are measured on a regular basis for 175 countries and hence provide a comparable and consistent dataset of indicators on various aspects of the BE and changes in the conditions for doing business in these BEs. Examples of how the DB indicators are used in practice can be found in the case studies. Figure 2.6 gives a list of the indicators. The findings from DB are available electronically from the website where reports and tools for exploring DB in different countries can be accessed.

Fig 2.7: World Bank's Doing Business Indicators²⁸

²⁷ <http://www.doingbusiness.org/>

²⁸ <http://www.doingbusiness.org/>

World Bank Doing Business Indicators	
Starting a business	Protecting investors
Procedures (number)	Extent of disclosure index (0-10)
Time (days)	Extent of director liability index (0-10)
Cost (% of income per capita)	Ease of shareholder suits index (0-10)
Minimum capital (% of income per capita)	Strength of investor protection index (0-10)
Dealing with licenses	Paying taxes
Procedures (number)	Payments (number)
Time (days)	Time (hours per year)
Cost (% of income per capita)	Total tax payable (% of gross profit)
Employing workers	Trading across borders
Difficulty of hiring index (0-100)	Documents for export (number)
Rigidity of hours index (0-100)	Signatures for export (number)
Difficulty of firing index (0-100)	Time for export (days)
Rigidity of employment index (0-100)	Documents for import (number)
Hiring cost (% of salary)	Signatures for import (number)
Firing cost (weeks of salary)	Time for import (days)
Registering property	Enforcing contracts
Procedures (number)	Procedures (number)
Time (days)	Time (days)
Cost (% of property value)	Cost (% of debt)
Getting credit	Closing a business
Strength of legal rights index (0-10)	Time (years) no practice
Depth of credit information index (0-6)	Cost (% of estate) no practice
Public registry coverage (% of adults)	Recovery rate (cents on the dollar)
Private bureau coverage (% of adults)	

Such data provides an accessible source of baseline conditions for many different BEE interventions (see discussion on baselines in section 3). It is also important to understand the methodology behind the DB indicators in order to know their applicability as an outcome indicator for a BEE reform intervention. DB is premised on time and cost of complying with various business regulatory procedures. The indicators are composed from extensive research from lawyers, consultants and governments in order to cross check the accuracy of this data. Countries are then 'ranked' according to the 'ease' of doing business in each of these areas.

While the DB indicators are used widely, they do have their limitations. (See Box 2.3).

Box 2.3: Limitations of the Doing Business indicators

- The collected data refer to businesses in the country's most populous city and may not be representative of regulatory practices in other parts of the city
- The data often focus on a specific business reform – a limited liability company of a specified size – and may not be representative of the regulation on other businesses, for example, sole proprietorships
- Transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters
- The measures of time involve an element of judgment by the expert respondents.

When sources indicate different estimates, the time indicators reported in Doing Business represent the median values of several responses given under the assumptions of the case study

- The methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly.

DB indicators are an extremely important, useful and powerful indicator. However, both their strengths and limitations must be understood in order for them to be used most appropriately and to effectively add value to M&E work. Ideally the DB indicators should be triangulated with primary data and also qualitative indicators and methods to capture perceptions and experiences of diverse stakeholders as well as the procedures associated with BEE reforms.

Case Snapshot 2.2: Using Doing Business Indicators in Tanzania

The Tanzania Business Environment Strengthening program, BEST, illustrates the limitations of relying on DB indicators to track reform outcomes. Doing Business uses incorporated businesses as the unit of analysis. However, in Tanzania, very few companies are 'incorporated', and this means they aren't required to obtain a full trading licence but can register instead with the local authority.

While DB indicators provide an important litmus test and 'indicator' on the overall state of the regulatory regime, they won't necessarily reflect the changes produced through reform efforts.

In these cases, it is important to provide customized indicators which track the actual effect of program reforms using simple surveys or case studies.

Source: Technical Advisor, BEST Program

2.6 Key messages

- The building blocks of a fit-for-purpose M&E for BEE reform consist of a series of logical steps to demonstrate that the proposed or enacted reform has a means of measurement known as indicators that are integrated into the planning and management cycle (See section 5 for further details).
- Clarity regarding the purpose and use of an indicator will contribute to the potential for benchmarking, comparison and cross-checking (or triangulation) of processes and results.
- The Logic model and its associated frameworks is a tried and tested mechanism for thinking through and presenting an overview of a project and the attendant M&E and IA process, activities and timescale
- Indicators are a critical component of effective M&E
- Indicators are required for each aspect (monitoring, evaluation and impact) and at all levels of a project (inputs, outputs, outcomes and impact)
- There are several types of indicators - quantitative and qualitative, direct and indirect, activity and process and representing the diversity of stakeholders – it is likely that a mix will be required
- Measuring change is costly. However, it is still necessary to ensure that there are sufficient and relevant indicators to measure the breadth of change and to provide cross-checking or triangulation.
- The creation of universal impact indicators is being explored with concepts such as private sector savings and aggregate cost savings.
- There is a wealth of resources (in print and on-line) to help develop skills and insight. Key texts and references are listed in the Handbook

Section 3

Conducting Baselines and Collecting Data

3.1. Establishing baselines

3.2. Accessing and using secondary data

3.3. Collecting and using primary data

3.4. Key messages

Effective monitoring and evaluation requires the collection of baseline data for selected indicators (indicators are discussed in section 2). These should be updated as the project progresses. The major challenge is the different types of activity that typically make up BEE reforms coupled with the variability, limited availability and poor quality of available data.

The process of collecting primary data on a routine basis and upgrading the quality of existing data is often constrained by the costs of both time and finances. Data collection and analysis require substantial financial resources, technical skills and time, all of which are typically in short supply in many less developed countries. There is a need to carefully manage which indicators are measured, the type of data required to assess progress, the availability of this data, how it will be collected, the frequency and format of monitoring activities (collection, reporting, workshops, reviews, meetings) and who participates.

This section will look at the ways of establishing baselines, doing surveys, sourcing and collecting data.

3.1 Establishing baselines

Why should I do a baseline survey?

Good monitoring is the foundation upon which evaluation and impact assessment is based. The most critical element, especially for impact assessment, is the establishment of baselines against which change can be measured. In Section 1.7 we defined baseline as: *a set of factors or indicators used to describe the situation prior to*

a development intervention which acts as a reference point against which progress can be assessed or comparisons made.

For example, in a project that aims to reform the regulatory procedures for import and export, an initial assessment of the current procedures and processes must be completed. This is also the case for business registration, local level licencing, sectoral licencing, inspections or tax regime reform. There may be a variety of perspectives on what the situation is and what changes need to happen.

A second measurement should occur when results can or should be expected (e.g. after 6 months) following the implementation of the streamlined process. This measurement is intended to determine whether the changes made have actually resulted in improvements.

It is worth noting that many performance indicators may display a “J-curve” effect (showing a decrease prior to an increase) where for example the number of companies registered initially decreases (because of the weeding out of “dead” companies) or financial performance deteriorates before improving. Careful tracking of indicators from the early stages of the reform intervention will allow the capture of the real baseline data²⁹. Project teams will therefore need to ensure that performance is measured from the very inception of the reform initiative to guarantee that performance targets are met. In order to determine whether a reform process has been successful, it is necessary to conduct an evaluation by essentially taking a ‘before’ and ‘after’ snapshot of performance. This aspect of evaluation is discussed in more detail in Section 4.

Establishing the current or prevailing situation should be part of developing a project proposal or a project design after approval. Establishing baselines is in fact a typical activity undertaken as part of project identification where analysis of the problem is undertaken. Typically in BEE reform an intervention may start with a period assigned to ‘diagnostics’ which entails detailed analysis (both qualitative and quantitative) of the nature and magnitude of the problem. This is commonly thought of as part of the implementation activities and is often funded as a separate activity rather than part of M&E. However, project diagnostics are also an essential part of the M&E process and should be integrated into the M&E framework as baselines.

Box 3.1 looks at the need for a robust baseline.

²⁹ IFC, (2006) Reforming business registration regulatory procedures at the national level, pp84

Box 3.1: Why is a robust baseline essential for M&E?

- Quantitative benchmarking of indicators
- Data on hard facts and perceptions
- A framework for monitoring program activities
- An analysis of structural and performance data of sampled enterprises
- A basis for monitoring implemented policy and regulatory reforms of partner institutions
- Analysis and ranking of actual and perceived business constraints
- A foundation for an impact monitoring system for partners.

What are the key features of a good baseline?

It is important to get baseline data in place as soon as possible, although sometimes indicators can only be agreed after some initial stakeholder consultation work has been concluded (as discussed in section 2). This can delay getting a baseline established. One way to mitigate is to maximize the use of existing data, including the Doing Business indicators³⁰, previous research studies by academics, previous donor's interventions, records of partner institutions, and enterprise surveys.

The scope of coverage of the baselines can be scaled up or down depending on what data is available and the budget allocation. As previously noted, the baseline may be closely related to diagnostic activities within the project. For example, if a mapping of the regulatory process is undertaken up-front to determine what reforms should be implemented or a time and cost assessment for a particular regulatory procedure, such as business registration. Current practice is discussed later in this Section entitled 'regulatory baselines'.

As discussed in section 2, it is vital to include data on both quantitative and qualitative indicators aiming to capture the starting points on facts, processes and attitudes. In this section, we explore the use of a range of primary data collection methods including focus groups, surveys and one-to-one interviews. It is recognized that comprehensive enterprise surveys (discussed in later in this Section) are expensive. If the budget is constrained, a series of well structured focus groups with a business representatives

³⁰ <http://www.doingbusiness.org/>

acting as key informants for the private sector can be used to provide an adequate baseline if the information is recorded in suitable manner.

To maximize the value of a baseline, it could also be used to engage stakeholders in the reform project. Involvement of the private sector and local businesses and dissemination of baseline results can encourage buy-in to the reform process. Some examples of baseline surveys that have formed the basis for monitoring systems are profiled in the case snapshots below.

Case Snapshot 3.1: The City Competitiveness Survey in the Philippines

The Cities Competitiveness Ratings project (PCCR) is the flagship M&E tool for the enabling environment component of the GTZ *Small and Medium Enterprise Development for Sustainable Employment Program (SMEDSEP)* project in the Philippines.

The survey is the result of collaboration between SMEDSEP and the Asian Institute of Management (AIM) Policy Centre. The survey compares cities on several core 'competitiveness' drivers based on 70 indicators which include measurements of the cost of doing business.

The SMEDSEP is fortunate in having significant in-country capacity for conducting surveys and monitoring development interventions through a local partner organization and the ability to create an objective source of information independent of the program.

> More detail is provided in Annex 1: Case Study on Philippines

Source: Vahlhaus, M (2007): *Participatory Management of Development Results – GTZ BEE Program in the Philippines*, SmartLessons in Advisory Services, IFC

Case Snapshot 3.2: Presenting the enterprise baseline survey in Laos

In the GTZ program, the 'Human Resource Development for a Market Economy' (HRDME) in Lao PDR, a commitment to widely communicating baseline results has resulted in regular briefings for the media to communicate the need for change and the economic benefits expected.



Source: Matzdorf, M (2007): *Smart Lessons: Impact Monitoring of the GTZ Program 'Human Resource Development for a Market Economy' (HRDME) in Lao PDR*, Smart Lessons in Advisory Services, IFC

Case Snapshot 3.3: Extending the enterprise survey in Lima.

The IFC Office for Advisory Services together MIT Poverty Action Lab, designed and implemented a survey at the outset of the Lima Business Licensing Simplification project. In 2005 and 2006, the IFC, together with a local partner administered the enterprise survey as part of the evaluation project. The largest private sector organization in Lima, (CONFIEP) is now interested in financing and implementing similar semi-annual surveys of registered firms to have empirical information about the pace of the reforms, and if necessary, advocate for its sustainability.

> More detail is provided in Annex 1: Case Study on Peru

Source: Smart Lessons in Advisory Services: How the project evaluation results don't just go to a shelf. Business licensing simplification in Lima, Peru.

What type of baselines do I need?

Methodologies and practice for establishing baselines are well established for BEE projects which focus on reforming business regulations and there is clear good practice for gathering baseline data which can be adapted according to the nature, scale and context of project. A BEE regulatory reform can develop regulatory, performance and enterprise baselines. These are looked at in detail below.

Regulatory baselines

A regulatory baseline, or regulatory mapping exercise, collects data on the current regulatory system (which could be for registration, licencing, inspections, taxation, or any other business regulation). This type of baseline is similar to what is captured in the Doing Business surveys. As noted previously, the World Bank Doing Business dataset is a valuable international benchmarking tool and gives a good indication of a country's business regulatory regime relative to other countries. However, it will typically not capture the level of detail required by a program team, especially if the program is focused at the sub-national level, at sector or industry level, or from the perspective of MSMEs. A thorough regulatory baseline should therefore map out the regulatory procedure in detail. This will provide the starting point for a rigorous 'Before and After' assessment (see Section 4.3) and is therefore a crucial part of M&E.

Box 3.2: Key components of the regulatory baseline

- A legal assessment of official regulations and procedure to compile an inventory of current relevant laws and regulations.
- A detailed integrated analysis or mapping of the current official framework and processes for regulatory procedures, including the official cost of the procedures and the number of steps, based on information and observation from the implementing regulatory agencies

Regulatory process mappings can capture the process for different procedures or for the same procedure but different types or sizes of firm. This task may be done within the program team, or specialized assistance, for example a combination of international and local legal experts could be hired.

The regulatory baseline is crucial for understanding the nature of the regulatory process and as noted, is an important aspect of project diagnostics. It is also a useful tool for defining the nature of the reforms required and the setting of targets as demonstrated in the examples below (figures 3.1 and 3.2):

Fig 3.1: Mapping for Business Regulation Simplification in Egypt

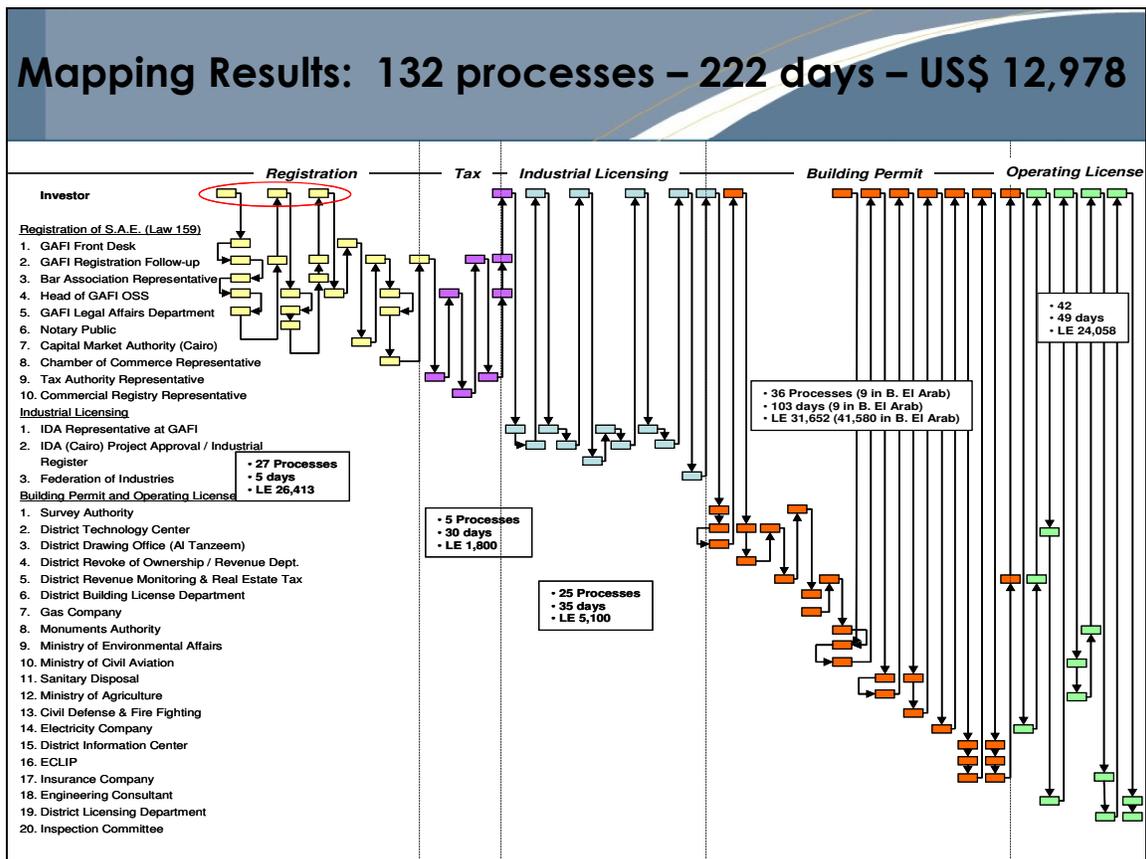
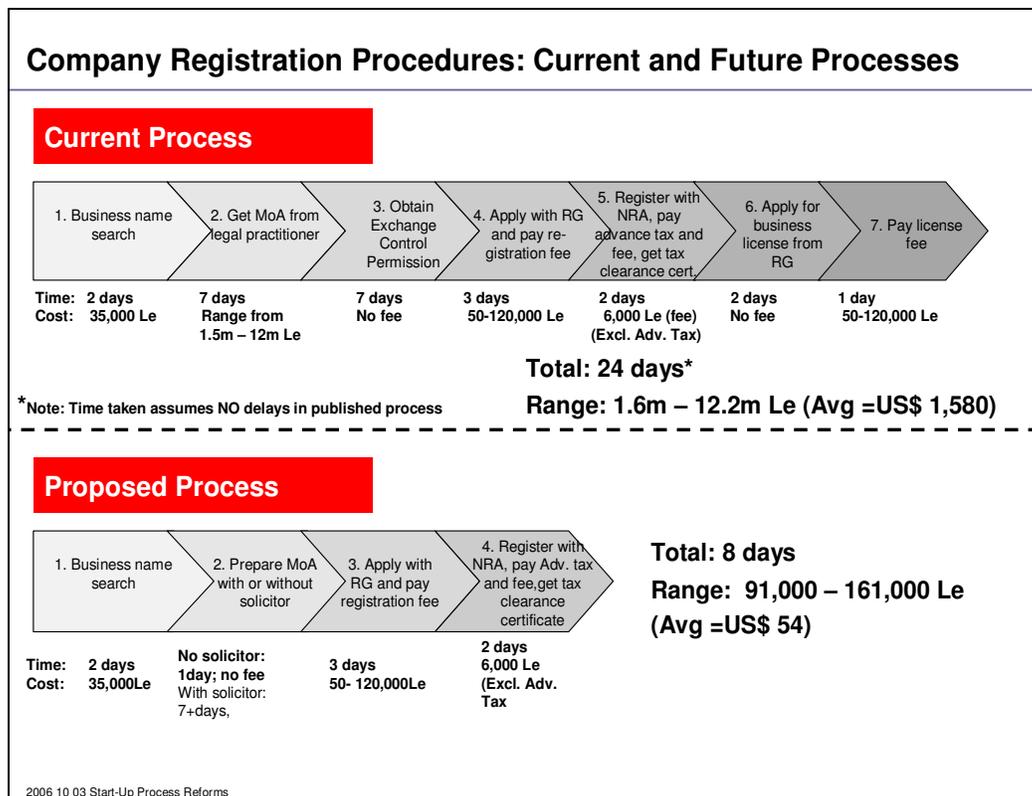


Fig 3.2: Company registration in Sierra Leone



Performance baselines

In addition to designating a baseline for the regulatory procedures, it is also important to gather baseline data on current business regulation performance. For typical regulatory reform interventions, this could include performance indicators such as (but not limited to): the number and rate of businesses registered; the number and rate of licenses or permits issued; the number of inspections conducted during a designated time period; the rate of compliance (with any annual return requirements) and various ratios of numbers tax registered firm to the amount of tax collected.

The data records will need to be comparable given the range and diversity of business regulations and their application. In the case of business licenses for example, firms of different sizes and engaging in different types of business are likely to apply for different numbers and types of licenses which may have different procedures and requirements. It will be important to clarify the number of business activities subject to licensing in a particular country. Following this, it may be appropriate to compile an aggregate performance indicator which works across these different categories: i.e.,

the percentage of businesses whose license applications are not processed within the legally mandated maximum time periods for each license.

It is worth noting that the ease of compiling business registration data for example will be highly dependent on the record keeping of the regulatory agencies. If there is limited computerization, this may require trawling through paper-based registries. If local records are inadequate, some simple low-cost surveys of local firms could be used to calculate proxy indicators. This task could be carried out by the program team, a local consultancy or business graduates could be hired and supervised by international survey experts.

In addition to the direct performance indicator baseline discussed above, it is also useful to establish a baseline for the operating efficiency of regulatory institutions. Examples include operating costs (which may be broken down into staff and equipment), fee income, investment in upgrading and staffing levels, and ratios linking them.

Enterprise baselines

While the regulatory baseline and DB indicators capture the legal structure of business regulations, they do not capture the perception and experience of businesses subject to regulation. These are customer-satisfaction indicators. An enterprise baseline is complementary to a regulatory baseline and will provide first-hand accounts of the challenges facing entrepreneurs in firms of different sizes and from different sectors which may not be captured in existing national studies. Data on the experience of processes and also perceptions can be collected directly from a sample of firms. This is typically referred to as a Business Climate Survey (BCS) or enterprise survey, and is often used to specifically capture the perceptions and experience of MSMEs.

An enterprise survey will attempt to measure the costs of bureaucracy in terms of management use of time and cost, corruption issues (money spent on bribes, informal payments and facilitation fees), and the level of bureaucracy (cooperativeness of public servants, degree of satisfaction with public sector services).

Appropriate surveys are costly and logistically not easy to do. But economizing on this could be a false economy. A sound business climate survey can be a useful, if not a critical, instrument for strengthening the business reform agenda. The higher cost can be justified by the multiple use of the survey i.e., beyond being a baseline for M&E purposes.

Box 3.3 : Benefits of an enterprise survey.

- Provides official cost of the procedures and the number of steps involved in the process.
- Monitors not only progress of the project with regard to its impact on the business climates, but can be made available for the public and the use of other development partners;
- Produces facts for a private-public dialogue and media briefings and feeds them into the political and civic process;
- Help prioritize facts through empirical cross-checks which can be used for project steering and political discussions;
- Builds visibility for the donor;
- Build capacity for a new local team;
- Motivates government and stakeholders to reform.

Significant planning is required to design, manage and undertake an enterprise survey. To update the enterprise baseline, it will be necessary to collect interim feedback from enterprises on their knowledge and understanding of new or revised regulatory requirements of procedures, their satisfaction with the reforms, and whether there is still corruption in the system for regulatory compliance (i.e., through payment of unofficial transaction costs). A repeat survey should match the conditions of the original baseline survey to ensure comparability. However, if resources are limited, this data can be collected using a small-scale ‘satisfaction’ survey of enterprises that completed new procedures in the last 12 months, a focus group or one-on-one interviews with a sample of firms who have gone through the new regulatory procedure.

Annex 4.1 provides some guidance on the five key steps of undertaking an enterprise survey, namely: plan, design, administer, interpret and disseminate³¹.

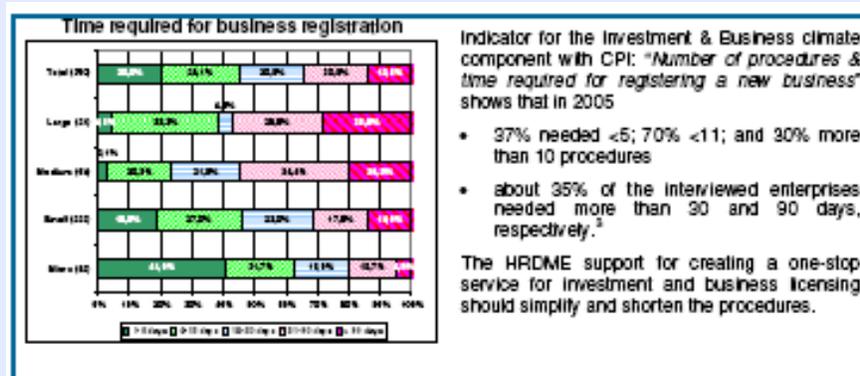
A series of case snapshots below illustrate how enterprise surveys have been used in practice for a range of BEE reform interventions.

³¹ Kaufman, F (2007) “SmartLesson: Key to Success, a Sound Business Climate Survey”. Smart Lessons in Advisory Services, IFC

Case Snapshot 3.4: Capturing impact through an enterprise survey in Lao

The Human Resource Development of a Market Economy, (HRDME) Program in Lao PDR is being delivered by GTZ to improve the conditions for business and investment. A key feature of the program is its cooperation with key players from the private sector – namely National Chambers and business associations – and with the Government.

The monitoring of program effects is based on a biennial enterprise survey, the first of which in 2005 generated benchmarks of chosen indicators. The Enterprise Baseline survey in 2005 was designed to serve four principle purposes: Quantitative benchmarking of indicators; Collection and analysis of structural and performance data of sampled enterprises; Analysis and ranking of actual and perceived business constraints; and Laying the foundations for: targeted private sector/SME development interventions; and an impact monitoring system for Lao partner organizations.



The concept for the follow up survey in 2007 is to maintain – as much as possible – the questionnaire and the sample in order to track changes in business and investment performance of sampled enterprises during the past two years. It should trace the influence of economic policy and regulatory reform as well as the impact of specific support activities of the HRDME. It will also facilitate the drawing of conclusions for effective promotional or regulatory reform efforts.

Source: Matzdorf, M (2007): Smart Lessons: Impact Monitoring System of the GTZ Program 'Human Resource Development for a Market Economy' (HRDME) in Lao PDR, Smart Lessons in Advisory Services, IFC

Case Snapshot 3.5: Mozambique provincial business climate survey fosters competition for reform

In Mozambique, GTZ is undertaking local level private sector development and has undertaken business climate survey in the provincial governments of Inhambane, Manica and Sofala focusing specifically on SMEs. The survey was designed to capture baseline and monitoring data on corruption issues, the cost and level of bureaucracy.

The survey results have provided concrete inputs for provincial PPD and allow the provinces to compete and benchmark with best provincial practice. Provincial governments compete like the WB Doing business ranking on a sub-national level. The survey has created interest by bringing in this element of regional competition and allowing in-country benchmarking in order to stimulate local actors and identify champion regions

The survey results will be used for the first time in the provincial conferences at the end of 2007. For project steering purposes, the survey results will have impact on the prioritization of project activities in the provinces for 2008"

Source: Kaufmann, F (2007) *Smart Lessons: Key to Success, a Sound Business Climate Survey.* GTZ

Case Snapshot 3.6: Rolling out the enterprise survey in Eastern Europe

The IFC Private Enterprise Partnership for Eastern Europe & Central Asia (PEP) has developed a

SME enterprise survey instrument, originally used in Ukraine, on the basis of standard instruments used in the World Bank Group. The focus has been on measuring regulatory costs incurred by businesses during start-up and operations. As such, it provides in-depth assessment of specific regulatory procedures. The key strength of the IFC-PEP survey is its relatively large sample size, which gives a representative picture of the business climate, and results in a relatively small margin of error. The key weakness is the amount of time it takes to prepare and conduct each survey and to professionally publish the findings – the typical schedule is around 10 months.

The PEP team argues that conducting an enterprise survey does not have to be expensive. According to the Independent Evaluations Group at the World Bank, PEP SME surveys are up to 10 times more cost-efficient than BEEPs: PEP surveys cost between \$10 and \$30 per respondent compared to \$100 per respondent for BEEPs which uses both surveys and face to face instruments.

Costs can be kept down if questionnaire development is managed by the local team working on the ground with overall quality control coming from the program. Local contractors conduct the fieldwork which should be monitored by program staff in country. By building local capacity and not using expensive consultants in standard situations, then costs remain reasonable.

Source: Liepina, S, Nicholas, D & Novoseletsky, E (2007) *Smart Lessons: Key Benefits of Enterprise Surveys for Improving the Business Enabling Environment*, Smart Lessons in Advisory Services, IFC

Case Snapshot 3.7: The IFO Export Climate Survey in Mongolia

The GTZ funded Export Climate Survey, Mongolia, has been developed by experts from the IFO institute for Economic Research. Conducted on a yearly basis, it covers companies operating in mining, manufacturing, tourism, transport and trade sectors

The monitoring of export-oriented companies aims at identifying the most important obstacles to exporting as seen by entrepreneurs. Rather than providing a 'one shot in time' static picture, it is designed to show the process of change over the years by replication with the same sample of entrepreneurs every 3 months.

The methodology is based on consecutive (periodical) qualitative surveys. The questions are not designed to collect precise figures, but rather provide information on opinions and directions of change on the importance of obstacles to exporting and export and conditions. As no precise quantitative figures are generated, the preferred statistical method is not the selection of a random sample for each survey, but to build up a panel of respondents that remains relatively consistent over the course of the survey period. This is considered adequate for monitoring changes in opinions related to export conditions. The ILO found that entrepreneurs are more prepared to correctly answer qualitative than quantitative questions.

Source: GTZ (2005, 2006): *Series on Industrial and Trade Policy, Export Climate Survey, Mongolia*

Case Snapshot 3.8: The South Africa Small Business Taxation Survey

The DFID / FIAS Africa: Multi-Country Study of the Effects of the Tax System on Growth was initiated in 2005 to investigate the burden of taxation in several African countries. The focus was to calculate the marginal effective tax rates imposed on typical businesses, its impact on growth and investment, and the effectiveness of the revenue authority. South Africa was among the first of these studies.

The project interviewed many knowledgeable stakeholders including tax officials, private accounting and audit professionals and business owners but found in addition, a rigorous survey was required to provide a robust statistical estimate of average compliance costs which could establish a baseline against which the impact of future reforms could be measured.

A study of compliance costs for Business Taxes was designed to measure the time and cost burden on small businesses associated with the administrative compliance with business taxes and the perceptions of relatively firmly established informal businesses about tax compliance costs and their decision about whether to formalize,

The survey was structured in three parts:

- A survey of tax practitioners – the professional accountants and bookkeepers who provide tax preparation services for small businesses on a fee-for-service basis (completed in 2007).
- A direct survey of small formal businesses

- A direct survey of informal businesses.

Using a web-based survey of intermediaries, the survey was a very cost-effective approach to M&E both for the Treasury and the South African revenue Service.

The latter two surveys, due to start later in 2007, will be conducted by telephone and face-to-face and are expected to validate the web-based survey of tax practitioners, but are relatively slower and more expensive, thus less likely to be repeated as frequently as the web-based tax practitioner survey.

Source: www.fias.net

Case Snapshot 3.9: The Tajikistan SME Business Environment Survey

The IFC SME Business Environment Survey in Tajikistan was first undertaken in 2002. The survey analyzes the current situation of a sample of more than 2,500 respondents among small and medium companies, individual entrepreneurs, and dehqan farmers. In addition to the economic outlook of the sector, the survey critically analyzes a number of administrative procedures that entrepreneurs faces in starting up or running their business (i.e. licensing, inspections, taxation).

The survey proved crucial for IFC to position itself as a credible actor in the reform process.

Baseline conducted in 2003 found that:

SME's were inspected an average of 16 times in 2002

These inspections cumulatively lasted an average of 17 days

95% of entrepreneurs interviewed underwent tax inspections with each enterprise going through an average 7 tax inspections over the course of the year

This baseline data provided a strong evidence base for reform in inspections; a challenging area because it affects the main source of income for many bureaucrats. The baseline supported the formation of a participatory approach and starting a process of PPD. Because the findings of the survey were well known, this created psychological pressure to respond to the inspections problem and make discussions constructive

Source: IFC (2007) *Smart Lessons: How to end the hunt for fines in Tajikistan – a participatory approach to inspections reform*

IFC (2003) *Business Environment in Tajikistan as seen by Small and Medium Businesses*

Is it possible to reconstruct a baseline?

The absence of a baseline is a common problem, and evaluators of programs that have been running for some time may need to reconstruct a baseline. One way of doing this is by reviewing and analyzing historical data and secondary data. For BEE, there may be limitations in this method. There may be no secondary data available or the secondary data (e.g. DB indicators³²) may not sufficiently measure program variables and potential impacts if the reform is targeted to issues or beneficiaries not covered by DB or at local level.

An alternative method is using a technique called 'recall' through qualitative research with stakeholders. For a business regulatory reform program for example, a sample of businesses and local authorities could be asked to recall their experiences of the regulatory procedure and associated costs.

³² <http://www.doingbusiness.org/>

Recall is potentially valuable but often an unreliable way to estimate conditions prior to the start of a program. However, research evidence suggests that while estimates from recall are frequently biased, the direction and sometimes the magnitude of the bias is often predictable so that useable estimates can be obtained. The utility of recall can often be enhanced if two or more independent estimates can be triangulated.

3.2 Accessing and using secondary data

What is secondary data and should I use it?

Secondary data is a valuable resource for M&E work especially for baselines, and background information. It is usually available at no cost. It is also useful if a program has already started and historical data is required, for example information for baselines.

Given limited resources, it is also often counterproductive to overwhelm government agencies with duplicating efforts of data collection for indicators. Especially where already established international sources are available and can be readily accessed for both inter-temporal and international comparisons.

On the other hand, care needs to be exercised where national sources are the primary providers of data, for example, for investment data, business registration, poverty estimates and the national accounts. Attention needs to be given to establishing that adequate focus and resources (both local and international) be devoted in developing local capacity for generating good quality data.

There is also an issue of neutrality. If the implementing government is also responsible for provision of data there may be a strong case for relying as far as possible on data from credible international sources which are independent from government. This reference or comparison will enhance the neutrality and credibility of the assessment. An added dimension is that a country's efforts to improve these indicators will send the right signals to the outside world.

What are the main sources of international business environment data?

There are several sources of secondary information that have the potential to provide good background and or baseline information for M&E work. Some of these are available on an international level and others are specific to a particular context.

WB Enterprise surveys and Investment Climate Surveys Database

The World Bank Enterprise Surveys are based on samples of typically 200 – 800 manufacturing firms (India is 1000+). 80%- 90% of the survey is 'locked' so that comparisons can be made across countries and indicators. The surveys are undertaken in the context of Investment Climate Assessments (ICAs) and are typically completed every three years, budget permitting. There is merit in using them for developing a baseline but a process and suitable instrument for follow up would be required.

www.enterprisesurvey.org//Custom/



The World Bank Investment Climate Surveys Database provides both quantitative and qualitative information on a wide range of investment climate conditions and links them to their impact on firm productivity, investment and employment. The ICS - including the Business Environment and Enterprise Surveys (BEEPS) joint with the EBRD - report results from surveys of over 30,000 entrepreneurs in over 50 countries. The surveys are business establishment surveys aimed at generating statistical information for formal assessments of investment climates in international and regional perspectives. The surveys report on some BE indicators and can provide useful baseline and background data³³.

<http://iresearch.worldbank.org/InvestmentClimate/>

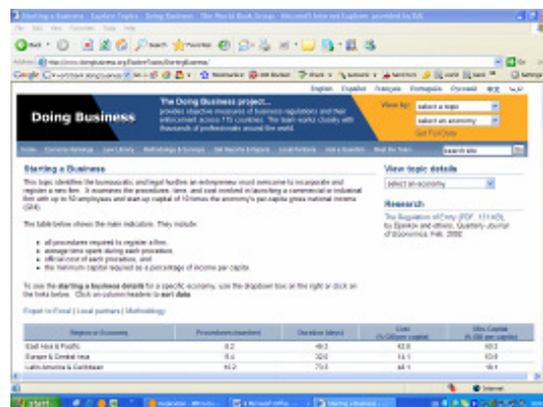
³³ <http://iresearch.worldbank.org/InvestmentClimate/>

WB Doing Business

This is a well known international research project which provides objective measures of business regulations and their enforcement across 178 countries. DB is not an enterprise survey as it relies on a relatively small number of expert respondents. It is a ranking on various aspects of business regulations which assesses economies based on their 'ease of doing business'. This is measured according to the legal framework for 10 topics: starting a business; dealing with licences; employing workers; registering property; getting credit; protecting investors; paying taxes; trading across borders; enforcing contracts; and closing a business. The underlying data is compiled by local experts, business consultants, lawyers, accountants and government officials who provide methodological support and review in the compilation of the index rankings.

A high ranking on the ease of doing business index means the regulatory environment is conducive to the operation of business. The economic index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. Further information about the methodology is available on the doing business website³⁴.

<http://www.doingbusiness.org/>



Recently DB have teamed up with Google³⁵ to create an interactive DB global map with the key DB characteristics for countries. DB data can provide good baselines but is less useful for comparisons as it is based on very specific profile of a firm (see Section 2) which may not fit the profile of the beneficiary group.

www.doingbusiness.org/map/

³⁴ <http://www.doingbusiness.org/documents/DB08Easeofdoingbusinessrankmethod.pdf>

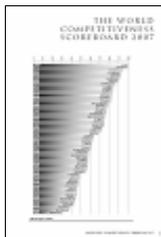
³⁵ www.doingbusiness.org/map/

Other general studies on the investment climate



World Economic Forum Global Competitiveness index

<http://www.weforum.org>



International Institute for Management Development (IMD)
World Competitiveness Scoreboard

<http://www.imd.ch>



Commonwealth Business Council's Business Environment
Surveys (BES)

<http://www.cbcbelink.org>

National and sub-national Business Environment data

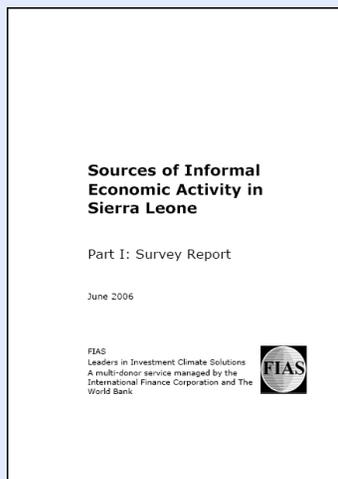
A wide range of data exists on elements of the BE and businesses at a national level. International national and local private, public and non-government sector organizations are involved in surveying the BE. The examples given below are merely indicative of the type of data available.

- ***Informality surveys.*** A series of surveys were undertaken for the World Development Report 2005 including eleven background surveys on the informal sector using a modified Investment Climate Survey Instrument. FIAS has piloted a policy-oriented survey instrument in Rwanda and Sierra Leone whose objective was to produce policy recommendations to shift economic activity from the informal to the formal sector.

Case Snapshot 3.10: Unpicking informality in Sierra Leone

In Sierra Leone, FIAS and DFID have been working with the Ministry of Trade and Industry on the Administrative Barriers to Investment Program. A central part of the M&E during the design phase for the program was to establish baseline data. A large scale formal enterprise survey was administered looking at the regulatory burden. However, according to community leaders, between 40-80% of businesses are unregistered in Sierra Leone. The FIAS team therefore worked with Statistics Sierra Leone to implement a large-scale informality survey.

The survey of 1362 totally informal businesses, partially informal/formal businesses, and community leaders was conducted. The objective of the survey was to identify the key drivers of informality in Sierra Leone and thereby better inform policy decisions to attract businesses to the formal sector. For the purposes of the survey, informality is defined as the lack of compliance with legal and procedural requirements for business operation. Completely informal businesses do not comply with any government regulation or requirement, and are unknown to the government. Partially informal businesses comply with at least one government regulation, and formal businesses abide by all government regulations and requirements. Informality is therefore represented by a continuum between the completely formal and informal economy.



The survey established some important data about the nature of informality and how it is affected by the regulatory system. Key findings included:

- Over 56% of businesses believe formal businesses are in a better or much better situation than their informal counterparts.
- Relatively more businesses that are completely informal find that both lack of access to the broader market and access/price of utilities are amongst the key disadvantages compared to their more formal counterparts.
- The most important perceived disadvantage of informality again includes limited access to finance (45% of businesses), or bribes (16%), or limited access to raw materials (7%), or fear of government retribution (7%).

- the main perceived advantages of informality are the avoidance of licensing problems, labor taxes and contributions, and income/profit tax.
- One-fifth of businesses surveyed incurred some payment over the previous year to sustain their informal status.
- As much as 60% of businesses also incurred 'other' non-monetary burdens.
- The cost of maintaining informal businesses was on average about 20% of sales over the last year.
- The average payment incurred was SL 1,062,224 (US\$450), while the median payment was SL 80,000 (US\$35). This is very high for a country where GNI per capita is about US\$200.

> More details is provided in Annex 1: Case Study on Sierra Leone

Source: FIAS (2006): Sources of Informal Economic Activity in Sierra Leone, Aminur Rahman, FIAS.

- **BEE Diagnostics.** The IFC offers BEE diagnostics as one of its service lines. They comprise the initial screening activities of business regulations and related matters for BEE interventions undertaken in certain countries. These are specific studies looking at the BEE and can provide a rich source of baseline and background information for M&E of any projects that emerge from the diagnostics work.

- **Sub-national investment climate.** Rankings of sub-national areas such as a cities or states within a country are available for some locations. The World Bank Investment Climate Assessment (ICA) of India and China which draw upon the results of the World Bank Enterprise Surveys are examples. These assessments rank different Chinese cities and Indian states respectively on various factors such as labor market flexibility, infrastructure, research and development and staff quality.

Case Snapshot 3.11: Sub-national Doing Business in Latin America

In Latin America, the IFC PEP LACTA team has recently launched the Municipal Scorecard, a pilot benchmarking tool that provides comparative information on the quality and efficiency of municipal-level private sector regulation in Latin America. The report compares regulatory burdens that entrepreneurs face when obtaining municipal operating licenses and construction permits in 65 municipalities in several countries, including Bolivia, Brazil, Honduras, Nicaragua, and Peru.

The Municipal Scorecard's comparative measurements facilitate national and international benchmarking, help build a larger base to drive change and assist municipalities in identifying best practices and areas for improvement.

The objective of the Municipal Scorecard study is to provide municipal authorities with useful information to measure their performance and process efficiency and to undertake reform where necessary. If municipal procedures for Operating Licenses and Construction Permits can be made more efficient, definite improvements can be expected in the local business climate. These improvements will aid in increasing formality and lead to greater social as well as economic inclusion.

The report establishes benchmarking indicators to compare municipalities at the national and regional levels. The indicators were developed with information obtained by surveying entrepreneurs who requested a license or a permit and municipal officers in charge of the processes.

The methodology for the scorecard was developed in collaboration with the Business Institute INCAE in Costa Rica. To obtain and process the information, IFC partnered with local academic institutions, including the Universidad Privada Boliviana in Bolivia, the Fundacion de Economia de Sao Paulo in Brazil, the Universidad José Cecilio del Valle en Honduras, the Universidad Americana en Nicaragua, and the Escuela de Administración de Negocios – ESAN in Peru.

The 2007 report concludes that population size and income levels are not barriers to reform, that municipalities that have implemented reforms consistently have performed better, and that good administrative practices can be replicated across and within countries.

The screenshot shows the 'Municipal Scorecard 2007' website. The left sidebar contains navigation links for 'Home', 'About the Scorecard', 'Results by Country', 'Results by Procedure', 'Operating License', 'Construction Permit', 'Methodology', 'Contact Us', and 'Feedback'. The main content area is titled 'Results by Country' and shows a dropdown menu for 'Bolivia'. Below this, there is a table with columns for 'Municipality', 'Municipal Scorecard Ranking', 'Performance Ranking', and 'Process Ranking'. The right sidebar is titled 'Results by Procedure' and shows a table for 'Construction Permit' with columns for 'Country', 'Municipality', 'Ranking Scorecard', 'Performance Ranking', and 'Process Ranking'.

Country	Municipality	Ranking Scorecard	Performance Ranking	Process Ranking
Honduras	Choluteca	5	18	3
Honduras	Comayagua	5	11	3
Honduras	Paraíso Central	4	17	3
Honduras	Chalatenango	4	8	2
Honduras	Yamala	4	8	4
Honduras	Sanarate	4	8	2
Brazil	Caruaru	7	23	3
Honduras	Chimela	8	9	22
Honduras	Yamala	8	4	22
Honduras	Chimela	9	4	22
Honduras	Chimela	10	7	22
Honduras	Yamala	12	2	24
Honduras	Yamala	12	2	25
Honduras	Yamala	13	20	34
Honduras	Yamala	14	40	6

The Municipal Scorecard complements the annual Doing Business report, developed by IFC and the World Bank. www.municipalscorecard.com.

Source: Luke Haggerty, IFC PEP LAC, Ricardo Furman, IFC PEP LAC

- **Specific national surveys.** Some national governments have undertaken a series of surveys to looking at various aspects of conditions in enterprise and households. How representative the sampling and the ‘currency’ of the data is from these surveys varies greatly from county to country. However they can be a very useful source of baseline data.
- **Academic research studies and consultancy studies.** Development partners and research councils throughout the world support specific studies related to the conditions of the business sector and the BE. These studies tend to be very specific one-off studies. However, if a recent study has been undertaken on the target groups then they can provide very rich sources of data for baselines and the identification of key indicators.

Case Snapshot 3.12: Counting the cost of red tape in South Africa



In South Africa, local consulting firm SBP conducted a large scale enterprise compliance cost survey which was published in 2005. The study found that Regulatory compliance – red tape – cost South African businesses R79 billion in 2004, an amount equivalent to 6,5 per cent of GDP. This was the first comprehensive survey of this kind to be undertaken in South Africa.

Source: SBP (2005): Counting the cost of red tape to business in South Africa

Case Snapshot 3.13: Using a local partner in Egypt

The Small and Medium Enterprises Policy Development Project (SMEPoL) in Egypt is a research project looking at streamlining the Egyptian laws, regulations and procedures governing SMEs establishment, growth, export and exit. SMEPoL is a partnership between CIDA, IDRC and Ministry of Finance. It has supported a number of studies using both secondary and primary data to profile the current regulative situation in Egypt. The PEP MENA Alexandria project used this work as a background for their project and as part of building up their baseline.

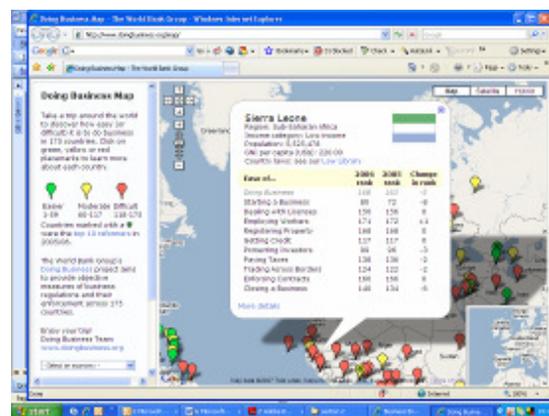
Sources: Research Study on Streamlining the Egyptian Laws Regulations and Procedures Governing SMEs Establishment Growth Export and Exit, September 2005 for Egypt Canada SMEPoL by Megacom in consortium with Phoenix Consulting and Abdel-Raouf Law Firm

WB Business environment snapshots

The World Bank has an online resource called 'Business Environment Snapshots'. This initiative pulls together key information on the investment climate into one easy to access web-format. The Business Environment Snapshots interactively draw up and consolidate data relating to:

- Global country rankings (drawn from 7 different indicators/sources (corruption, Doing Business, freedom, credit risk etc)
- Business environment data drawn from Investment Climate Assessments and also Doing Business
- Time series data on economic indicators and performance for each country, including BEE impact data such as FDI, gross private fixed capital formulation etc.
- Relevant legislation that has been passed
- All country level analysis reports on each country done by WBG over last 5 years
- All information relating to WB projects and portfolio information

<http://www.besnapshots.org>



This initiative is about bringing all data together in one place and making it easily accessible, highlighting trends and issues. Using the website, it is possible to extract in one place information about changes in score and changes in rank for different indicators. However, it is important to understand the difference and purpose of the data sources to enable comparison.

3.3 Collecting and using primary data

What is primary data?

Primary data on BEE-type activities and the stakeholders of these programs at the country level often either does not exist, is limited in scope, out of date or not easily accessible. In many countries there are limited records on businesses (their existence, profile, and revenue) especially for small and micro business. In addition, basic data on income levels and the experiences of business environment issues such as business registration, formalization and regulatory compliance is typically unavailable.

The local capacity for collecting, storing and analyzing data may also be limited. Many BEE reform programs are therefore tasked with collecting this data directly, and increasingly, working with national organizations to develop this primary data.

Box 3.4: Measuring formalization

To track the results of a business registration simplification program, the simplicity of registration process Needs to be measured. For this, gross new registration is a good indicator. However, the quality of national data on business registrations in many countries is low.

Most company registration agencies record 'new registrations' but fail to record the vast majority of company closures. Some relevant data on closures may be available from the bankruptcy courts, but they tend to exclude the usually larger group of firms that close without going through any bankruptcy procedures.

Most company registration agencies do not make a clear distinction between a new company and one that is merely changing its name, location, line of activity and/or major shareholders making it difficult to assess the number of new registrations.

Nevertheless, even if these new registration transactions are not completely new businesses, but the reborn of former operating companies, it still shows that the registration process has been improved and does not constitute an increased regulatory burden for entrepreneurs.

The World Bank Group Entrepreneurship database is an important source for measuring entrepreneurial activity³⁶:

The tax authorities are a possible source of information for the number of 'economically active formal companies, as these records capture how many firms are filing tax returns.

The local capacity for collecting, storing and analyzing data may also be limited. Many BEE reform programs are therefore tasked with collecting this data directly, and increasingly, working with national organizations to develop this primary data.

³⁶ <http://www.ifc.org/ifcext/sme.nsf/Content/Entrepreneurship+Database>

What tools are available for data collection?

There are a wide range of tools or instruments that can be used in M&E. Typically more than one way of collecting data will be used. In some circumstances, especially when looking at qualitative data, it is sometimes useful to use several techniques to help verify the robustness of the findings from each. This cross checking is called triangulation.

The key data collection tools for M&E are listed in Table 3.1 with the main features of each tool listed alongside. This list is not comprehensive, nor is it intended to be. Some of these tools and approaches are complementary; some are substitutes. Some have broad applicability, while others are quite narrow in their uses. The choice of which is appropriate for any given context will depend on a range of considerations. These include the uses for which M&E is intended, the main stakeholders who have an interest in the M&E findings, the speed with which the information is needed, and the cost. Different tools/instruments have strengths and weaknesses as methods of collecting different types of data and their use with different types of stakeholders, application with different types of indicators and different target groups.

Table 3.1: Key Tools for Data Collection

Tool/ Instrument	Description and Key Features	Example
Sample Surveys	<p>Collect a range of data through questionnaires with a fixed format that are delivered via the post electronically over the telephone and face to face interviews.</p> <p>Can be used with a range of subjects such as households (social-economic survey); a sector (farm management survey); or an activity (enterprise survey).</p>	<p>A sample of businesses are surveyed for data on the time and cost of the business licensing process.</p> <p>Quantitative data is produced on average time and cost, and perceptions.</p> <p>The enterprise survey is a core example.</p>
Group interviews/ Focus Groups	<p>Collect largely qualitative data through structured discussions amongst small groups of pre selected participants.</p> <p>Usually these groups will comprise no more than 12 people and the sessions last up to 3 hours</p> <p>These discussions are managed by an appointed facilitator who is not a research participant.</p>	<p>A sample of businesses participate in a focus group and provide qualitative feedback on the business licensing process.</p>

Section 3: Conducting Baselines and Collecting data

<p>Individual interviews</p>	<p>Collect a range of data through face to face discussions with individual stakeholders often called 'informants'.</p> <p>These can be "open" interviews or "structured" interviews, with questionnaires as part of a sample survey. They can vary in time and be held over a number of sessions.</p> <p>Often stakeholders who are viewed as being critical to the success of a project or program will be selected for interview and these are often called 'key informant' interviews.</p>	<p>A business association representative or a business registry official provides qualitative feedback on the business licensing process.</p>
<p>Case Studies</p>	<p>Collection of data usually face-to-face interviews with a particular individual, business, group, location or community on more than one occasion and over a period of time.</p> <p>The questioning involves open-ended and closed type questions questioning and involves the preparation of 'histories'.</p>	<p>A sample of businesses provide feedback via an interview on the business licencing process at yearly interviews and reflect on changes in their experiences.</p>
<p>Rapid Appraisal</p>	<p>A range of tools and techniques developed originally as rapid rural appraisal (RRA) in order to develop an instant appraisal in the field as the name suggests. It involves the use of focus groups, semi-structured interview with key informants, case studies, participant observation and secondary sources.</p> <p>RRA techniques can be used to get views from a particular constituency of businesses about a reform measure</p>	<p>Program staff attends a business licensing office where applications are being processed and talk directly to businesses and staff on the process.</p>
<p>Participant Observation</p>	<p>Data is collected through observation where the researcher takes part in an event or attends a place or situation and assesses what is happening through what they see.</p> <p>May involve some questioning for clarification. Observations may take place over a period of times through a number of visits.</p>	<p>Program staff reviews records from a business licensing office to record the elapsed time and cost in a sample of licensing applications.</p>
<p>Tracer studies</p>	<p>When a range of data collection methods are used to collect different types of data on an individual group or community to determine the effects of an aid intervention over a longer period.</p>	<p>A sample of businesses is tracked over time using a combination of methods cited above.</p>

In Annex 4.2, methodologies and guidance notes for data collection techniques, including formal sample surveys, group interviews/focus group discussions and individual interviews/key informant interviews are given.

3.4 Key messages

- Preparing baselines for a BEE intervention and reform is a significant task that should be started as early as possible
- Developing a baseline is an investment in good quality M&E and potentially the sustainability of a reform
- All BEE reforms need a regulatory and enterprise baseline to enable measurement of change in the BE and the behavior of those in the BE
- A good baseline maximizes the use of secondary data in the interest of cost, neutrality and the potential for comparison
- A good baseline recognizes that the challenges of collecting primary data can be better managed if there is clarity about what indicators need to be measured and how this will improve the quality of M&E and IA
- Good baselines can be put to multiple use – for engaging stakeholders, communicating with a variety of audiences and building donor co-operation and/or harmonization
- There are multiple sources of data – each with their own strengths and limitations. On-line sources are likely to be more current
- Many BEE projects are now building up survey instruments, templates and capturing experience e.g., through the IFC Smart Lessons series and communicating learning through expert groups, Toolkits and conferences.

Section 4

Evaluation and Impact Assessment

4.1. Planning an evaluation

4.2. Evaluation techniques

4.3. Assessing Impact

4.4. Forthcoming Developments in M&E for BEE

4.5. Key messages

Monitoring and evaluation are complementary and yet distinct aspects of assessing the result of a development intervention. The function of monitoring is largely descriptive and its role is to provide data and evidence that underpins any evaluative judgements. As noted earlier monitoring is ongoing providing information on where a policy, program or project is at any given time (and over time) relative to its respective targets and outcomes. The function and role of evaluation is to build upon monitoring data, bring together additional information and examine whether or not the project results have been achieved.

This section is about evaluation – the *what*, the *who*, the *when* and the *how* questions. It looks at whether BEE reforms have achieved their outcomes (the project ‘purpose’ in logic model terms) and what has been their impact (meeting the project ‘goal’ in a logic model terms). It addresses how to implement good evaluation practices with the use of particular analytical techniques.

It examines strategies and tactics for responding to the challenges of assessing impact, and particularly in answering the difficult questions of:

- What has been achieved and what benefits have come from the changes made by an intervention?
- What, if any, results can be attributed to any given intervention?
- To what extent would changes and results have occurred without the intervention?

4.1 Planning an evaluation

What are the key questions for evaluation?

According to the Development Assistance Committee (DAC) of the OECD³⁷,

*“Evaluation is the systematic and objective assessment of an ongoing or completed project, program or policy, its design, implementation and results. The aim is to determine the **relevance** and fulfilment of objectives, development **efficiency effectiveness, impact** and **sustainability**. An evaluation should provide information that is credible and useful, enabling the incorporation of lesson learned into the decision making process of both recipients and development partners.*³⁸

A comprehensive evaluation therefore typically includes analyzing all five of these criteria. The definitions of these five together with the type of questions asked for each criterion is illustrated in Table 4.1.

Table 4.1: Evaluation Criteria, Definitions and Core Questions

Criteria	Definitions	Core questions	Business registration reform examples
Relevance	The extent to which the aid activity and strategy is responsive to the priorities and policies of the target group, recipient and donor.	<ul style="list-style-type: none"> ▪ Does the intervention address needs? ▪ Is it consistent with the policies and priorities of major stakeholders? ▪ Is it compatible with other efforts? ▪ Does it complement, duplicate or compete? 	<ul style="list-style-type: none"> ▪ Were regulatory issues correctly identified as the key problem for business registration? ▪ Was the type of technical assistance provided appropriate for helping to address the key problems identified?
Effectiveness	The extent to which an aid activity attains its objectives and the degree to which desired outcomes	<ul style="list-style-type: none"> ▪ Are the desired objectives being achieved at outcome and impact/goal level? ▪ Does it add value to what others are 	<ul style="list-style-type: none"> ▪ Has the registration experience improved for enterprises and made it easier to establish a new business? ▪ Has the registration

³⁷ www.oecd.org/dac

³⁸ OECD (2000), Glossary of Key Terms in Evaluation and Results-based Management, pp21

Section 4: Evaluation and Impact Assessment

	are achieved through products and services provided.	doing? <ul style="list-style-type: none"> ▪ To what extent are partners maximizing their comparative advantage? 	experience improved for those institutions implementing these regulations?
Efficiency	The operational and administrative efficiency of projects and services provided.	<ul style="list-style-type: none"> ▪ Are we using the available resources wisely and well? ▪ What is the efficiency of communication mechanisms, knowledge management and coordination with other agencies? ▪ How can we measure outputs – both qualitative and quantitative – in relation to inputs? 	<ul style="list-style-type: none"> ▪ What is the cost benefit analysis of technical assistance inputs against the benefits of: <ul style="list-style-type: none"> - cheaper start-up for enterprise and time saving on the process - lower cost per registration for the implementing registration agency - decrease in time taken to process an application for the agencies
Sustainability	Measuring whether the benefits of an activity are likely to continue after donor funding has been withdrawn.	<ul style="list-style-type: none"> ▪ Will the outcomes and impacts be sustained after external support has ended? ▪ Will activities, outputs, structures and processes established be sustained? 	<ul style="list-style-type: none"> ▪ Have the changes in procedures been 'formally' approved and constituted in the system? ▪ Have the changes in practices been embedded into operations and review systems?
Impact	The positive and negative changes produced by a development intervention, directly or indirectly, intended or unintended.	<ul style="list-style-type: none"> ▪ What changes, positive or negative have occurred? ▪ Are these changes attributable to the initiative? 	<ul style="list-style-type: none"> ▪ Is it cheaper and easier for businesses to start up? ▪ Are more new businesses formally registering? ▪ Does easier business registration mean that new businesses are better performing in early stages? ▪ Has the reputation and client services of the agencies improved?

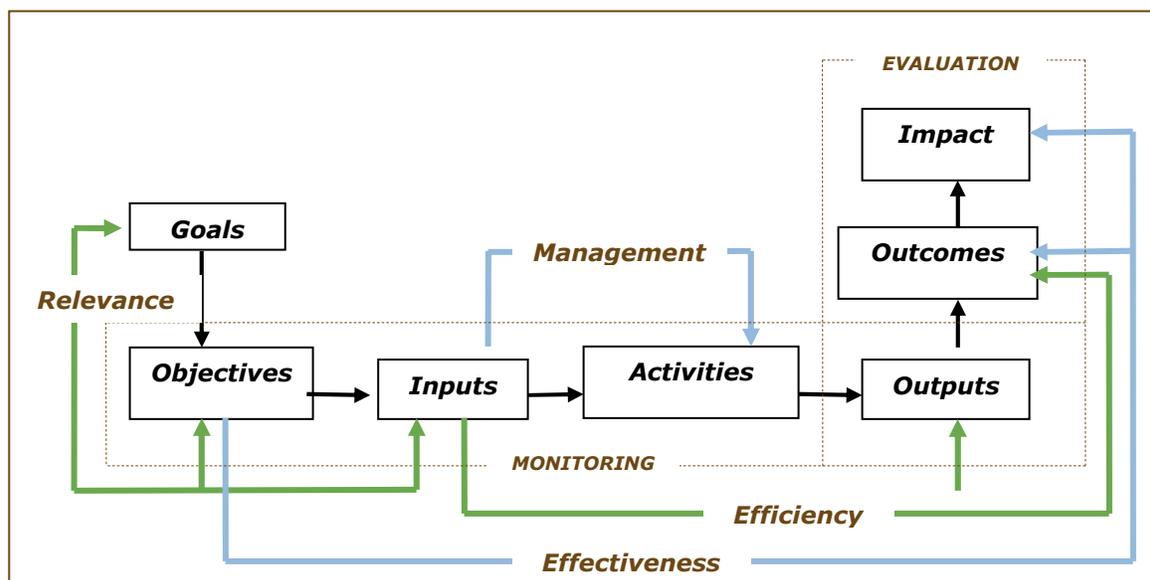
Evaluations can be categorised in several different ways according to when they take place, where they focus and hence what processes they use.

As noted Section 2, the logic model allows for a systematic and diagnostic review of BEE interventions and links M&E indicators and processes to stages of the program cycle

(discussed further in section 5). The core evaluation criteria can also be linked to the LF as shown by Figure 4.1. The intention is to assess:

- The extent of **compliance** and appropriateness of the development partners' BEE objectives and strategy with its overall goals and mandate;
- The **relevance** of the development partners' strategic approach and planned operations for the planned BEE interventions, the management of BEE projects and programs being delivered,
- The **effectiveness** of the BEE activities or the services or technical assistance (TA) provided, and
- The **sustainability** of BEE or investment climate improvements achieved via the services or TA provided.

Fig 4.1: Core Evaluation within the LF and Project cycle



When is evaluation undertaken?

Usually project evaluation is undertaken in line with donor reporting requirements and typically takes place at designated stages in the program cycle (often termed mid-term or project progress review), or immediately after the program intervention is completed (post-program evaluation or completion reporting). Covering all of the core criteria in all evaluations may be an ideal but is not always practical. The evaluation may be conducted at too early a stage to assess impact or sustainability in the longer term. However, in any evaluation it should always be possible to assess some degree of relevance, effectiveness and efficiency as minimum criteria.

The precise protocols and practices of when, what and who is involved in undertaking evaluation and in particular assessing the impact of interventions, varies between development partners and organisations³⁹.

For the purpose of this Handbook the approach for the planning and practice of evaluation is separated into two distinct but interrelated types of activity differentiated by the timing, focus and the methodologies used. They are described as **review evaluations** and **assessing impact** as illustrated in Table 4.2.

Table 4.2: Types of evaluation

<p>Review evaluation</p>	<ul style="list-style-type: none"> ▪ Focuses on outcomes in terms of effectiveness, efficiency and relevance. ▪ Examines whether the activities have delivered the planned outputs and whether these outputs have in turn led to outcomes that are contributing to the purpose of the project. ▪ In DFID for example early reviews are typically called Activity-to-Output Reviews, while later ones are called Output-to-Outcome Reviews. <p>See Annex 4.4 for a sample TOR for a mid term review evaluation</p>
<p>Assessing Impact</p>	<ul style="list-style-type: none"> ▪ Is typically carried out towards or at the end of projects; or after their completion ▪ They usually carried out by those 'outside' of the project in an effort to enhance objective accountability but may also involve insiders in order to enhance lessons learning. ▪ Impact evaluations focus on relevance, effectiveness, efficiency, sustainability in relation to project goals. ▪ Impact evaluations can also be carried out to assess and synthesize the outcomes of several initiatives together on a thematic, sector or program basis to examine their overall impact.

For example, a BEE reform intervention will typically provide various elements of technical assistance to the government in order to achieve specific outcomes (e.g., new enacted legislation leading to an improved investment climate), which in turn would lead to impact (i.e., investment flows, economic growth and employment, and poverty alleviation). The review and impact evaluations looked at different aspects of the 'results achieved' as shown in table 4.3.

³⁹ The key aspects of evaluation practices by IFC, DFID and GTZ are outlined in Annex 4.3

Table 4.3: Review and impact evaluations

Evaluation	Criteria	Measuring
Review	Program Outcomes	Has the policy/regulatory changes been implemented and sustained and the investment climate improved
Impact	Program Goals	Has the better investment climate increased domestic and foreign investment, leading to growth and poverty alleviation

How do we ensure the practice of good quality evaluation?

In general, a good evaluation should aim to meet the generic quality standards as outlined in Table 4.4 which relate to what is involved in evaluation, how it is undertaken, when and by whom. These quality requirements help to ensure that effective and objective assessment practices are undertaken.

Table 4.4: Quality Standards for Evaluation

Standard	Requirement
Utility	The evaluation meets the information needs of the intended users and therefore is relevant and timely
Accuracy	The evaluation uses valid, reliable and relevant information
Independence	The evaluation is impartial, objective, and independent for the process concerned with policy-making, and the delivery and management of development assistance
Credibility	The evaluation is undertaken by evaluators with appropriate skills and experience, is transparent and inclusive
Propriety	The evaluation is conducted legally, ethically and with due regard for the welfare of those involved in the evaluation, as well as those affected by its results
Cost beneficial	The costs of evaluation are proportional to the budget committed to the development intervention being evaluated and remain within the budgetary limits. Resources are used with care

Who should undertake evaluations?

To support these quality criteria, it is important that evaluation activity, especially impact assessment, should be undertaken by those independent of the project or at least those not immediately involved in its implementation. Program officers should be involved in

designing the evaluation as well as contributing inputs to the evaluation exercise alongside other stakeholders, but not undertaking the assessment.

Evaluation teams can include internal officers such as head quarter staff or specialist evaluation staff. For example, IFC have an M&E specialist team in Washington called the 'Results Measurement Unit' as well as regional M&E teams in their Facilities who advise on M&E matters and can be involved in directly evaluating projects. GTZ also has two specialist evaluation units at its head quarters: one focusing on helping project officers to undertake effective M&E of results, the other focusing explicitly on post-project and impact evaluation.

However, evaluations (especially end of project and post-program impact assessment) are activities that are typically undertaken by independent consultants. They bring specialist technical expertise and a sense of objectivity to the evaluation, which are two important criteria for meeting the quality standards noted above. The consultants may come from the private sector or from organizations such as universities research institutes etc. They may be locally based within country or come from internationally operating organizations.

The choice of who undertakes the evaluation of a project and how they are selected and commissioned will depend upon the nature and scale of the BEE reform being assessed. The balance and roles of those internal and external to the project and the practicalities of planning for commissioning and managing evaluation consultants are discussed further in Section 5.

Will who does the evaluation affect diversity and/or inclusion issues?

In Section 1 the importance of ensuring that any evaluation work makes provision for capturing issues of diversity and tries to be as inclusive as possible. Explicit steps need to be undertaken to ensure that this happens throughout the process of designing and implementing the evaluation approach.

Consideration should be given to the questions, which indicators are selected, which target groups are sampled, what research tools are used, who undertakes the research and when and where research takes place. These decisions will all influence the degree to which the diversity of stakeholders will be captured and the level of inclusiveness achieved. Most development partners have practical guidance on these issues, often on intranets.

DFID developed an outline M&E framework, the Integrated Impact Assessment Approach (IIAA)⁴⁰, to provide some guidance on how to ensure that poverty alleviation and other social issues are considered. The approach (see Table 4.5) is based on the logic model. It does not present a new methodology or set of indicators but rather emphasizes three elements of impact assessment⁴¹.

- First, it recommends that impact assessment is brought to the fore in any project/program planning process and that discussions involve consultation with a wide group of stakeholders.
- Secondly, it recommends that any ‘cause and effect relationships’ that are assumed to underpin the proposed BEE intervention are examined and checked with key stakeholders as part of an ex ante proposal. It is at this stage that project designers need to consider impact for a diverse range of groups and in particular how BEE reforms and interventions are likely to impact on the disadvantaged groups. The use of analytical tools such as causal chain analysis and risk assessments should be used alongside participatory evaluation approaches with different stakeholders.
- Thirdly aligned to the above point the IIAA recommends the adoption of a broader ‘lens’ of factors against which impact should be measured. In particular it recommends that consideration is given to social equality and environmental issues alongside the more traditional economic and investment indicators that are held as the primary if not the only success indicators for most BEE reforms.

Table 4.5: The Integrated Impact Assessment Approach

Stage	Tools
Initial screening	<ul style="list-style-type: none"> • Review of current BEE and economic context • Identification of areas to be reformed • Definition of strategy and focus for reform
Program design – ex ante appraisal	<p>Baseline assessment:</p> <ul style="list-style-type: none"> • Review of legislative, policy and regulatory environment • Review of country context and conditions • Consultation procedures and stakeholder analysis • Risk assessment <p>Program design:</p> <ul style="list-style-type: none"> • Determination of policy options that address constraints on the private sector and BEE • Selection of impact indicators – social, economic, institutional,

⁴⁰ Pinder et al (2005) *Guidelines for Assessing the impact of EE programmes: IIAA and Handbook to accompany IIAA guidelines*. for DFID

⁴¹ More information can be found on the website at: www.enterprise-impact.org.uk/BEEenvironments

	<p>environmental</p> <ul style="list-style-type: none"> • Conduct causal chain analysis, assess impact significance • Develop scenarios
Program implementation	<p>Establish monitoring system and ongoing monitoring</p> <ul style="list-style-type: none"> • Focus groups and panels • Point of delivery surveys, score cards • Phone surveys • Mid-term assessment
Program review – ex post evaluation	<p>Output-to-purpose review or purpose -to-goal review</p> <ul style="list-style-type: none"> • Comparison of actual impacts and baseline • Evaluation of implementation and performance • Determine quality of ex-ante assessment

These recommendations and the framework set the agenda for a shift in approach within M&E but it does not prescribe or include a set of core indicators and practices for implementation.

Case snapshot 4.1: Using the IIAA approach

The IIAA approach was applied to the front end design of an IFC business regulatory program in Vietnam. The consultants worked with the local IFC staff, local government officers, businesses and other stakeholders. The 10 day exercise consulting with local stakeholders about the critical regulatory issues and employing an explicit poverty focused approach did not change the fundamentals of the program. However, it did lead to a change of priorities for action, led to set of different results indicators being considered and highlighted a range of important relationships that influenced the degree to which poorer people would benefit from the reforms alongside the business sector.

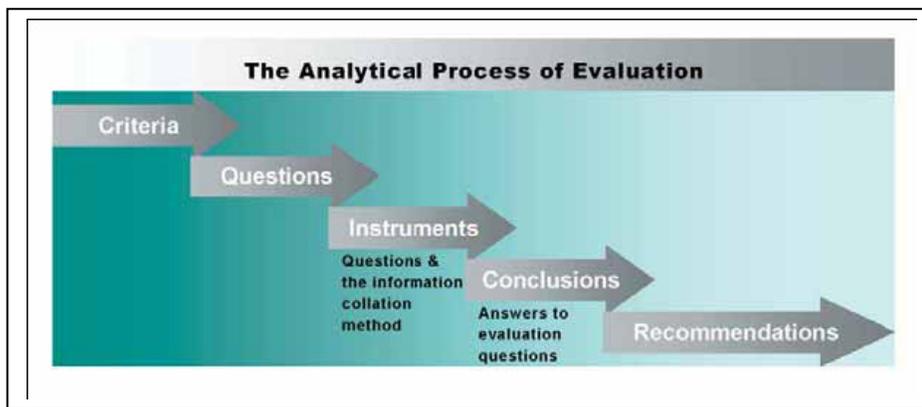
Source: Enterprise Development Impact Assessment Information Service

4.2 Evaluation techniques

What is the starting point?

Undertaking evaluation involves a distinct set of actions requiring specific methods and techniques. DFID in their guidance to officers on project and program evaluation present these as an analytical process of evaluation as shown in Figure 4.2.

Fig 4.2: The evaluation process



The Program officer should:

- Take into consideration the broad **criteria** for development reforms noted earlier (see Section 4)
- Combine these with the **key indicators** identified for the project (Section 2)
- **Identify clear questions** to be addressed by the evaluation
- Make these evaluation questions operational by turning them into **evaluation instruments** for data collection
- Identify the **sources of different data** to be used in the evaluation; and
- Agree the ‘**success rating criteria**’ that will be employed in analyzing the findings from the data collection and the basis on which **conclusions and recommendations are made**.

Which questions should an evaluation prioritize?

An evaluation cannot answer every question that various stakeholders want answered, without becoming burdensome and too time-consuming for those being evaluated and too expensive for those undertaking it. It is important to focus on a set of key questions regarding the output, outcome and impact indicators identified in the Log Frame or plan. These should be set against the core evaluation criteria outlined above.

Case Snapshot 4.2: Developing indicators for business simplification in Egypt

In an IFC PEP MENA (Middle East and North Africa) business simplification reform project in Alexandria in Egypt, a number of output, outcome and impact indicators were developed:

Reform action	Outputs	Outcomes	Impact
Mapping Exercise, Redesign and Implement Processes & procedures	<ul style="list-style-type: none"> ▪ The production of a report with full mapping of existing procedures. ▪ Number of processes mapped. ▪ Number of government authorities engaged in reform efforts. ▪ Number of processes currently under reform. ▪ Investor surveys to assess current business environment. 	<ul style="list-style-type: none"> ▪ Number of laws/regulations changed because of reform work. ▪ Reduced cost and time of registration 	<ul style="list-style-type: none"> ▪ Number of new businesses registered (new investments/ formalized investments) ▪ Additional investment capital generated. ▪ Jobs created ▪ Increase in income ▪ Investor satisfaction with new procedures (based on surveys)

These primary output, outcome and impact indicators can be mapped against key questions for evaluation from the core evaluation criteria:

Criteria	Business registration reform questions
Relevance	<ul style="list-style-type: none"> ▪ Were regulatory issues identified from mapping the key problems faced in the business registration process? ▪ Was the type of technical assistance provided appropriate for helping to address the key problems identified?
Effectiveness	<ul style="list-style-type: none"> ▪ Has the registration experience improved for enterprises? Is it easier to establish a new business? ▪ Has the registration experience improved for those institutions implementing the regulations?
Efficiency	<ul style="list-style-type: none"> ▪ What is the cost of technical assistance inputs against the benefits of: <ul style="list-style-type: none"> - cheaper start-up for enterprises and time saving on the process - lower cost per registration for the implementing registration agency - decrease in time taken to process an application for the agencies
Sustainability	<ul style="list-style-type: none"> ▪ Have the changes in procedures been 'formally' approved and constituted in the system?

	<ul style="list-style-type: none">▪ Have the changes in practices been embedded into operations and review systems?▪ Is there evidence of PPD on these regulatory issues?
Impact	<ul style="list-style-type: none">▪ Is it quicker, cheaper and easier for businesses to start up? And if so:<ul style="list-style-type: none">➤ Can we estimate what are the financial savings by businesses?➤ Are more new businesses formally registering?➤ Is informality decreasing?▪ Does easier business registration mean that new businesses are better established and better performing in their early stages as shown by an increase in capital invested?▪ Have the client services and reputation of the agencies improved?

> For further details, see the full case study on Egypt in Annex 1

What data and information are needed to answer these questions?

Typically evaluation involves using and collecting qualitative and quantitative data sourced from the ongoing monitoring activities of the project, as well as data obtained directly by the evaluation or review team.

Sections 3 looks in detail at the types of secondary data available for the M&E and the key data collection techniques that can be used. Many of the data collection techniques used in evaluation are the same as those that will be used for monitoring, namely: observation, record analysis, interviews and focus groups, questionnaires and surveys. Those more relevant for evaluation are discussed below.

Using secondary data

Key secondary data sources for review evaluation will typically include documentation both **internal** and **external** to the project.

Table 4.6: Documentation sources

<p>Internal project data</p>	<p>Project documentation such as: project design/memoranda and log frame/ impact chain, monitoring/ supervision reports, review reports and documents marking critical incidents or activities in the project implementation.</p> <p>For example: DFID's guidance⁴² recommends having an audit trail of documentation including evidence of policy changes made or new agreements negotiated by new partner representatives, e.g. after elections. Documents may include key emails as well as more formal letters, reports as well as press cuttings etc.</p>
<p>External data</p>	<p>Reports from partners, other stakeholders, government agencies/departments, research institutes, other development partners, newsletters website notices etc. Statistics from government department and agencies can be critical as background data and providing benchmarks⁴³.</p> <p>For example: Business formalization/informality data. "Most company registration agencies record 'new registrations' but fail to record the vast majority of company closures. Some relevant data on closures may be available from the bankruptcy courts, but they tend to exclude the usually larger group of firm that close without going through any bankruptcy procedures. Even if we are only interested in entry, most company registration agencies do not make a clear distinction between a new company and one that is merely changing its name, location, line of activity and/or major shareholders. If we want to track the number of 'economically active formal companies' the most reliable and up-to-date source of information in most countries is from the tax authorities."⁴⁴</p>

Using primary data

In addition to secondary information most evaluations, especially impact evaluations, will involve some form of primary data collection i.e. data specifically collected for the purpose of the evaluation exercise.

Evaluation is usually trying to record the three things:

⁴² DFID (2005): Guidance on Evaluation and Review for DFID Staff Evaluation Department

⁴³ Reference point or standard against which performance or achievements can be assessed

⁴⁴ FIAS (2005): A manual for the identification and removal of administrative barriers to investment, module 6: monitoring, evaluation and continual assessment, pp5-6

- Capturing **quantitative changes in conditions and circumstances** relating to the reform, e.g. the reduction in steps, time and money to register a new business; changes in frequency and duration of business inspections, the frequency and level of fines paid by businesses.
- Capturing **more qualitative changes** in opinions, satisfaction rates, attitudes, e.g. the perceptions of businesses, and of implementing agencies to changes in the regulatory regime
- Capturing **process issues** such as critical incidents and events that have occurred throughout, e.g. the engagement of the business associations in reviewing a reform, the ability of a business association to represent the views of its members, the development of a Public Private Dialogue (PPD) process to improve the quality of regulatory reforms.

Data collection techniques and tools

Not all techniques are suitable for collecting these different types of data as Table 4.7 shows. Data collection techniques must be chosen that are appropriate for the particular research question.

Table 4.7: The strengths and weaknesses of different data collection tools

Method Criteria	Surveys	Rapid appraisal	Participant observation	Case studies	Focus groups
Coverage - scale of applicability	High	Medium	Low	Low	Low
Representative	High	Medium	Low	Low	Low
Ease of quantification	High	Medium	Low	Low	Low
Ability to isolate /measure non-project causes of change	High	Low	Low	Low	Low
Speed of delivery	Low	High	Medium	High	High
Expense of design and delivery	High	Medium	Medium	Low	Medium
Ease of quantification	High	Medium	Medium/ Low	Low	Low
Ability to isolate and measure non-project causes of change	High	Low	Low	Low	Low
Ability to cope with the attribution problem	High	Medium	Low	Low	medium
Ability to capture qualitative info	Medium	High	High	High	High
Ability to capture causal processes	Low	High	High	Medium	Medium
Ability to understand complex processes - e.g. institution building	Minimal	Medium	High	Medium	Medium
Ability to capture diversity of perceptions	Medium	High	Medium	Low	Medium
Ability to elicit views of diverse/disadvantaged groups	Medium	Medium	High if targeted	High if targeted	Medium
Ability to capture unexpected impacts	Low	High	High	High	High
Degree of participation encouraged by method	Medium	High	Medium	Medium	High
Potential to contribute to stakeholder capacity building	Medium	High	Low	Medium to low	High

For example, where the changes in the time, duration and cost of regulative compliance are of interest, then it is valuable to survey a large representative sample of businesses experiencing these regulations. The focus is to capture experiences of compliance in terms of consistent measurable terms such as such as frequency, time and cost. Enterprise surveys (discussed in detail in Section 3) are good for this; case studies are less rigorous as they do not give the coverage of a large number of enterprises.

Case Snapshot 4.3: Using an enterprise survey to measure changes in BEE

The FIAS Regulatory reforms in Latvia used Administrative and Regulatory Cost Survey (ARCS) in late 2001 and again in late 2003 and 2005 to show changes in many aspects of the business environment including for example:

- The frequency and duration of inspections
- The incidence and severity of fines imposed on businesses
- Access to information and updates regarding tax issues
- Changes in the time and cost of administrative procedures, such as the time spent registering a company and registering title transfer in Land Books.
- Number of businesses that regard various specific regulations as an obstacle to the operation and growth of their business

> For further detail, see the full case study on Latvia in Annex 1

Similarly, to assess enterprise satisfaction rates with regulatory issues and services, large-scale surveys are preferable but they tend to be expensive. An alternative way of gaining an insight about these things is to run focus groups (FGs) with key representatives from those groups whose experience the M&E must establish.

Case Snapshot 4.4: Using FGs with business associations in Egypt

The IFC PEP MENA business start up simplification project in Alexandria Egypt engaged the Alexandria Business Association in their reform process throughout the project by using a working group from the association as a sounding board on project progress.

ABA have now decided to undertaken a regular survey of their members to act as a local 'investment climate barometer'. This regular survey from a select but relevant interest group is intended to provide important input to any evaluation work on the project.

> For further details, see the full case study on Egypt in Annex 1

Identifying key stakeholder business associations and groups and inviting representatives along to a FG group will often provide as much insight into business satisfaction with regulations as a survey, especially if the representatives have consulted with their members before they come to the FG.

Case Snapshot 4.5: using FGs with different sector stakeholders in Thailand

The 'Thai-German Programme for Enterprise Competitiveness' (T-G PEC) supports work with businesses in the agro-industry sector in Thailand. The Program utilises a variety of data collection methods using both quantitative tools (such as business surveys, business record keeping) and qualitative approaches (such as focus groups, end of event reviews, meetings) to assess the progress and benefits of their work with enterprises.

Focus groups with enterprises, intermediary business service deliverers and other stakeholders are used to gather feedback on several levels including, enterprise satisfaction levels after specific inputs. They are also used to disseminate results, share knowledge and communicate a range of messages between and magnet different stakeholder groups.

> For further details, see the full case study on Thailand in Annex 1

Can data collection tools be combined?

Evaluation usually involves using a number of different data collection tools to obtain a range of quantitative and qualitative information about the outcomes and impact of a BEE reform. For example, surveys may be complemented by FG discussions and a small number of detailed case studies as well as in-depth interviews with key informants. This performs a checking role or *triangulates* the information collected by combining multiple data sources and methods. In this way, this can help to overcome the bias that comes from only using one source and method of data collection⁴⁵.

Box 4.1: Using triangulation

Triangulation means compensating the use of single data collection methods and a simple study design with the use of several information sources and different methods simultaneously, to generate information about the same topics.

For instance, information from a survey may be supplemented with general experience data from similar interventions, and interviews with a variety of key informants to provide contextual information. In this way the strengths of one methodology can be used to correct or overcome the weaknesses of another and vice versa.

In a situation that affects several parties with different interests, representatives of all parties, as well as some neutral respondents, should be interviewed. This provides a triangulation effect that largely helps to verify information, cuts through conflicting evidence, and reveals insights, in a cost-effective way.

What is a tracer study?

Triangulation is a primary feature of *enterprise tracer studies*. This is where businesses are tracked over a period of time using a series of different data collection

⁴⁵ For more information about selection bias, see: Results Measurement for Advisory Services (2007): Innovations in Impact Evaluation in IFC, [http://www.ifc.org/ifcext/rmas.nsf/AttachmentsByTitle/Innovationsmonitor/\\$FILE/Innovations2.pdf](http://www.ifc.org/ifcext/rmas.nsf/AttachmentsByTitle/Innovationsmonitor/$FILE/Innovations2.pdf)

methods. This might include using a regular survey as the core tool and combining it with in-depth discussions with a sample of those surveyed and interviewing key informants on particular key issues.

For example, in the Latvian business reform program FIAS employed a range of data collection techniques to assess and measure changes in the business environment. The main source of enterprise evaluation data was the ARCS. This was then combined with FG discussions, individual interviews and feedback sessions with both enterprises and government officials.

Case snapshot 4.6: Extending the enterprise survey in Lima

In Peru, IFC has helped the Municipality of Lima reform its business license procedures in order to cut the time, cost and number of requirements. The IFC Office for Advisory Services together with a local partner and MIT Poverty Action Lab designed and implemented a survey for the Lima Business Licensing Simplification project.

The quantitative analysis of core data about the number of days to obtain a license was complemented with qualitative interviews with entrepreneurs and key official of the municipality (both before and after the reform). Using these different sources of information allowed the evaluators to contrast the results obtained from different stakeholders and provide the full picture of the process. The evaluation demonstrated that the total cost of registration fell by more than 60%. The overall impact was an increase in registrations by 260% from the prior year.

> For further details, see the full case study on Lima in Annex 1

How should assessment criteria be applied to data?

Assessing project outputs and outcomes from the data that has been brought together during the evaluation process involves **analysis and judgment about benefits and success**. Such analysis typically involves a wide range of activities, including appraisal, assessment, examination, judgement, rating, reviewing, and testing. There are a number of techniques which can be used to facilitate this process. Two forms of assessment have been outlined as examples – performance scoring, and assessing cost effectiveness through quantitative analysis.

Performance scoring

Some organizations use scoring systems as an integral part of the review process to rate aspects of performance; for example, the likelihood that the outputs and outcomes of the project will succeed (or have succeeded, depending on when the scoring is done).

Annual scoring can provide important data for accountability, learning and decision-making. With care it may be possible for scores to be aggregated across a program or sector to provide an overall picture of success and value for money. ***The quality of scoring is clearly a key issue; since bad data will generate bad conclusions.*** The system has to be consistently and robustly applied involving relevant stakeholders and partners.

A typical scoring system uses a scale of 1-5 that can be applied for each output, for all outputs collectively, and at the outcome level. This is illustrated in Table 4.8.

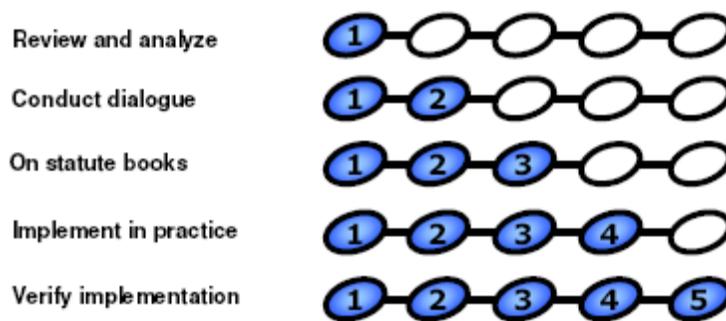
Table 4.8: Sample performance scorecard

No.	Descriptions	Achievement
1	Likely to be completely achieved	The outputs / outcome are well on the way to completion (or completed).
2	Likely to be largely achieved	There is good progress towards outcome completion and most outputs have been achieved, particularly the most important.
3	Likely to be partly achieved	Only partial achievement of the outcome is likely and/or achievement of some outputs.
4	Only likely to be achieved to a very limited extent	Very limited achievement of outcome and some outputs is likely.
5	Unlikely to be achieved	No progress on outputs or outcomes
X	Too early to judge	It is impossible to say whether there has been any progress towards the final achievement of outputs or outcome. This score should not be used unless they meet at least one of the following criteria: a) Postponement of project b) External constraints and or c) Recruitment delay

Such a scoring system could be used as part of a FG discussion with enterprises or government officials to help gauge their opinions about whether proposed changes in the regulations would be achieved.

Scoring systems are particularly useful for 'process-oriented' BEE interventions, such as regulatory governance or PPD initiatives. For example, PPD forums have been asked to assign a score from one to five to monitor government progress on reform proposals. This can be presented visually, as illustrated in figure 4.3.

Fig 4.3: Scorecard for government accountability



Case snapshot 4.7: The Latvian Business Environment Reform Program

Between 1999 and 2004 FIAS supported the Government of Latvia in the reform of inspections regulations and procedures. The initial reforms were enacted between 1999 and 2001 and it was expected that meaningful impact could only be discerned at the earliest in 2002 and more realistically in 2003 and beyond.

A critical driver underpinning M&E work in this program was the establishment of an overseeing Steering Group, appointed by the Prime Minister, with both public and private sector representatives. An 'Action Plan to Improve the Business Environment in Latvia' was developed as a legal instrument and updated regularly. The Steering Group have met on a regular basis since 1999 to review the Action Plan..

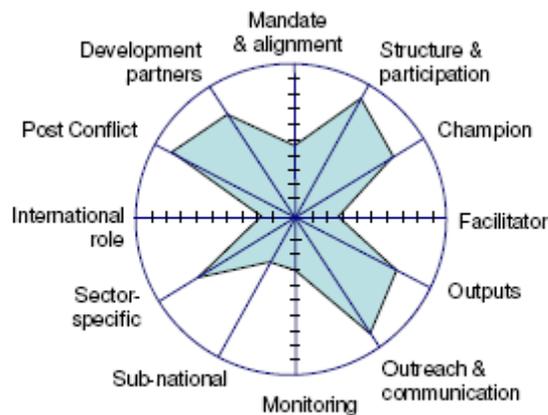
- Review and analyze proposals -achieved late 1998
- Conduct dialogue on draft reforms - achieved 1999
- Get reforms on the statute book – achieved early 2000
- Implement reforms in practice – achieved 2000/early 2001
- Verify implementation – 2001-2007- checked through ARCs

Administrative and Regulatory Cost Survey surveys (ARCs) conducted in 2001, 2003 2005 and 2007 provide ongoing evidence fro tracking and assessing performance.

> For further details, see the full case study on Latvia in Annex 1

In PPD reform, another useful tool – the evaluation wheel - has been developed to rate, analyse and present performance on 12 aspects of PDD activities (see figure 4.4). By plotting scores for each of these aspects along the spoke of the wheel, the 'shape' of performance for each dimension of PPD work can be observed and discussed. Each aspect on the wheel has associated indicators for measurement and a scoring system (from 0 = not satisfied to 5 = very satisfied) enabling the cross checking of data on similar aspects of the wheel.

Fig 4.4: Evaluation wheel for presenting performance of process indicators⁴⁶



The process indicators include scoring the existence of a mission statement and the ability to explain its content; the degree of participatory decision making; quality of management arrangements; quality and frequency of communication contribution made to conflict resolution; degree of autonomy from development partners. Therefore process indicators perform a function in relation to *how* the BEE is being reformed.

Assessing cost effectiveness through quantitative analysis.

Increasingly development partners are being asked to consider the cost effectiveness or efficiency of their interventions. Efficiency is an economic performance term comparing project outputs against the inputs. It illustrates the relation between means and ends and considers what extent the costs of a development intervention be justified by its results, taking into account alternatives; whether the intervention represents the quickest and/or cheapest way to transform investment into development gains, whilst minimising unnecessary transaction costs

Cost Benefit Analysis (CBA)

Cost benefit analysis (CBA) is a major evaluation instrument for projects with measurable benefits. For example, in business registration simplification, a CBA could consider whether the costs involved in providing technical assistance and support represent good value compared to the benefits gained through quicker and cheaper registration procedures.

⁴⁶ Source The PPD Handbook: A Toolkit for Business Environment Reformers 2006, p200

This raises the question of what standards to adopt as a reference point. The standard will sometimes be predetermined and will in other cases depend either on the terms of reference given to the evaluation team or the evaluator's own professional judgement.

In its simple form, CBA is carried out using only financial costs and financial benefits. For example, a simple cost benefit ratio for a road scheme would measure the cost of building the road, and compare this to the economic benefit of improving transport links. It would not measure either the cost of environmental damage or lower congestion or encouragement of new business activity attracted by improved transport links.

The CBA analysis depends on the timeframe of the costs and benefits being examined.

- Costs are either one-off, or may be ongoing.
- Benefits are most often received over time.

It is important to build this effect of time into the analysis by calculating the net present value including a discounted rate over time to reflect the opportunity cost of using resources.

CBA of a project or program can become an extremely complex exercise if all of the variables are considered, especially where the non-financial variables are many and difficult to quantify. A more sophisticated approach to building a cost benefit model is to try to put a financial value on intangible costs and benefits. This can be highly subjective. For example, an attempt to quantify the value to business of the reduced 'hassle' factor caused by bureaucratic delays.

Using CBA is not a new technique or tool for calculating efficiency but it is relatively new in terms of its application to BEE reforms.

Evaluation officers at IFC are working closely with advisory services project teams and business line leaders on a Cost-Benefit tool⁴⁷ to facilitate project reviews prior to approval; benchmarking/cross-project comparisons; project monitoring during project implementation.

However, the framework that has been developed so far by IFC is only for Business Registration projects similar frameworks should be developed for more BEE products.

⁴⁷ See the IFC Results Measurement website at <http://www.ifc.org/ifcext/rmas.nsf/Content/Home>

IFC is at the forefront of this work looking at the concept of 'private sector savings (PSS) or aggregate cost savings' as a universal impact indicator for business benefits arising from BEE reform interventions.

The concept of PSS is based upon calculating, estimating and extrapolating changes for a number of factors related to the reform interventions such as:

- Reduction in the direct costs to business - both formal and informal of starting (fees and time to get registration permits licenses etc) and operating a business (licenses, inspections, bribes etc) prior to and following reform; and
- Staff time saved due to the cut back in numbers of procedures and time taken with procedures

A number of larger BEE programs such as the regulatory reform in Latvia have used a CBA technique to examine the overall cost benefit impact of the reform program.

Case Snapshot 4.8: Using ex-post CBA in Latvia

Between 1998 and 2005, FIAS carried out six projects at a total cost less than \$500,000. The Government of Latvia also provided major in-kind contributions of staff time to oversee the reforms and covered most of the costs of the second and third business surveys. This amounted to roughly another \$500,000 putting the total cost of the work at roughly \$1 million.

Many of the FIAS recommendations were also supported by a World Bank loan for public administration reform (including tax and customs reform), which amounted to about \$45 million.

Taking the estimated benefit figure of US\$170 million between the period 2001 and 2005 gives a cost – benefit ratio of \$46 to \$170 (all discounted to 1998) meaning that each \$1 invested in the project resulted in at least \$3.7 savings for businesses in Latvia over a four-year period.

This shows that the project generated significantly more in monetary benefits than it cost to implement

Source: Source: FIAS Liepina et al 2006.

> For further details, see the full case study on Latvia in Annex 1

A different form of cost benefit quantification exercise can be undertaken using the results from an enterprise survey to estimate the saved costs to the average business, and from this extrapolating the total savings to the economy as a whole. In effect the economic impact.

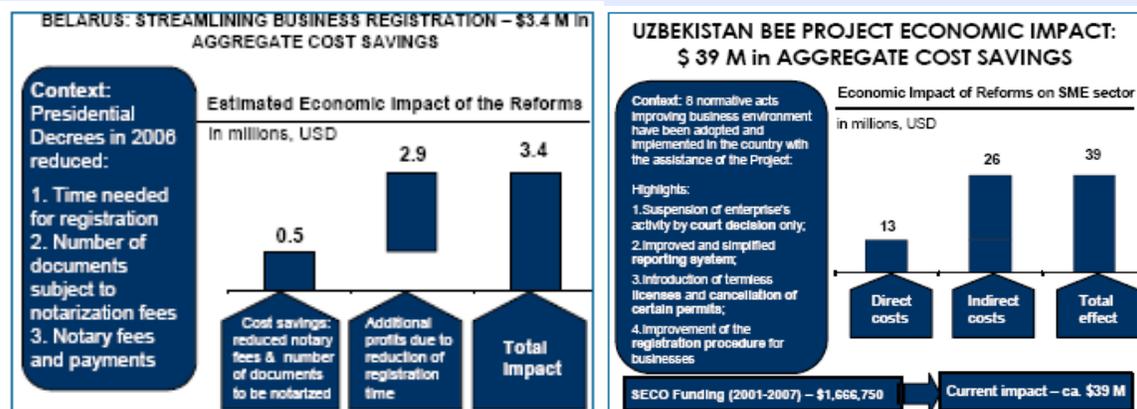
The methodology for doing this is described in detail in Annex 4.5 This methodology has been widely applied to BEE reform interventions in Eastern Europe and Central Asia as illustrated through the case snap shot below.

Case Snapshot 4.9: Using quantification techniques in Eastern Europe and Central Asia

The PEP IFC Advisory Services team has used the economic impact quantification technique to estimate an aggregate cost savings of US\$84 million for businesses in its focus countries. The calculations are made by comparing specific aspects of the business environment before and after IFC-supported reforms in order to quantify the benefits accruing to the target population – i.e. the aggregate savings to businesses.

In 2005 and 2006, the **Belarus** BEE project focused its efforts on simplifying costly and burdensome business registration procedures. As a result of the project's policy work, the government enacted a series of key changes that are estimated to result in direct cost savings to businesses of roughly \$500,000 (using the methodology described in Annex X). In addition, the shorter registration period is expected to generate about \$2.9m in profits to Belarusian SMEs. Thus the total expected economic impact is \$3.4m.

The SME survey conducted in early 2006 included specific questions on business experiences with the registration procedures. This allowed the project to capture a true pre-reform situation or 'baseline'. The project plans to conduct the next comprehensive SME survey in 2008 to capture the actual post-reform state of affairs. In the interim, in order to engage the government in a policy dialogue and estimate the impact of the reform, the project used expert assessments and official data to arrive at a conservative estimate of the aggregate cost savings to businesses. These will be verified once the data from the 2008 SME survey are available.



In **Uzbekistan**, since 2001 IFC has been working to improve the business environment by focusing on streamlining inspections, tax reporting, permit and licence issuance, and company registration procedures. Regular surveys allow tracking the impact of reforms over a longer period of time with clear pre- and post-reform benchmarks.

Inspections were the primary focus of the project's regulatory simplification work between 2002 and 2004. The SME enterprise survey conducted in 2001 established a baseline against which the project could track changes in actual business experiences with government inspections. Pervasive inspections were clearly one of the highest burdens for the private sector and represented a vehicle for extensive government intervention (and rent seeking) with no apparent benefit to the public. Substantial changes were progressively enacted with assistance of the project, resulting in streamlined inspections procedures and limited abuses as confirmed by the subsequent representative business surveys.

In Uzbekistan the effects of all the reforms that could be quantified were determined. The aggregate economic effect of eight Presidential decrees developed with in-depth assistance of IFC PEP experts during the life span of the project constitutes roughly US\$39 million for the SME sector. This consists of US\$13.4m in direct cost savings as a result of improved and streamlined inspection, permits, licencing, registration and reporting procedures. In addition,

these improved procedures are expected to generate approximately US\$25.9m in profits for SMEs in one year.

IFC is also applying this approach to other reforms enacted as a result of BEE project. In **Ukraine**, implementation of 2005 permits reform is still incomplete, and the inspections reform has just been adopted in 2007. However, it has been possible to calculate the burden of both procedures in terms of work time lost as a baseline for impact assessment. In addition, a first estimate of the savings resulting from the first phase of implementation of the permits reform (roughly US\$2m saved in 2006 as compared to 2004, and full implementation by the new regime of fire safety permits, allowing low-risk businesses to use self-certification, will result in savings of over \$31m for SMEs).

The most recent reform enacted in **Tajikistan**, the adoption of a far-reaching law on inspections in 2006, does not yet lend itself to full pre-post reform assessment, as its implementation is still in progress. IFC has calculated the overall burden of inspections, expressed as a percentage of the annual profits of businesses. This represents the baseline against which to measure the effect of the reform in a few year's time.

Source: Liepina, S, Dall'Olio, A & Sethi, S (2007): Smart Lessons: "Show me the money!" Quantifying the impact of regulatory simplification projects, IFC Smart Lessons in Advisory Services.

Undertaking CBA as part of BEE project evaluation can be useful but it is important to note that this technique has both advantages and limitations.

Advantages	Limitations.
<ul style="list-style-type: none"> ✓ A powerful, widely-used tool for estimating the efficiency of programs and projects. ✓ It can be used to help look at the ex-post impact of an intervention – did the investment generate the benefits (savings or returns) predicted or expected ✓ Can be useful tool for ex ante assessment when deciding whether to go forward with a project - does it look as if it will generate sufficient benefits to justify going ahead? ✓ Where costs or benefits are paid or received over time, it is possible to calculate the time it will take for the benefits to repay the costs. 	<ul style="list-style-type: none"> ✗ CBA can only be carried out reliably by using financial costs and financial benefits. If intangible items are included within the analysis an estimated value is required for these. This inevitably brings an element of subjectivity into the process. ✗ Fairly technical, requiring adequate financial and human resources. ✗ Requisite data for cost-benefit calculations may not be available, and projected results may be highly dependent on assumptions made. ✗ Results must be interpreted with care, particularly in projects where benefits are difficult to quantify.

What other resources are there on evaluation?

The above discussion presents some tools that are relevant for many BEE reform interventions. However there are a wide range of different data collection and assessment techniques and tools available for evaluation work. Table 4.8 below lists a number of key sources of information

Table 4.9: Key sources of information

Organisation	Web-link
World bank	http://www.worldbank.org/evaluation/
FAO	http://www.fao.org/pbe/pbee/en/about/index.html
IOD Parc: the Performance Assessment Resource Centre	http://www.parcinfo.org
IFAD	http://www.ifad.org/evaluation/guide/
EU Guidelines	http://europa.eu.int/comm/europeaid/evaluation
OECD and DAC	http://www.oecd.org/pages/0,2966,en_35038640_35039563_1_1_1_1_1,00.html
UNDP Evaluation Office	http://www.uneval.org/
International Development Evaluation Association	http://www.ideas-int.org/
IFC BEE toolkits	http://www.ifc.org/ifcext/sme.nsf/Content/BEE+Toolkits
IFC Results Management Advisory services	http://www.ifc.org/ifcext/rmas.nsf/Content/home

4.3 Assessing impact

What are the challenges?

Throughout the Handbook, the point is made that the pressure for ‘proving impact’ for aid interventions is increasing. It is now generally accepted that evaluation needs to evolve from its earlier focus on assessing outputs and outcomes to directly addressing impact. Development partners are increasingly seeking to improve their assessment approaches and techniques to help them make their impact findings robust, although there are methodological challenges to be overcome.

Some of the main methodological challenges concern issues surrounding the concept of causality and how to demonstrate the degree to which changes occurring in the BE can be **attributed** to a particular BEE reform intervention coupled with the ability to demonstrate that changes in the BE would not have happened if the BEE reform intervention had not taken place. This is known as the **counterfactual**.

This is the core of the **validation challenge** for measuring the impact. What are the strategies for overcoming this challenge? In general terms efforts can be made to tackle the validation challenge by ensuring that wherever possible three basic questions and principles of assessment are built into the evaluation design.

- i. **What was the situation before the intervention?** Provision of evidence for the project indicators are chosen **prior to, or at the beginning of the project**. Data collected at this time is normally referred to as **‘baseline’** data and acts as the starting benchmark for the evaluation work. Baselines, as discussed previously in Section 3, are essential starting points and underpin all forms of effective impact assessment.
- ii. **What has happened after the intervention has occurred?** An ability to provide evidence relating to and on the output and outcome indicators chosen for key target beneficiaries of your project. This evidence when combined with the baseline will provide a basis by which directly comparisons can be made of the circumstances, experiences, attitudes and opinions of those to whom the BEE intervention is directed both **before and after** the intervention.

- iii. **What has happened because of the intervention?** An ability to assess whether impact has occurred **due to the intervention** requires some form of assessing results **‘with’** vis-à-vis **‘without’** the intervention. This is usually achieved by assigning some form of **control or comparator group** who have not had the opportunity to benefit from the intervention but whose situation/performance can be measured alongside the key beneficiaries of the project. These will be the comparator group and play a major part in helping to address the validation challenges of **attribution and the counterfactual**.

Different evaluation approaches with their associated methodologies make provision for attribution and the counterfactual to a greater or lesser extent. Three of the main approaches to evaluation given in Box 4.2 which also assesses the degree to which they help overcome these validation challenges.

Box 4.2: Evaluation Approaches

1. Non-experimental

Post-program judgment/expert opinion. (PPJ) Here the program participants are consulted after the intervention and asked to estimate the extent to which performance was enhanced as a direct result of the program

Before & After assessment (BAA). As the name suggests, this is a way to measure change by consulting with the program participants and measuring program indicators before (baseline data/information) and after receiving the intervention.

2. Quasi-experimental

These approaches compare intervention participants and some form of non-intervention control or comparator group both before and after the intervention. Different rationales are used to assign control groups but this is undertaken in a non randomised way.

3. Experimental

This approach looks at two groups before and after the intervention. There should be random assignment of the population into the project or treatment group who receive the intervention services and a control group, who do not.

For all three approaches, consideration should be given to:

- The underpinning principles of the approach and how it is used in practice.
- Its application, if any, to evaluating the impact of BEE reforms and
- The strengths and weaknesses of the approach vis-à-vis the other impact evaluation designs.

Experimental and quasi-experimental evaluation methods have typically been implemented in the areas of health and education, consequently, the application to BEE interventions are still in their ‘infancy’. The very nature of BEE projects and way in which they are undertaken, make it very challenging and at times impossible to apply these evaluation approaches in practice. IFC⁴⁸ is among the first to test out these methodologies in BEE reform. IFC’s Results Measurement Group is building a portfolio of evaluations that go beyond simple post and before-after comparisons. Evaluation designs are reviewed by experts and are implemented jointly with local partners, NGOs, universities, consulting firms and others within the World Bank Group. Many of the examples given below come from that work.

1. Non-experimental

These evaluation approaches are relatively easy to design methodologically, and are less expensive and complex to implement than experimental and quasi experimental designs. They are widely used in project and program evaluations, especially for smaller scale interventions. However, there are very few checks, if any, to address causality issues or to counter any potential bias in results arising from any sampling processes used.

Post-Program Judgment (PPJ)

Post-Program judgment (PPJ) is based on assessing the ‘after’ situation and is the simplest form of evaluation technically, the cheapest cost wise and hence is widely used.

PPJ is undertaken by examining the conditions and experiences of the key project stakeholders after the intervention activity has taken place. In this design, no baseline assessments are taken for the selected target individuals or groups. Impact evaluation is undertaken purely on the basis of measurements and assessments made *after* the intervention or activity has taken place. In this way the impact is measured on the basis of the stakeholders’ own understanding and reporting of the changes they have experienced both since and as a result of the intervention activity. There is no *a-priori* measure to act as a benchmark against which to compare the changes and experiences reported by the target group.

A key element for ensuring that the approach is as robust as possible is the use of rigorous sampling techniques in selecting relevant and representative subjects for the

⁴⁸ Monitor note ‘Innovations in Impact Evaluation in IFC’ Results Measurement for Advisory Services IFC <http://www.ifc.org/ifcext/rmas.nsf/Content/home>

evaluation exercise. Where possible the target groups should be selected randomly. For example, if a business simplification intervention is trying to improve the operating conditions for construction businesses in city 'A' then a sample of existing construction businesses who have been operating in city 'A' would be selected for the impact evaluation rather than printing businesses or construction business just starting in city 'B'.

Using PPJ for evaluating the impact of BEE reforms

PPJ approaches to impact assessment have been widely used for BEE interventions, particularly where there are limited resources and when the nature and context of the intervention means that there is no opportunity to undertake any form of 'causality checking' through examining a 'before and after' group of target stakeholders.

For example, in the case of business start up simplification it is not possible to create and before and after evaluation group for some key stakeholders. It is possible to take a sample of the government officials involved in the regulatory system and track their experiences and attitudes throughout and after the reform intervention. However businesses only go through the start up registration process once. Therefore it is not possible to ask this group about experiences 'before and after' the reform.

In these circumstances a simple post-reform evaluation is undertaken where the businesses that are going through the registration process post the reform program are asked what their experiences of the registration procedures and systems have been.

Whilst post interventions design and approaches are used for impact evaluation, in practice many make attempts to supplement the 'post experience' by reconstructing some form of 'before' comparative data for the evaluation exercise. While these measures cannot replicate a true 'before' situation insight into the effects of the intervention on the target groups can be achieved. Creating what are often termed **proxy 'baselines'** or **'before groups'** can be undertaken in several ways: using secondary data, from project records, recall and asking key informants. There are always strengths and limitations associated with any technique. Each technique is assessed below:

- **Secondary data.** Published information or other research papers give insight to conditions, circumstances, experiences and issues at the beginning of the project intervention.

Case Snapshot 4.10: IFC PEP MENA Alexandria business start up simplification project

This project used a several very detailed regulatory research reports produced by CIDA /SMEPol unit in the Ministry of Finance to help inform their baseline work and help estimate start up regulatory conditions practices and business experiences for a post project evaluation. In addition they have used their diagnostic survey work to help create a pre intervention business start up experience 'profile'.

They undertook a survey of businesses to complement their regulatory mapping work. This survey of 300 businesses who had registered in the three year period before the intervention began cannot act as a control group. However, their experiences do provide some form of pre start-up 'picture' including quantitative data for key indicators such as cost and time taken to register a business. This information will be used as a proxy baseline for the experiences of the business registering after the reform work has been completed.

> Further details are in the Egypt case study in Annex 1

Likewise information generated by other BEE reform interventions, especially research interventions can also be used to provide proxy before data. Here we illustrate three such BEE research sources: *'The Barometer 'Program de Mise á Niveau' in Tunisia'* has been providing economic climate measurement and competitiveness data based on enterprise experiences on an annual basis since the late 1990s; the Philippines City Simplification Survey and in Mongolia the annual export Climate survey provides regular information for this area of the BEE.

Case Snapshot 4.11: The Barometer 'Program de Mise á Niveau' in Tunisia

In Tunisia, since 1998 GTZ has been working with the Tunisian Ministry for Economy and Energy under the framework of the national economy promotion "Program Mise a Niveau" (PMN). The program focuses on the improvement of the environment for business including administration, transport and infrastructure, and also supports industry and related service providers.

GTZ, in partnership with IFO-institute Munich developed a qualitative measurement instrument for economic climate measurement instruments. The 'barometer' works through a regular survey of representative samples of enterprises participating in PMN in order to reach conclusions about whether the participation contributed to increasing their competitiveness and thus measuring the efficiency of the program.

The sampling methodology is based on a quota which is determined according to defined characteristics. A tracking approach was adopted where each sample is newly selected from the total unit for each set of enquiries which occur on a 4-monthly basis. The assessment is done as a self-administered enquiry (without an interviewer) by delivery of a questionnaire by fax.

To measure competitiveness directly is virtually impossible as it is determined by a multitude of single factors which are specific to the respective enterprise and market. The questionnaire consists of 10 questions, 7 of which are standard and 3 of which are variable and can be

tailored to suit a specific category or situation. The structure follows a qualitative approach based on consumer confidence. Rather than asking how much money has been invested in certain forms of assets, it asks whether the enterprise is running better than 2 years ago.

Source: Detlev Jahn, Project Coordinator, Private Sector Promotion, GTZ Tunisia

Case Snapshot 4.12: Philippines City Simplification Survey

The Cities Competitiveness Ratings project (PCCRP) is the flagship M&E tool for the enabling environment component of the GTZ Small and Medium Enterprise Development for Sustainable Employment Program (SMEDSEP) in the Philippines. The survey is the result of collaboration between SMEDSEP and the Asian Institute of Management (AIM) Policy Centre.

The objective of the survey is to benchmark the competitiveness of cities to allow comparison among them and over time. The survey measures seven 'drivers of competitiveness' to identify strengths and weaknesses: dynamism of local economy, human resources and training, responsiveness of local government, quality of life, infrastructure, linkages and accessibility, cost of doing business. Each driver encompasses 70 qualitative and quantitative indicators.

In each participating city, a partnership was formed with a local academy to implement the survey and the overall effort was coordinated by a well established academic authority in the country. A major advantage of this data source is that it is an objective source of information and the results cannot be influenced by the program.

> More detail is provided in Annex 1: Case Study on Philippines

Source: Smart Lessons, GTZ SMEDSEP Monitoring Manual

Case Snapshot 4.13: The IFO Export Climate Survey in Mongolia

The GTZ funded Export Climate Survey, Mongolia, has been developed by experts from the IFO institute for Economic Research. Conducted on a yearly basis, it covers companies operating in mining, manufacturing, tourism, transport and trade sectors.

The monitoring of export-oriented companies aims at identifying the most important obstacles to exporting as seen by entrepreneurs. Rather than providing a 'one shot in time' static picture, it is designed to show the process of change over the years by replication with the same sample of entrepreneurs every 3 months.

The methodology is based on consecutive (periodical) qualitative surveys. The questions are not designed to collect precise figures, but rather provide information on opinions and directions of change on the importance of obstacles to exporting and export conditions. As no precise quantitative figures are generated, the preferred statistical method is not the selection of a random sample for each survey, but to build up a panel of respondents that remains relatively consistent over the course of the survey period.

Source: GTZ (2005, 2006): Series on Industrial and Trade Policy, Export Climate Survey Mongolia

- **Project records** from the intervention itself; other projects in the development partner/agency; the work of other development partners. All can be used to help build a picture of the pre intervention context.
- **Recall** can be used to estimate conditions prior to the project. While recall is generally agreed not to be a reliable way to obtain precise numerical data such as financial data, it may be a valid way to obtain information on major changes or events. Care should be taken to avoid bias when using such information.
- **Key informants.** These are people who have some particular or in depth knowledge or experience. For BEE reform, business leaders, business associations, local government agencies, researchers support business support professionals etc. may be regarded as key informants be able to provide useful reference data on baseline conditions. Again caution should be used as some such sources may be biased.

The above sources of information are not ideal but using several of them to triangulate findings can help to build a relatively credible picture.

Using PPJ as a means of assessing impact for BEE interventions has a number of strengths and limitations (see table 4.9), however overall it is the least robust method of evaluation with no 'causality' checks for validating results.

Table 4.9: Strengths and weakness of post-project judgment evaluation

Post Project Judgment Evaluation for BEE Reform	
Strengths	Limitations
<ul style="list-style-type: none"> ✓ It is low cost compared to other designs ✓ Often the only option available when there are data and budget constraints. ✓ The design captures data on change at only one point and so is easier to conduct than having to identify and select control groups. ✓ Several BEE programs have been evaluated utilising this approach and so there is practical experience to draw upon. 	<ul style="list-style-type: none"> ✗ This approach relies on program participants or independent experts to make judgments concerning impacts with no control for the counterfactual. ✗ Care needs to be taken to make sure that people consider the counterfactual in their assessment of impacts. ✗ The design does not attempt to <u>understand</u> any changes that have occurred and assumes that they have occurred as a result of the BEE reform ✗ Does not capture process issues from the reform implementation

‘Before and After’ Assessment (BAA)

BAA in practice

As the name suggests, a ‘Before and After Assessment’ examines the experiences and circumstances of a given target group of target stakeholders both before and after they have experienced the intervention using a selection of indicators.

The aim is to establish if any changes in the indicator criteria have taken place for the identified target group. These changes in the indicator criteria are then analyzed in order to determine the impact of the intervention.

A key element for ensuring that this approach is as robust as possible is the **use of rigorous sampling techniques**. Ideally the target groups for the evaluation should be selected randomly and within the parameters of the specific stakeholder population. The target groups selected for BAA must be:

- **Relevant to the intervention being examined:** they must come from those individuals and groups who are key stakeholders for the intervention activity being evaluated. In BEE reforms typical sample groups will be businesses and government officials
- **Representative of the key stakeholder population:** they should be the type of individuals or groups that are directly involved in and/or likely to be affected by the intervention activity being evaluated. In BEE start up reforms typical sample groups will be: new businesses, business operating informally that are now formalizing and government officials who are involved with this area of activity be this at policy or an operational level. If interventions apply to a specific location or a specific sector then only participants’ from these areas and or sectors will be considered for selection.
- **Representative of any diversity within the key stakeholder population:** if the target group is very diverse in terms of its characteristics – age / size / gender / location etc. – it may be necessary to ensure that a proportion of groups or individuals from each of these sub groups are represented within the sample selected. This is known as **stratified sampling**. If the intervention is being undertaken throughout an area with distinct sub districts where conditions relating to the area vary, then it would be important to ensure that the sample group selected included representatives from these different groupings.

Taking these sampling factors into account and establishing a relevant and representative set of individuals or groups will also help to determine the total numbers to be included in the evaluation group.

Using BAA for evaluating the impact of BEE reforms

The evaluation design has been widely adopted in many BEE reforms, particularly where it is possible to identify and measure the benefits that come about as a result of the reform interventions, for example, reduced time and cost spent starting a business or complying with government inspections business

Case snapshot 4.14: Latvia inspections reform

Between 1999 and 2004 FIAS supported the Government of Latvia in the reform of inspections regulations and procedure which resulted in the following reforms

- Reduced inspection burden on businesses, including incidence of inspections from labor, sanitary, construction and municipal police and a shorter average duration of inspections at one enterprise.
- Development and implementation of a compliance-oriented approach in the inspectorates
- Improved positioning of legal, procedural and technical information to businesses by the inspectorates via brochures, websites and training seminars
- Greater quality and professionalism of inspectors

The reforms were enacted between 1999 and 2001 and it was expected that meaningful impact could only be discerned at the earliest in 2002 and more realistically in 2003 and beyond. ARCS surveys conducted in 2001, 2002 and 2003 provided time-series data which captured data on inspections. These business surveys confirmed that the average frequency and duration of inspections for the five most common inspections (fire safety, labor, construction, environmental and sanitary) fell between 2001 and 2003, resulting in a saving of around 39 hours per year for an average firm.

Source: FIAS (2006): pp10-11

> For further details see the full case study on Latvia in Annex 1

Case snapshot 4.15: Lima City Simplification

In Peru, IFC has helped the Municipality of Lima reform its business license procedures in order to cut the time, cost and number of requirements. The survey forms part of an evaluation using a Before and After methodology interviewing a sample of owners of newly licensed businesses before the reform as well as owners of newly licensed businesses after.

The team conducted three rounds of interviews of 50 firms each, two before the reform (August 2005, October 2005) and one after the reform (September 2006). The two pre-reform rounds were designed to check that there were not significantly different results in terms of number of visits, length of time, number of requirements or the cost, before the reforms. This confirmed that in the absence of reform there was very little change before the reforms were introduced.

Source: Smart Lessons in Advisory Services: How the project evaluation results don't just go to a shelf. Business licensing simplification in Lima, Peru

> For further details see the full case study on Peru in Annex 1

Using the BAA as an evaluation methodology for impact assessment of BEE interventions provides some attempt to objectively assess the changes experienced by the target groups of the intervention. At the national level using control groups is problematic, since all businesses will be subject to the new reforms, there is hence no identifiable control group against which to measure. Thus in this case, this is not a particularly robust methodology in terms of validating impact results.

However, at the sub-national level, this technique is possible if a control group can be identified in a similar location (city, municipality, province) where the reforms have not been applied. It is important that control location have similar profiles to the target locations to ensure that other factors remain equal (as far as this is possible).

Alternatively, it could be done if the simplified procedure is being rolled out as a pilot so that control and treatment groups can be identified. It should be noted that the ethical and political considerations of undertaking this type of study make it challenging.

Table 4.10: Strengths and weakness for BAA

Before and After Assessment for BEE Reform	
Strengths	Limitations
<ul style="list-style-type: none"> ✓ This design attempts to capture and understand any changes that have occurred rather than assuming that they have occurred. ✓ Individuals are asked to estimate the extent to which performance was enhanced as a direct result of the program – in effect, to compare current performance to what would have happened in the absence of the program ✓ Working with the same group is cheaper than identifying and selecting control groups which is often simply not possible. . ✓ Several BEE programs have been evaluated utilising this approach and so there is practical experience to draw upon. 	<ul style="list-style-type: none"> ✗ The design cannot isolate the impact of the program from extraneous factors such as selection bias, maturational trends, secular drift and interfering events. ✗ This approach relies on program participants or independent experts to make judgments concerning impacts. ✗ This approach requires people to be able to determine the net effect of the intervention based solely on their own knowledge and experience

2. Quasi-Experimental Designs (QEDs)

In QED approaches, explicit attempts are made to address the validation challenges of attribution and the counterfactual when evaluating the impact of an intervention.

This is achieved by setting out to examine changes experienced by the project target group (sometimes called the 'treatment group') i.e. those 'experiencing' the intervention, and comparing them to a set of people 'not experiencing' the intervention. This is usually tackled by assigning some form of control or comparator group i.e. a group who have not had the opportunity to benefit from the intervention but whose characteristics are similar to those that have, and whose situation/performance can be measured alongside the key beneficiaries of the project.

A control or comparator group is created or selected that is composed in a non-random way, but provides the counterfactual to a 'treatment group'. To the extent that the two groups are similar, observed differences can be attributed to the BEE intervention being evaluated with a higher degree of confidence than in the simpler PPJ and BAA approaches.

Several methodologies are used for creating control or comparator groups. One of the most widely used is that of **matched comparisons**. Matching involves identifying non-project/program participants comparable in the essential characteristics to participants. Both groups should be matched on the basis of either a few observed characteristics or a larger number of characteristics that are known or believed to influence program outcomes.

In practice, it is rarely possible to construct a 100% perfectly matched control group, or even to measure all possible relevant characteristics. Nevertheless, matching can be achieved for key characteristics and this is widely regarded as a rigorous methodology when evidence is available to show that treatment and control groups are similar enough to produce a close approximation to the perfect match.

Using quasi-experimental design for BEE reforms

With BEE reforms it can be difficult to find matched groups because of the need to find groups not exposed to the reform intervention that are similar in key characteristics to those that are involved in the reform. BEE interventions by their very purpose, improving the BE, are universal in nature and hence apply to all groups or are sector specific. In the former case it would be unethical and a violation of a government's remit to be

discriminatory if it were to limited access to reforms to selected businesses. In the latter case selecting businesses outside of the sector would not result in reasonable matches.

While recognizing these challenges, the matched comparison QED approach is increasing being tested out for BEE interventions as the Balkans case snapshots show.

Case snapshot 4.16: Using matched comparisons for ADR reform in the Balkans

In 2006, an independent evaluator looked at the experiences of two groups in two pilot cities (Banja Luka in Bosnia and Herzegovina and Belgrade in Serbia) through two surveys.

In selecting the two groups of business the main criteria were that:

- Members of both groups need to have accepted the offer of mediation initially. This was to ensure that their case has passed the criteria for referral to mediation and that the individuals were open to an alternative ways of resolving their dispute.
- There should be a good mix of plaintiffs and defendants in each group.
- The nature of the dispute should be sufficiently comparable ie commercial, civil, labor

The first condition was important to enable meaningful comparison of these two groups

- The treatment group (known as the Quasi Experimental Group 'QEG') were those who had utilized mediation after 3 to 6. This group comprised 155 businesses in Belgrade and 142 in Banja Luka; and
- The control group (CG) were those who did not utilize mediation because, on second thoughts, they rejected the proposal or because one or both of the parties did not come to a scheduled mediation within 6- 12 months (Control Group 'CG'). This group comprised 71 businesses in Belgrade and 70 in Banja Luka

The report first looked at the 'matching' of the two groups in each country in terms of:

- Type of dispute
- Company profile of staff, sector, turnover, legal department
- Role in dispute
- Nature of dispute
- Size of dispute
- Attempts to resolve prior to mediation
- Results of mediation

The evaluator then looked at a series of questions that related to key indicators:

- Duration of case
- Cost of case
- Value of dispute compared to value of settlement
- Enforcement or fulfillment of dispute

As a result, there were some very useful insights achieved. The evaluator went on to make a number of recommendations on how to improve the comparability or matching of the groups that has informed the development of this technique. The differences in the legal framework in the two countries is less significant in terms of creating matching comparisons than the matching of the two groups in each country to enable meaningful and rigorous analysis.

> More detail is provided in the Case Study on Balkans presented in Annex 1.

Using QEDs as an evaluation approach for impact assessment of BEE interventions provides a robust attempt to objectively assess the changes experienced by those for whom the intervention is intended to benefit. Introducing control groups both before and after the intervention into the evaluation provides a comparator against which to examine issues of causality. The strength of QED approaches depend on the rigor with which the control groups are matched to the target group being evaluated and in practice getting a good match is difficult.

For example, if the regulatory intervention being evaluated is business registration, since this is a one-off procedure, the control group (those registering under the old regime) and the target group (those registering through the revised regulatory process) will necessarily be different groups of businesses. Care must therefore be taken to create a sample of both groups that have similar characteristics (for example, firm size and sector). If the regulatory intervention is affecting something that must be renewed or is undertaken annually or more frequently (for example, an operating license, a business inspection, a health and safety assessment), then it may be possible to use the same sample of firms. However, it should be noted that while this may be successful if the sample is of large, or possibly medium sized firms, it is unlikely to be effective for a sample of small or micro firms where rates of market exit is high.

However the application of such approaches to some BEE intervention is attempting to address the challenges of validating impact assessment and bringing more robust evaluation methodologies to the sector.

Using QED approaches for impact assessment of BEE reform has a number of strengths and limitations (Table 4.11).

Table 4.11: Strengths and weaknesses of quasi-experimental designs

Quasi Experimental designs for BEE Reform	
Strengths	Limitations
<ul style="list-style-type: none"> ✓ These designs face less of the ethical or political problems of excluding groups from the reforms and their benefits. ✓ They can often draw on existing data sources and are thus often quicker and cheaper to implement. ✓ They are well used in practice albeit outside of the PSD /BEE reform field. ✓ Matching is a relatively easy process compared to randomized allocation ✓ There are a variety of methods to use in generating or selecting comparator groups depending on the nature of the activity being evaluated. 	<ul style="list-style-type: none"> ✗ The reliability of results is highly dependent on the 'matching methods' which can be difficult to conduct. ✗ Valid comparisons require that the two groups be similar with respect to key characteristics, exposure to external events and trends, and propensity for program participation. This can be difficult to establish. ✗ Because the two groups are essentially 'non-equivalent', the possibility exists that at least some of the differences in outcomes may be explained by unobserved variables that differ across the two groups. ✗ Requires considerable expertise in the design of the evaluation and in analysis and interpretation of the results. ✗ There is little practice with BEE as yet.

3. Experimental Designs⁴⁹

Bias can occur for a host of reasons and take many different forms. For example, sampling bias occurs in the selection of target groups when only those who have offices within a short distance of the one stop shop are included. As noted earlier in this section, practical attempts are made to mitigate this bias by the hiring of external experts who are not connected with the project and have the technical expertise to ensure that appropriate methodology design and sampling is conducted. However some would argue that the only robust way of tackling bias is by using *experimental designs* in evaluations. Randomization is a key feature of experimental approaches. This is considered the most rigorous of the evaluation methodologies, the 'gold standard' in

⁴⁹ Based on a note 'The Encouragement Design for Program Evaluation 17 September 2007 Alexis Diamond (IFC & Harvard University) Jens Hainmueller (Harvard University & IFC) [http://www.ifc.org/ifcext/rmas.nsf/AttachmentsByTitle/Encouragement/\\$FILE/The+Encouragement+Design+for+Program+Evaluation.pdf](http://www.ifc.org/ifcext/rmas.nsf/AttachmentsByTitle/Encouragement/$FILE/The+Encouragement+Design+for+Program+Evaluation.pdf)

evaluation. This is especially the case when we are trying to estimate the effect of an intervention on a complex concept of the BEE.

In a randomized experiment, the researcher cannot manipulate the group who are 'exposed' to the intervention (the "treatment group") and the not-exposed group (the "control group"). Randomization ensures that, on average, prior to the intervention, treatment and control groups are essentially identical and therefore would show very similar results in the absence of the treatment. Therefore, a difference in results for the two groups can be causally attributed to the program. This design copes with the challenge of attribution and the counterfactual.

Using experimental designs for BEE reform

In practice, randomised experimental designs have not been used in BEE type of work for a number of reasons:

- BEE type of interventions, take place in 'open systems' where multiple players are operating trying to bring about change and there are numerous stakeholders involved as implementer's and beneficiaries as well as the evaluators themselves. Therefore attempts to control the environment in which the intervention takes place is nigh on impossible.
- It is difficult to ensure that all those selected for treatment get 'the treatment' as such and all of those selected for control group do not. Many BEE interventions are not so simple, specific and direct that their effect can be measured in the same way as say a vaccination shot to a child can be measured in a health study.
- It is sometimes impractical and could be regarded as unethical to force or encourage some of the subjects to be in the control group. Excluding businesses from interventions that are purposely aimed at improving their operating environment would seem perverse and go against creating a more level playing field for all. For example in a business-simplification reform we would like to estimate the effect of registering a business on firm-level impacts, but we cannot force some firms to become registered and other firms to remain informal.

Therefore while experimental designs are seen as the 'gold standard' their practical application for impact assessment of BEE reforms is only at an exploratory stage largely because of the technical challenges that limit their use in this field of work as shown in table 4.12.

Table 4.12: Strengths and Weaknesses for experimental randomized designs

Experimental Randomized designs for BEE Reform	
Strengths	Limitations
<ul style="list-style-type: none"> ✓ Random assignment helps guarantee that the two sample groups are similar. ✓ Extraneous factors that influence outcomes are present in both groups. ✓ Because of this comparability, claims that differences between the two groups are the direct result of the program are more difficult to refute. Interpreting the results is simple. ✓ Experimental designs are used extensively to test the efficacy of new treatments in health, social welfare and education. 	<ul style="list-style-type: none"> ✗ Denial of assistance to some is seen as unethical. ✗ It can be politically difficult to provide an intervention to one group and not another. ✗ The scope of many BEE reforms are nationwide programs or policy changes which rule out the possibility of selecting a control group although encouragement design can potentially help address this. ✗ It may be difficult to avoid selection bias and ensure that assignment of treatment and control groups are truly random. ✗ It takes significant planning and management to ensure that the services provided to both entities are exactly the same. ✗ Experimental designs can be expensive and are time consuming. ✗ Requires high level evaluation skills. ✗ There is little practice with BEE reforms from which to draw upon.

What is the best approach?

The reality of current practice in assessing the impact of BEE reform interventions is that there is much wider practice of simple post program judgment and before and after approaches than quasi experimental approaches. Efforts are being made, with strong leadership from the IFC Results Measurement team, to improve awareness of and the technical capability for applying QED approaches to evaluation work. This Handbook

along with other resources reflects this movement to ‘upgrade’ the rigor of evaluation for BEE interventions.

Table 4.13: Summary of key characteristics for different evaluation approaches for impact

Evaluation activity	Post Program Judgement	Before and After	Quasi Experimental	Experimental
Post project assessment	✓	✓	✓	✓
Before project assessment	✗	✓	✓	✓
Use of target groups	✓	✓	✓	✓
Use of control groups	✗	✗	✓	✓
Use of randomly selected groups	✗	✗	✗	✓
Level of technical skills needed to design	Low	Medium	High	Very High
Cost of undertaking	Low	medium	High	Very high

Table 4.14: What types of impact assessments are appropriate for regulatory simplification?

	National level reform		Sub-national reform	
	Business registration	Business operations	Business registration	Business operations
Economic impact quantification using enterprise survey data	✓	✓	✓	✓
Before and After (sample of companies is not constant)	✓	✓	✓	✓
Before and After (sample of companies remains at least partly constant)		✓		✓
Quasi experimental with some form of control comparator	X	X	✓	✓

4.4 Forthcoming developments in M&E for BEE

Practice in M&E for BEE interventions is currently being developed rapidly and new techniques and tools being developed all the time. Measurement, quantification and evidence-based policy making are becoming increasingly dominant features in the approach of many countries.

The latest two BEE toolkits have significant sections on M&E issues, namely the PPD Handbook and the Strategic Communications for BEE Reforms Toolkits..

Evaluation groups in many donor and development organizations are also working on further developing good practice. For example, the Results Measurement Unit in IFC is developing a range of easy to use evaluation tools. Currently in development is a standardized methodology for CBA, and guidance for embedding M&E more actively within project appraisal forms in IFCs DOTs project management systems. For updates on this work, refer to the Results Measurement Unit website at: <http://www.ifc.org/ifcext/rmas.nsf/Content/home>

In addition a number of IFC offices are developing pilot studies using control groups and some quasi-experimental methodologies, many of which have profiled in this Handbook and its accompanying annexes.

At the time of writing, the DCED are finalizing their donor guidelines on BEE interventions entitled “Supporting Business Environment Reforms: Practical Guidance for Development Agencies”. The guidance advocates 4 phases to BE reform, namely: diagnostics, design, implementation, and monitoring and evaluation. It is emphasized that a sound M&E system is essential for the success of BE reform programs including well-defined indicators that measure outputs and outcomes and clearly connect outputs with outcomes and their impact on poverty. The guidance also notes that special attention should be given to assessing the impact of BE reform on enterprise development and pro-poor growth. It also highlights that measuring this impact should be a partnership between the development agency, the government and the private sector. Following the publication of this guidance, the DCED intend to commission further work on developing standards and guidance specifically on evaluation and impact assessment.

This forthcoming work from the DCED is likely to draw on attempts to standardize methodologies for national measurements so that comparisons can be made across

countries. To date, this work has been pioneered by the OECD's Regulatory Reform group and the Sigma program. A number of development partners are now looking to customize and apply similar techniques to developing countries.

In summary the issues of monitoring evaluation and assessing impact for BEE reforms is a hive of development and debate. This Handbook presents a resource that brings together examples from current practice in order to help raise awareness, engage interest and improve good practice across all BEE reform interventions

4.5 Key messages

- The imperative to improve development results has generated a demand for the effective evaluation of BEE reforms.
- Evaluation can take place alongside project design and appraisal - it is not exclusively an ex post activity
- Who undertakes evaluation is an important consideration and can affect levels of inclusion and diversity.
- A distinction can be drawn between review evaluations and assessing impact based on the timing, focus and then related to the type of 'results' achieved
- There are essentially three tasks: which questions; what data/information and what success criteria to employ
- The compilation of good quality baselines are critical for meaningful impact assessment and must be produced wherever possible.
- Experience and practice is growing and innovative approaches are being tried. The honest sharing of experience will improve the ability to undertake evaluations for BEE interventions
- The adoption of robust impact designs and methodologies is essential in order to address the validation challenges of attribution and the counterfactual. Truly experimental designs are difficult to achieve in BEE work.
- While investment and economic growth are the primary indicators of BEE reform success, social inclusion and poverty alleviation considerations will affect long term sustainability. Improving the integration of equity and sustainability issues is critical to the broader understanding of impact.

Section 5

The Project Cycle of M&E

5.1. Step 1: Agreeing the starting point

5.2. Step 2: Identifying the approach and securing a budget

5.3. Step 3: Implementing the M&E plan

5.4. Step 4: Analyzing the findings

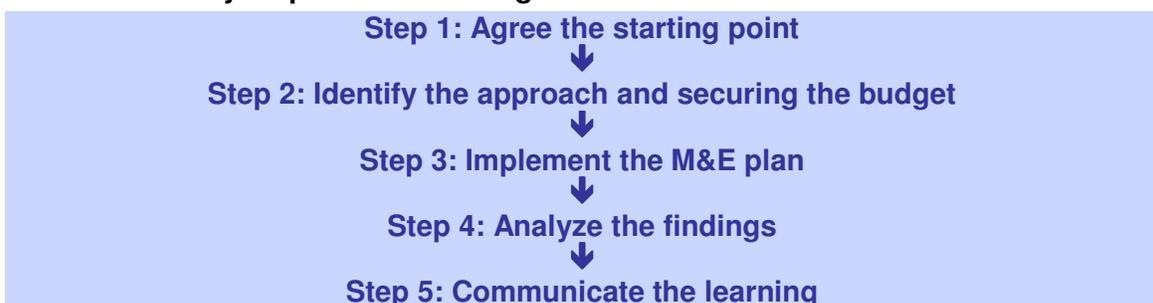
5.5. Step 5: Communicating the learning

Good practice suggests that to be effective, M&E should be addressed as part of project planning and integrated alongside project implementation and management systems⁵⁰. Attention should be given to both the processes and content of doing M&E and Impact Assessment.

The central challenge for the Project, Program or Task Manager⁵¹ (PM) is to balance the needs of the two key functions of M&E, i.e., the legitimizing and learning function (or proving and improving) with the overall demands of the project cycle.

This section will explore what steps the PM needs to take in order to integrate the M&E with the needs of program implementation. The two are not mutually exclusive processes. The following seeks to make explicit how the key steps in undertaking M&E (see Box 5.1) relate to the key steps in the project cycle.

Box 5.1: The key steps in undertaking M&E



⁵⁰ Different institutions use their own terms and labels to describe elements of their management systems. For example, IFC use the TASS System, DFID use PRISM and GTZ uses AURA.

⁵¹ We will use PM throughout this section. Different organizations use different terminology and the role of project management will vary from organization to organization.

5.1 Step 1: Agreeing the starting point

What is the context for developing the M&E and IA?

In an ideal world, decisions about M&E and Impact Assessment would be made at the earliest stage of the program. There may only be some basic characteristics about the proposed project and the context in which it will be take place. There are still some important decisions to be made as suggested in Table 5.1:

Table 5.1: Making early decisions

Define:
Is the reform
<ul style="list-style-type: none">• A pilot or a roll-out• Operating at a national or sub-national level• A short, medium or long term intervention (the timescale)
Identify:
<ul style="list-style-type: none">• The key implementers (government officials, politicians, businesses, business associations, in-country staff, consultants: local and/or international)• The primary beneficiaries (business owners, government officials)• Who funds the reform and whether it is a multi donor intervention• Who provides resources for M&E• Whether there are additional partners• Who has the skills and is available to undertake M&E work in the team / organization

These are all vital to getting a ‘feel’ of what the nature and scope, the resources involved and a sense as to whether there is any interest and or commitment to M&E by the various stakeholders of the project. This information provides the context in which M&E will be designed.

Who should carry out the M&E and IA?

In many multi-lateral and bilateral organisations, responsibility for M&E is split between different sections within the organization. Responsibility for ongoing monitoring is usually undertaken by the local program team together with their counterparts in local partner organizations. Responsibility for evaluating immediate outputs and outcomes is also usually undertaken by the local team but with support from external consultants and

specialist M&E staff. These could be local and/or from the organization's central evaluation department (see section 4).

Impact assessment is not usually a program team's responsibility *per se* but one that is undertaken by external consultants and/or evaluation specialists within the organization. However the program team are responsible for ensuring that their monitoring systems and evaluation findings provide evidence for impact assessment, and therefore they need to be aware of what and how impact assessment is undertaken. (See section 4)

The PM must have oversight of what is needed for implementation, an ability to demonstrate what has been done, how it has been done, what has been measured and what results have been achieved. Furthermore, PMs need to be confident that evaluators and impact assessors will find the data they need on the project and on a comparator group or control group as discussed in Section 4.

The responsibility for the actual design may vary from project to program and from organization to agency. However, the PM must understand the requirements for M&E and be able to integrate and translate between M&E and program management needs.

5.2. Step 2: Identifying the approach and securing a budget

Designing an M&E approach is typically an iterative process involving several versions of an M&E plan. Here we are looking at the tasks of M&E design. The program manager will not be responsible for all the tasks but will need to understand and influence and perhaps have the final decision-making authority.

There are typically six factors to consider in M&E design, prior to pulling together a budget and bringing this together into a formal plan. All these factors are covered in this Handbook (see Table 5.2).

Table 5.2: The six factors to consider and sources of information

1. Questions	Identify the key questions to be asked and answered by the M&E	See Section 2
2. Approach	Agree the overall M&E approach and methodology	See Section 1 & 4
3. Indicators	Choose the appropriate indicators	See Section 2
4. Data collection	Select tools and instruments for data collection and analysis	See Section 3 & 4
5. Timeframes	Plan clear time frames with milestones	See Section 5
6. Resources	Identify people and other resources for undertaking the M&E	See Section 5

Put together an M&E Budget

The following section walks through each of the six preparation aspects.

1. Questions: Identify the key questions to be asked and answered by the M&E

Usually the easiest way of establishing key questions is to look at the project Log Frame or the equivalent project planning document (see section 2). Typical questions for a Business regulatory simplification project would concern making to easier and ‘better’ to register a business. For example:

Monitoring questions:

- How many procedures does it take to register a business currently and then after reforms?
- How many and which government authorities need to be engaged in the reform efforts?
- How many and which government officials need to be trained to undertake the changes needed by the reform?

Evaluation questions:

- Have laws/regulations changed because of reform work?
- Has the cost of registration for each process changed under reform?
- Has there been changes in the time taken in registering?

Impact questions:

- Do more businesses register following reform?
- Are these new business start-ups or existing (informal) businesses registering for the first time?

Identifying the key questions to be answered in M&E is discussed in Section 2.

The PM quick checklist

1. Does this project have a log frame?
2. What is the learning from previous BEE reforms of this type?
3. What are the key questions I need to answer in my M&E?
4. What will I have to do to integrate the program management with the M&E cycle?

2. Approach: Agree the overall M&E approach and methodology

Monitoring and evaluation are different but contingent and complementary. For monitoring the key thing to consider is whether the project plan includes management systems and practices that will ensure the gathering, recording and reviewing of project inputs, activities and outputs on an ongoing basis.

The task of evaluating outcomes and assessing impact should be to 'prove' (as far as possible) or 'validate' and have the capacity to communicate learning. The particular evaluation approach and methodology selected will have to match the scale and nature of the project, fit within the resources and timeframe of the intervention.

Section 1 of the Handbook looks at issues to be considered: the 'why'. Section 4 deals with evaluation, at review and impact levels: the 'how'. Good practice suggests that it is vital to make sure that informed decisions about the methodology and approach are taken at the earliest stage of the project design.

The PM quick checklist

1. Can I confidently select the best M&E approach and methodology?
 - Quasi-experimental designs
 - Non-experimental designs

2. What has been learned from previous designs?

3. Can I create a robust baseline from existing sources or do I need primary data?

4. Do I know who and how to sample?

5. Do I know who to talk to for advice and guidance?

3. Indicators: Choose the appropriate indicators

Once key questions have been identified these need to be translated into indicators and then targets. These are the things that are going to be measured in order to demonstrate that the project is or is not doing what it set out to do.

Remember, indicators need to be identified for all aspects of the project's work from activities through to the overall objective or goal of the project.

The PM quick checklist

1. Does my organization use core indicators?

2. Do I have a mix of quantitative, core and customized, activity and process indicators?

3. Can the results be compared to other similar projects?

5. Can I disaggregate for diversity?

4. Data collection: Select tools and instruments for data collection and analysis

At this stage, a quick audit will show what information is available through existing documentation. Plans about what needs to be generated through project data collection and how best to do this can be agreed. Table 5.3 presents a simple audit sheet for doing this.

Table 5.3: Auditing data needs and sources for evaluation

Aspect of project /Evaluation Criteria	Is there sufficient information from the existing written documentation (Y / N)	If no what information is needed	What tools would be best to use for capturing this additional data?
Inputs /activities			
Outputs			
Outcomes			
Impact			
Relevance			
Efficiency			
Effectiveness			
Sustainability			
Other factors relevant to specific BEE reform			

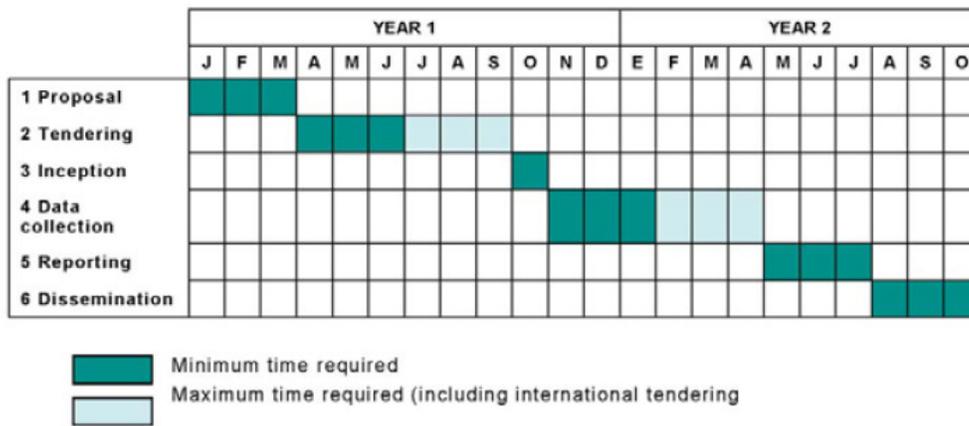
Selecting tools for data collection and analysis should now become very straightforward as this is very closely linked to the methodology. Some questions will be suited to collecting quantitative data and others to process and more qualitative data.

In Section 4.2 there is a checklist rating the main data collection tools against various criteria.

The PM/TM quick checklist

1. Is all the data I need available from secondary sources?
2. Can I get partners to collect data?
3. How often should the various data sets be collected?
4. Do I know who is responsible for analyzing the data?
5. Do I know the how and who of communicating the analysis?

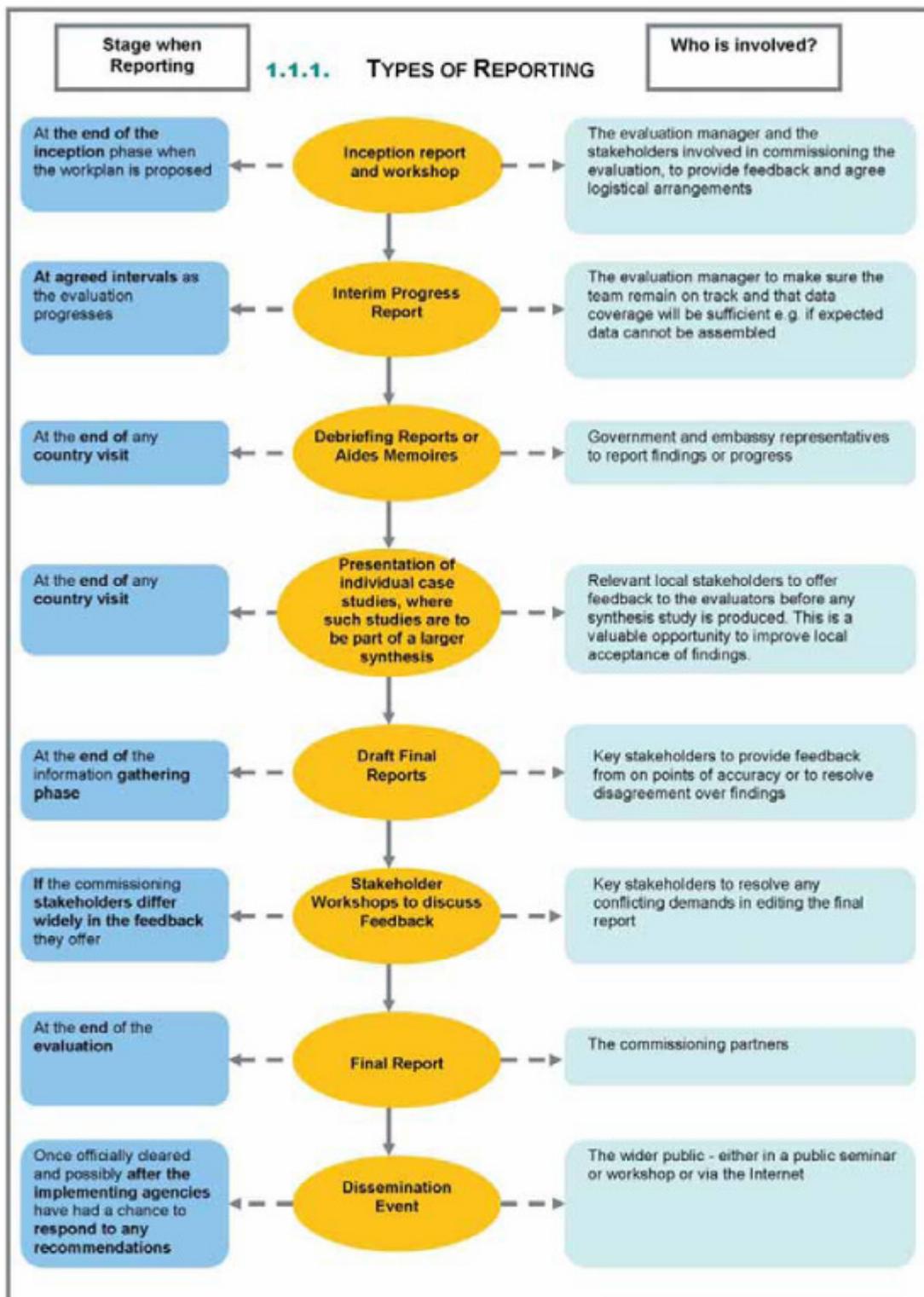
Fig 5.2: Planning example of time scale implementation of a large-scale evaluation



Reporting arrangements should also be made explicit. The work involved in ensuring all partners and stakeholders are adequately engaged can be easily underestimated.

Figure 5.3 is an example of all the steps that may be required.

Fig 5.3: Elements of reporting arrangements



Multi-component programs may operate an entirely different timescale, taking place over some years and involving several development partners. It is not unusual to find that an M&E project in its own right is warranted in order to prepare and plan for M&E. A major feature of this work is not just setting up a framework, but all the institutional factors surrounding it. This includes building a reporting structure, engaging agencies in data collection, building capacity, working with local survey firms, and especially engaging with the Private Sector by getting them involved and using M&E outputs as a way of building support for reform⁵².

The implications for the PM of not being involved in the planning of M&E is likely to have a negative impact on the proposed timeframes.

The PM quick checklist

1. Can I describe the milestones of the project in relation to the M&E needs?
2. Who needs to know the timeframe for evaluations?
3. Will there be multiple stakeholders/development partners involved?
4. What will be the time implications for commissioning external experts?
5. Who will sign off reports and documentation for communication?

6. Resources Identify people and other resources for undertaking the M&E

Worked through steps 1-5 will result in a clear perspective on what form and level of skills and experience will be needed for undertaking the proposed M&E work. Note that resources for dissemination of the findings and experiences are not always put in place and there is no point in having developed all of the above if there is no opportunity to show-case the success.

⁵² FIAS are developing experience of undertaking up-front M&E design projects for a number of substantive BE reform projects. Examples include Sierra Leone, Bangladesh, and this approach is also being rolled out to Madagascar, Liberia and other new programs. In some instances, there have been attempts to integrate the monitoring system into the government's own processes (see the case studies on Tanzania and Sierra Leone in Annex 1).

The PM quick checklist

1. Which of the internal M&E team will be involved with working on this project?
2. Does there need to be any capability building undertaken for this to take place?
3. How will findings and learning be disseminated?
4. What tasks need to be undertaken by an external consultant – local or international?
5. Where will the funds come from?

Once the above has been agreed then it needs to be captured in some form of project management framework for the M&E work showing tasks, responsibilities for partners, internal stakeholders and external consultants.

Putting together an M&E budget

The cost of M&E is increasingly an issue. As development agencies explore more robust ways of measuring development results, questions about the costs and efficiency of doing M&E arise. Resistance to undertaking substantive evaluation activities, beyond the simple end of project round up, is often put down to cost. The argument being that resource used on M&E is better invested in the aid intervention itself to maximize benefits to those targeted.

The issue of cost is a valid and important concern for M&E and the DAC Principles for Evaluation of Development Assistance require the efficient undertaking of M&E as well as efficient project delivery (see Section 4.1).

The overall budget for and scope of M&E activities for any given project must bear some relationship to the scale and scope of the aid intervention being assessed. Larger more complex projects addressing large populations of businesses and/or people will usually have more extensive and hence expensive M&E systems. Similarly an innovatory project may warrant more effort and resource for M&E because of having to develop new approaches. Likewise a pilot type of activity may involve more intensive M&E work over a shorter period of time in order to assess whether or not it should be 'rolled out' more widely.

How much should be allocated?

Once the contents of the M&E design have been established then everything needs to be costed and brought together into a budget for M&E. Again this may involve an iterative process.

The budget has to balance the available resources for M&E against the needs of the M&E framework and plan that have been put together (box 5.2).

Box 5.2: What does an M&E budget typically include?

- Human resource – internal staff, including any training needed
- External consultants
- Materials, equipment
- Travel
- Data collection (baseline and follow-up)
- Data analysis
- Seeking and managing stakeholder involvement
- Reporting and communicating findings, internally and externally
- Printing

If the methods, tools, and staff options chosen exceed the available budget then this will need to be reviewed. Different more restrictive choices have to be made on the methods and tools to be used or more resource needs to be negotiated.

The budget should be benchmarked in three ways against:

- the costs of other similar M&E activities;
- the M&E of similar projects; and
- the 'rules of thumb' i.e., an upper limit of 5% of the overall project budget, except for experimental or more substantive projects where a guide of nearer 10% is usually given.

Who manages the budget?

The budget may not all be managed in one place or by one individual. As discussed, some of these activities for M&E (particularly monitoring) form part of the routine collection of data on the activities and outputs of the reform and may be undertaken by partners or the project team. However, computer programs or training may need to be

developed to ensure accurate and timely data gathering and recording. This may be allocated to other budgets. An impact assessment may be required and paid for by a specific donor rather than from the program. All of these factors need to be taken into consideration when developing a budget and in reporting 'rules of thumb'.

M&E budgets have been what might be termed 'outline budgets' primarily concerned with evaluation activities and focusing on covering the costs of end of project evaluation and inputs from external consultants. The increasing focus on 'proving' development results and the development of more detailed and sophisticated M&E practices means there is an imperative to put together more detailed M&E budgets and plans. Reflecting this, IFC are establishing more detailed M&E design and budget elements of their project approvals forms

The PM quick checklist

1. Does my organization have a rule of thumb for M&E budget?
2. Will some of the M&E activities be undertaken by other stakeholders?
3. Have I included a budget allocation for dissemination?
4. Who holds what aspects of the budget?

5.3. Step 3: Implementing the M&E Plan

Once a program has been approved for implementation, the next stage is to set about operationalizing the M&E activities. The first task will be to update the M&E framework and plan and completing a more detailed program management framework seeking to:

- Reflect any changes in the original time table;
- Detail M&E tasks and responsibilities identified and allocate to internal PM/M&E officers;
- Prepare final TORs for any external consultant to co-conduct the M&E and agree recruitment procedure and timetable; and
- Ensure M&E systems and reporting procedures and documentation are linked to project reporting systems.

What are the key tasks for implementing the M&E plan?

The project manager has specific responsibilities for implementation. These are likely to include:

- Briefing of internal PM/M&E officers on overall plan and their key role in monitoring and evaluation work
- Selection and briefing of external consultants for periodic evaluation work.
- Ensuring any baseline survey work is initiated
- If adopting a quasi-experimental M&E approach, preparation needs to be made for the identification and establishment of control groups alongside confirmation of the main target group audience for the reform work
- Ensuring monitoring systems for the capturing and recording of inputs activities processes and outputs are put in place
- Periodic data collection for the evaluation of outputs and outcomes are put in place
- Periodic data collection for the impact assessment
- Review and updating of the log frame (see Section 2)
- Establishing forums for stakeholders
- Identifying other interested parties
- Developing a communications plan

How should the data be recorded?

Recording monitoring data on inputs, activities and outputs is usually straight forward and is guided by the project management and reporting systems for the project. This usually entails collating numbers and reporting performance against targets set in the project document. This does not require any special tools outside of the usual management reporting system or expertise outside of the project team.

How often the indicators and monitoring data is updated, will depend on the nature of the reform, what is being measured and at what point in the project this is happening. Some monitoring indicators (see Section 3) may be measured monthly, quarterly and/or annually.

- How many events have been held this month, how many officials trained this quarter?

Evaluation indicators (see Section 4) are usually measured against milestones over longer periods.

- What has been the reduction in the time and cost of business registration since the reduction in procedures last year?

Recording data for quasi-experimental methodologies and large-scale surveys can require specialist tools and expertise. Typically a statistical package is required to store and handle data.

The PM quick checklist

1. How does the data relate to the outcomes of the program?
2. What aspect of the project does this data represent?
3. What biases should be noted?
4. How can the data be best presented to be understood and useful to all?
5. What are the shortcomings of the data and the data collection method?

How should findings be reported?

Mechanisms for reporting monitoring findings should be identified and agreed up front. Most reporting will be undertaken through the organization's project management systems. Usually this will involve contributing to regular (monthly /quarterly) monitoring reports together with periodic annual and milestone reporting.

Figure 5.4 shows an overview of such a system for a GTZ BEE reform program in the Philippines.⁵³

⁵³ Participatory Management Of Development Results – GTZ BEE Program In The Philippines Martina Vahlhaus GTZ May 2007 IFC Smart Lessons

Fig 5.4: Internal management of the monitoring system in Philippines

Chart 1: Overview on Internal Management of the Monitoring System

	Basic Elements (= what is being monitored)	Frequency and Format	Participants
Strategic Monitoring	<ul style="list-style-type: none"> • System boundaries • Result chains • Indicators • Budget 	<ul style="list-style-type: none"> • 1-day workshop once a year 	<ul style="list-style-type: none"> • Program management • Component managers • GTZ advisers
Operational Monitoring	<ul style="list-style-type: none"> • Milestones (output monitoring, use of service) 	<ul style="list-style-type: none"> • Quarterly meetings 	<ul style="list-style-type: none"> • Program management • Component managers • GTZ advisers • Partners
	<ul style="list-style-type: none"> • Operational plans (= activity monitoring) 	<ul style="list-style-type: none"> • Monthly meetings, within the responsibility of each component 	<ul style="list-style-type: none"> • Component manager • Component staff
	<ul style="list-style-type: none"> • Inputs and costs 	<ul style="list-style-type: none"> • Monthly review 	<ul style="list-style-type: none"> • Program management
	<ul style="list-style-type: none"> • Planning and monitoring meeting 	<ul style="list-style-type: none"> • Annual (end of the year) workshop (1-2 days) 	<ul style="list-style-type: none"> • GTZ Team • Partners (decision-makers and implementers)

The PM quick checklist

1. Will the proposed reporting system fulfill the information needs of the internal and external users?
2. Is it adapted to the resources and the capacities of the program and its environment?
3. Will it fulfill both the 'proving' role of results against goals and the 'improving' role of sharing learning and analysis?
4. Am I reporting the right things at the right time?

5.4. Step 4: Analyze M&E Findings

Data is collected from M&E activities throughout the project and hence analysis of the findings should be undertaken alongside this work. Undertaking analysis on an ongoing basis and discussing findings as they are reported is important if the informing and learning roles of M&E are to be achieved.

The tools needed to undertake the analysis of the data collected through M&E activities will depend upon and reflect the methodology adopted, the range of data collection instruments used and the volume and nature of the data collected.

Data needs to be analysed for different groups, compared between groups and over time periods. External expertise may be required for the analysis of data, both in terms of

guidance as to what tools should be used and related to this, how data should be recorded and stored as well as undertaking the actual analysis once the data has been collected.

It is typical to have four or five points in a project when there will be a need to analyze and report results, in addition to the regular M&E reporting undertaken as part of project management. Key points of analysis and reporting take place as follows:

- **First stage baseline and mapping work.** If a project involves undertaking a baseline or mapping exercise then the findings from this work need to be analyzed and reported quickly because they form an integral base from which the project proceeds and will often determine what tasks will be progressed and which will not.
- **Pilot phases or pilot work.** A project may involve undertaking a pilot phase, where something will be tested out with a group or a particular locality before the project is 'rolled out' further. Again it is important that the analysis of M&E data from this pilot is undertaken thoroughly and quickly, as the findings from this are needed to inform the progression of the project. For example the Alexandria Business simplification project described in Annex 1 is a case where a project had to be implemented and evaluated within a 2 year period to determine whether the approach worked and should be considered for roll out to other governorates.
- **Mid-term or periodic evaluative reviews** - key findings from periodic evaluation work usually from the mid term timeframe of the project onwards need to be analyzed and reported in a timely manner as they illustrate whether the outputs of the project are being achieved or not and whether process issues are progressing. The findings from these mid-term evaluations inform the ongoing validity of the M&E plan for assessing outcomes and impact for the project. If initial findings show that the project is not achieving and or is achieving in an unexpected way then the M&E plan may need to be reviewed and updated for the end of project evaluation activities.

Mid-term is a significant review point for DFID projects, whereby external consultants or DFID staff external to the project are brought in to assess the progress of the project to the outcome level. Likewise, GTZ have a substantive review with their mandatory 'project progress review' noted above. This analysis of project/program results is based on objectives and indicators, results hypotheses and results chains, data and information obtained from the results oriented monitoring.

- **End of project evaluation.** This is usually the most substantive analysis as it is bringing all of the above together, as well as undertaking end of project evaluation data collection analysis and reporting. This is the key time of activity for M&E work if findings are to be processed and reported in a timely manner after the end of the project. Therefore resources need to have been in place and tasks managed well during this period. This evaluation will always involve external people – colleagues from the central evaluation department and/or external consultants. Do not underestimate the time needed to bring together the summative M&E data and findings.
- **Post-project evaluation.** Sometimes there is provision in the project for there to be an evaluation after it has ended – a year or more afterwards - where the focus is on impact assessment. Usually this is undertaken by a specialist within the organization and/or external consultants who are contracted to undertake this work, develop the analysis and presentation of the results.

Box 5.3: How to write up an evaluation

- Keep it simple
- Make sure that the right information reaches the right people
- Use a form of communication that catches the attention of the intended audience
- Communicate in a way that makes the information as understandable as possible to each particular audience
- Present the information on time
- Involve the target group in deciding what and how to communicate
- Use a standardized format to allow comparison
- Indicate the reliability of the data

The PM quick checklist

1. How many times will an analysis need to be prepared?
2. Who will prepare it?
3. How many versions will we need?

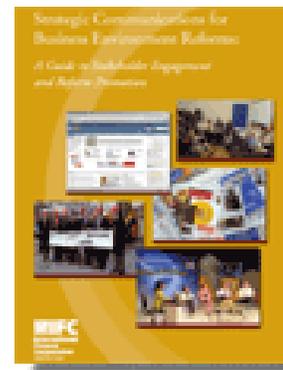
4. Should I use a standardized format?

5. How can the finding contribute to the learning?

5.5 Step 5: Communicating M&E findings

While M&E findings are regularly reported through project management systems as noted above, it is not unusual to find that they are not communicated beyond this, either internally and externally. It is so often the case that those involved in M&E, especially impact assessment activities, devote a lot of time to the design and implementation of M&E systems and not enough time to considering how their findings will be used.

If M&E practice is to fulfill both its learning and proving roles and its findings are going to influence development thinking, policy and practice, then it is important to have a sound dissemination strategy in place. The importance of good communication to the effective practice of BEE reform is increasingly recognized. IFC has recently developed a specific toolkit on communication within its suite of BEE toolkits⁵⁴. This provides extensive guidance, includes practical examples and case studies on implementation, and recommendations for good practice.



The PM quick checklist

1. When is the best time to communicate M&E findings?
2. What is the message?
3. Who is the audience?
4. What is the best way to communicate?

When is the best time?

For the timing of findings there is a very simple rule: The longer the length of time between data collection and presentation of findings, the lower the impact for 'improving'

⁵⁴ Strategic Communications for BEE Reform: A guide to stakeholder engagement and reform promotion IFC BAH 2007. See: <http://www.ifc.org/ifcext/sme.nsf/Content/BEE+Toolkits>

practice. This is especially the case for external impact studies. Another key aspect of timing beyond the imperative 'don't delay' is to think: *who* is sharing the results and when is a good time for them to hear and learn about things. Some issues to think about:

- Institutions such as government tend to have a regular pattern of meetings and events. Many of these fit into an annual cycle – use existing publications, committee meetings and planned events to disseminate findings;
- Time is money for many businesses and so when trying to disseminate and engage with the private sector try to use a mechanism of delivery that they already use as part and parcel of their business life - Business Association meetings and newsletters, information sheets at registration offices or in banks
- Try to avoid busy times of year for the target groups - the end of March is the end of the financial or tax year in many parts of the world. In rural areas harvest time might not be a good time to engage agricultural enterprises.

What is the message?

The effective communication of M&E findings is critical for both the proving and improving roles of M&E work.

- **Proving:** Stakeholders want to know if the project has succeeded. Has it delivered what it set out to achieve? If so in what way and if not why not? Sharing findings, especially success with external stakeholders, not only validates the project but also helps to build consensus and support for the reform process and private sector advocacy
- **Improving:** What did the experience of running the project show about that particular form of intervention? What lessons can be taken for implanting this type of activity elsewhere or with different target groups?

The IFC Alexandria Business Simplification project in Egypt is a pilot project that has adopted an explicit communication strategy to both prove success by sharing interim results and improving know-how about the reform in an effort to build stakeholder engagement and trust. They have also produced an award winning IFC SMART Lessons sheet *Communication As A Tool In Policy Reform: Getting The Message Through In Egypt* in order to share their experience with a wider audience.



Simple, well-written short notes can tell a powerful story as Box 5.4 shows.

Box 5.4: Example of a short impact note

Uganda: a successful pilot program in Entebbe focused on streamlining business licensing. As a result, the time that Ugandan entrepreneurs needed to register a business fell from 2 days to just 30 minutes. An estimated four times as many businesses registered in Entebbe the year after the pilot and, despite the lower annual registration fee, the higher number of registrations meant that the total revenue collected by the municipality increased by 40%. There were significant savings in administrative staff time too.

Who is the audience?

There are a wide range of stakeholders who will be interested in the M&E findings: both internally, externally with immediate stakeholders, and with a broader audience. Box X below outlines four groupings of typical stakeholders who are all important to the effective performance of a BEE intervention but relate to it from different perspectives. Their role and position in relation to the project will determine the type of messages they are interested in hearing.

Box 5.5: Typical Audience Groups

- **The Accountable** – those to whom the reform measure is accountable in operational and cost terms. Who has instigated or paid for the reform measure? They will want to know that their money has been well spent and the effort has been worthwhile. Those accountable

could be development partners, government ministers, government officers, and /or key business organizations.

- **The Beneficiaries** - those whose lives were to be made better by the reforms. Is the market now a better place for doing business? They could be the private sector and the enterprises themselves, or through the associations, chambers, and trade associations.
- **The Implementers** – those who are involved in managing and implementing the day-to-day activities that have been under reform. Can targets now be met more effectively and efficiently? They would be primarily government officers, compliance agency staff and business support agencies to a lesser extent.
- **Other Interested parties** – what do the findings tell other groups about the BE? Is this a good place to invest in? Is setting up a business straightforward? How long does it take to register a business now? The findings may be of interest to researchers, business development practitioners, consultants, potential business owners or investors – both in the country and in other countries.

How best to communicate?

How are the findings going to be presented how will people find out about them? Different stakeholders, by the very fact of what they do and where they are, will use different means of communication to find out about things. Whilst government ministers and officials and development partners will tend to be comfortable with detailed written reports, other stakeholders, such as business owners especially those in small businesses, are unlikely to have the time, the literacy skills, or indeed the interest to wade through what they would regard as boring paperwork even if they were able to have access to full technical reports.

The lesson is to use a variety of different forms of communication for disseminating evaluation findings from formal written reports through electronic newsletters to conferences and competitions – there are a wide range of media through which to communicate M&E findings and good practice.

Table 5.4 below gives some thoughts on what and how to disseminate M&E findings to the four stakeholder groups discussed above.

Table 5.4: Disseminating Findings to different Audience Groups

Target Audiences/key message	How to disseminate
<p>Accountable – development partners, government ministers, government officers, key business organizations.</p> <p>Key messages – easily digestible facts and figures about what has been achieved, proving change and relating it to intervention</p>	<ul style="list-style-type: none"> ▪ Written reports ▪ Executive summary briefing notes ▪ Presentations ▪ Discussions over ‘strategic cups of coffee’ ▪ Official visits to the ‘one stop shop’ out of town ▪ Leaflets and promotional material ▪ An annual ‘State of the BE’ report ▪ Web sites and electronic reports ▪ Media reports/showing changes heralding success - newspaper, radio, TV
<p>Beneficiaries - the private sector either directly or through their associations, chambers, and trade associations</p> <p>Key message - How doing business is now easier, quicker and cheaper – so do it!</p>	<ul style="list-style-type: none"> ▪ Briefing notes ▪ Presentations to associations ▪ Official visits to the ‘one stop shop’ out of town ▪ Briefing note of SME feedback ▪ Leaflets and promotional material ▪ Media reports/programs showing changes heralding success - newspapers, radio, TV ▪ Newsletters- hard copy & electronic ▪ Web sites & electronic reports
<p>The implementers – primarily government officers, compliance agency staff and business support agencies</p> <p>Key message – Key milestones achieved - where efforts have made a difference.</p>	<ul style="list-style-type: none"> ▪ Written reports ▪ Committee papers ▪ Briefing notes for staff meetings ▪ Presentations to staff ▪ Feedback at staff appraisals ▪ Organization Intranet /website ▪ Leaflets and promotional material ▪ Media reports newspaper, radio TV ▪ Internal staff newsletters
<p>Interested parties – researchers, business development practitioners, consultants, potential business owners or investors in the country, the media, development partners and governments elsewhere</p> <p>Key message - A successful reform has been achieved, and the BE here is better for business</p>	<ul style="list-style-type: none"> ▪ Written reports ▪ Executive summary briefing notes ▪ Presentations – conferences /business seminars ▪ Discussions over ‘strategic cups of coffee’ ▪ Official visits to the ‘one stop shop’ out of town ▪ Leaflets and promotional material ▪ Media reports/showing changes heralding success- newspaper, radio TV ▪ Research journal papers ▪ Case studies ▪ An annual ‘State of the BE’ report ▪ Newsletters- hard copy & electronic ▪ Web sites & electronic reports

How to ensure inclusion

Throughout the whole process of designing, implementing and managing the practice of project M&E there should be an ongoing diversity/inclusion prompt that operates at each stage to ensure that issues and concerns of diversity and inclusion are considered and addressed where ever possible.

Most of the BEE reforms are what might be termed mainstream interventions. They are aimed at private sector development in general. However there are a multitude of different stakeholders who make up or who are involved in the private sector. Not all of these different stakeholders experience the BE in the same way, with some finding it more 'disabling' or 'enabling' than others. Similarly, not all groups stand equally in having their voices and needs heard.

5.6 Key Messages

- M&E should be fully integrated into project cycle and project management systems from the start.
- PMs must have an integral role in designing and planning M&E. PMs may not be responsible for all M&E tasks
- Identify the key questions to be asked and answered by the M&E early in the process.
- Milestones and operational plans should be developed in a participatory way with representatives of the partner organizations
- Effective communication can build support for the process of change, accelerate acceptance and contribute to the sustainability of a reform

ANNEXES

ANNEX 1: Case studies	157
ANNEX 2: Glossary	234
ANNEX 3: Bibliography	242
ANNEX 4: Technical Annexes	249

ANNEX 1: Case studies

Steps towards better business start-up in Alexandria, Egypt	158
Tracking the Impact of Reforms in Latvia	168
Mapping the Impact of BEE Reforms in Philippines	177
Developing M&E on Alternative Dispute Resolution in the Balkans	185
Measuring the impact of municipal simplification programs in Lima	193
Integrating M&E into an administrative barriers program in Sierra Leone	198
Setting up government-owned systems to track regulatory governance in Uganda	205
Tracking performance of the Business Environment	
Strengthening for Tanzania (BEST) program	212
Tracking results on competitiveness for specific sectors in Thailand	217
Impact assessment of Public-Private Dialogue initiatives in Cambodia, Lao PDR and Vietnam	225

Case Study

Steps towards better business start-up in Alexandria, Egypt

The Business Start-Up Simplification Project in the Governorate of Alexandria is a pilot project that aims to create simpler, cheaper and more transparent start up processes for investors. The plan is to develop functional and efficient pilot start-up and licensing procedures, which could be applied to the entire country. The project demonstrates that a short (2 year) pilot project can embed M&E practice alongside implementation and use monitoring information to build credibility and trust amongst partners. A good communication strategy presenting ongoing aims to results has promoted 'interim' lesson learning and engaged partners to examine their own M&E systems and consider issues of impact.

Project Overview

The project addresses three aspects of business simplification - business registration regulations, industrial and commercial licences and building permits. It tackles these three aspects of business start up regulation through various forms of support delivered through four phases of work involving:

Box A: Project Inputs

- *Technical assistance in mapping existing procedures*
- *Advice on how to develop streamlined, transparent and "business-friendly" processes.*
- *Capacity building of staff in the relevant national and local institutions as well as private sector partners.*
- *Knowledge sharing from IFC's partners (e.g. study visits to Portugal and Canada).*
- *Enhancing communication and coordination channels across related authorities.*
- *Facilitating dialogue between the public and private sector.*
- *Introduction of automation processes for business start-up procedures in the Alexandria's One-Stop-Shop, through support from the World Bank-funded Alexandria Growth Pole Project*

Case Facts

Donor: IFC

Partners:

- General authority for free zones and investment (GAFI)
- Governorate of Alexandria
- Industrial development authority (IDA)
- The ministry of housing, utilities and urban development (HUDD) and their agency for technical inspection of buildings (ATIB)
- Alexandria business association (ABA)

Timeframe: Oct 2005 - Dec 2007

Reform type: Business entry/
Operations

Project budget: USD \$899.000

- Process mapping and benchmark surveys
- Process evaluation and re-engineering
- Implementation of New Administrative Processes and
- Automation of the new system of start-up procedures.

The **output** of the Project is a substantial reduction in the number of procedures and time it takes businesses to comply with entry and licensing requirements. **Outcomes** are the increase in the number and value of business registrations, and

licenses granted. This increase may come about through the formalization of existing informal firms or through the attraction of new investments as Alexandria is perceived as a more attractive investment location.

The **expected impact** of the Project is to increase private investments in more productive and competitive firms. This in turn is expected to strengthen economic growth, including more employment and income opportunities in Egypt.

M&E approach

The project has adopted a regulative **'Before and After'** approach with respect to regulatory processes looking at changes in profile of regulatory procedures and in parallel the changes in volume and flow of businesses registering.

We use the descriptor 'regulative' because whilst it is possible to look at comparative volumes and flow of business registrations it is not possible to examine a 'before and after experience' with a single group of businesses because by its very nature the start up registration process is a one off event for any given business.

The decision was taken not to adopt a quasi experimental approach with some form of control group because the project was addressing changes in national regulatory procedures, so identifying businesses not subject to any of the changes made would have been difficult. In addition the project was a pilot and the focus was on capturing and understanding a largely exploratory intervention process for Egypt rather than testing out a well trodden route. However, the project team is considering how a comparative M&E approach could be used when the project is rolled out to other governorates in the future.

To date M&E work has involved the monitoring of input activities and immediate outputs and outcomes with a periodic review and sharing of the 'results' and 'benefits' achieved so far. Plans are in place with partners to evaluate outcomes and to establish as far as possible the likely scale of impact arising from the simplification work.

M&E lessons

▪ Embedding M&E in implementation

An overarching feature of M&E work for this project, even in the short time frame of its operation, is that it is undertaken as an integral part of project implementation. M&E is 'owned' by all members of the project team as well as some of their partners. All team members see it as their responsibility to ensure that M&E happens. Monitoring data on activities and outputs is used immediately and communicated widely with the aim of highlighting successes identifying next priorities and building further interest and commitment to the reform work. This appears to have stimulated interest in evaluation issues from both the project's public and private sector partners.

M&E Snapshot

Budget: No explicit M&E budget up front
Approach: Regulatory 'Before and After' approach evolved, no control group
Baselines: Enterprise start up experience and regulatory put in place
Indicators: Outputs, outcomes and impact indicators relating to regulatory and enterprise performance
Data Tools: Questionnaire surveys, mapping, focus group discussions in depth cases, interviews.
Communication: Diverse tools and media used for communication of 'results' & ongoing learning.

▪ **Building on the before**

Referring to previous work in scoping and designing the project and its M&E framework is valuable and can save time and money by reducing the tendency to ‘reinvent the wheel.’ It can provide background and context, baseline data example of M&E indicators, ideas for what works and what doesn’t in terms of data collection methods and tools.

Generic surveys:

- Doing Business 2001, 04 and 06
- Investment Climate Assessment Sept 2004
- Administrative Barriers Review Jan 2005

Egypt specific surveys:

- CIDA /SMEPol unit established with Ministry of Finance in 2000 has undertaken several surveys including 2005 business regulation review legislative review

The Alexandria project used prior research and practice, both international and local work by a variety of agencies, to inform and shape their work. Doing Business Surveys supplied base ratings on generic indicators. For example showing that in 2004 starting a business in Egypt involved 13 procedures and took on average 43 days. By 2006 there were only 10 procedures and it took on average 19 days. However in 2006 Egypt still ranked only 123 out of 155 countries internationally for starting a business and sits at 9th out of 17 in the MENA region. This provided ‘ball park’ baseline information for M&E.

CIDA having worked on SME policy in Egypt since 1997 supported a review of business regulation, published in 2005, which provided detailed insight to the profile of Egyptian business start up legislation, regulations and systems with recommendations of where there was scope for change. This provided an up to date context for the project and its M&E framework.

▪ **Compiling baselines**

Baselines are critical elements for any project evaluation – they provide the starting point or benchmark against which project progress can be measured. However putting together baselines can involve challenges – the availability of data and/ or the cost of collecting such data, fixing the point at which you say this is the ‘base’ or ‘starting point and if your BEE project is taking place in a context of significant policy reform and change then coping with the fact that your baseline figures and indicators may also be changing rapidly as you measure them.

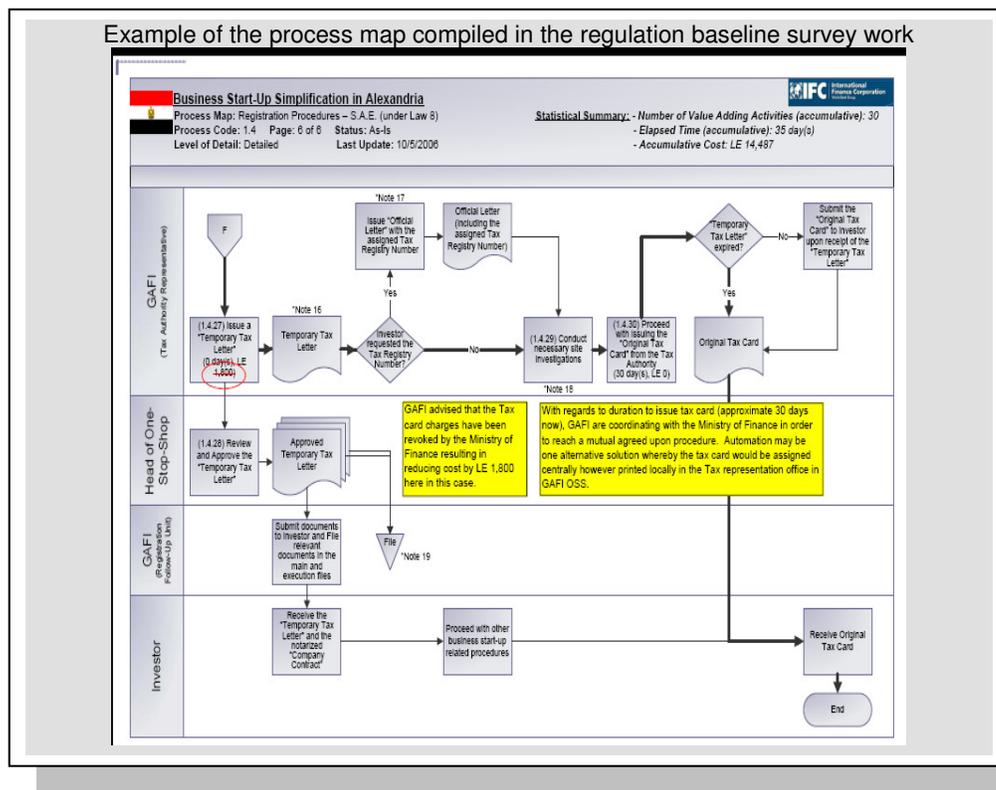
The majority of business simplification projects begin with some form of diagnostic mapping exercise of regulations and systems. Such work can be used to establish a regulative baseline for M&E as well as the ‘route map’ for what technical intervention needs to take place. In this way the M&E costs of creating a baseline can be covered or at least shared with the implementation costs of the project. This was the case for the Alexandria simplification project.

Three ways of building the baselines

1. To map the procedures and systems for registration, obtaining licences and permits. This was undertaken over a month period by international consultants walking through the process.
2. A questionnaire survey of the registration experiences of a 300 local businesses (registered in 3 years prior to project) – undertaken by local consultants
3. Review sessions undertaken by the project officers with staff from all levels of the key government departments involved in the registration process and sample examination of case notes.

This diagnostic mapping work was undertaken throughout the first 6 months of the project and used three separate but complementary methods of data collection and review with different stakeholders. This provided different perspectives on the 'current state of business registration'. These different perspectives proved important as they revealed insights challenging assumptions about problems.

For example it was assumed that the long delays experienced in obtaining business permits was due to delayed decision making by officials. However, detailed studies of case notes and discussion with staff at HUDD revealed that often delays arose because applicants took time to supply of correct information. This was not revealed by the mapping work or the interviews with businesses but came to lights after the case reviews & discussions with staff.



The baseline work had its challenges. For example, *benchmark indicators appeared to be continuously evolving*. During the time it took to gather and cross reference the mapping data, the reported time taken to register a business fell from 32 to only 28 days. This demonstrates the 'open' nature of business environment work where factors of cause and effect are multitudinous and difficult to track and control from an M&E perspective.

The team took the May 2006 regulation data gained from their diagnostic work as their regulation baselines for M&E purposes. This showed that registering a business including obtaining the necessary licences and permits involved 123 procedures, these took on average 233 days and cost EGP 64,721 the equivalent to \$ 11,350

Another challenge in establishing a baseline on private sector experience of registration was *building a representative sample of recently registered businesses in the Alexandria area*. Although some local business data bases and directories were available, the reluctance of firms to talk about their experiences meant that achieving a profile of 248

companies took time and effort. The researchers had to adopt iterative convenience sampling methods i.e., contacting businesses additionally through a door-to-door approach in the target zones in Alexandria to build their interview base.

▪ **Establishing indicators and agreeing targets**

Indicators for the project were identified at the project approval stage and were based upon IFC core indicators for such BEE interventions as outlined below. The project stated that it in broad terms it aimed to provide support for reform efforts that would cut the time needed to start a business by at least 50 percent but specific targets for each of the indicators were not agreed until after the initial project diagnostic phase.

As Frank Sader, Senior Operations Manager for BEE in PEP MENA, noted

“It is not useful to set out unrealistic targets for a project up front without knowing what is achievable in the context and timeframe for the project. This approach does not mean that targets are not stretching but it does mean they are appropriate and realistic to the task in hand.”

In setting targets the team took into account:

- the pilot nature and short time frame for the project and yet the need to show results;
- a supportive the context for reform work - A new government had been elected in July 2004 and brought new leadership, new attitudes, new laws and new reforms creating a positive context for implementing a business simplification project. And
- The nature and scale of the problem and the attitudes of key government staff as revealed by the mapping work.

The Project Outcome targets		
	Baseline May 06	End of project Target
Business Registration		
Number of procedures eliminated/streamlined	24	12
Number of days to comply with regulations	5	2
Total cost for company to comply (Egyptian pounds)	12,687	9,500
Tax card		
Number of procedures eliminated/streamlined	6	3
Number of days to comply with regulations	30	15
Total cost for company to comply (Egyptian pounds)	1,800	1,350
Building permits		
Number of procedures eliminated/streamlined	75	38
Number of days to comply with regulations	163	82
Total cost for company to comply (Egyptian pounds)	45,134	33,850
Industrial licensing		
Number of procedures eliminated/streamlined	18	9
Number of days to comply with regulations	35	18
Total cost for company to comply (Egyptian pounds)	5,100	3,825
Commercial licensing		
number of procedures eliminated/streamlined	26	13
number of days to comply with regulations	37	19
Total cost for company to comply (Egyptian pounds)	8,053	6,040

Taking these into account the overall aim of reducing time and others factors by 50% was then designed to be translated into the target output and outcome figures for the

project to achieve by the end of its implementation in Dec 2007 (the targets are still to be determined) :

- X% change in business registration and licensing
- Investor satisfaction with new procedures - % level?
- x% change in investment capital
- x% change in job creation
- x% increase in taxes and fees generated through the start-up process.

One challenge faced in setting indicators and targets has been capturing the 'process' outputs and outcomes achieved as part of the project. It is clear that certain events, decisions and relationships have been critical to project's success to date.

For example the insights and progress achieved through the discussions and experiences gained through the international field visits or ABA's decision to become actively involved in acting as impact data collectors and building a regulatory 'observatory' role. These outputs are difficult to predict count and capture. They tend be qualitative factors and project management systems do not have provision to count these as such. In IFC's TASS system they will be captured under the lessons learned section of the project completion report.

Another challenge is that many BEE projects by their evolutionary nature will have outputs and outcomes not envisaged or planned for in the original project design. For example the IDA has established a presence in the OSS in Alexandria and is delegating responsibilities to this level which is helping to improve the processing of business licences. These need to be acknowledged and recorded by the M&E of the project progresses otherwise the outcomes of the project will be underestimated.

▪ **Measuring outcomes and impact for, with and through partners**

The project is still in its implementation phase but already they have been able to report on some outcomes for example by May 2007 after 12 months of active work, the team were able to report that a reduction of business and tax registration requirements of 35 days to 10 days had been achieved. (See Smart Lessons).

The expected impact of the Project is summarised in the Box B. The team is also

<p>Box B: The Impact of simplification in Alexandria</p> <p>Expected Impact</p> <ul style="list-style-type: none"> • Increase in investment • Increase in jobs created • Increase in income <p>Direct Gains</p> <p>What can we measure?</p> <ul style="list-style-type: none"> • No. of newly registered companies • Invested capital <p>What we need to estimate</p> <ul style="list-style-type: none"> • Jobs per \$ invested • Average wage/salary <p>Indirect or Efficiency Gains</p> <p>What can we measure?</p> <ul style="list-style-type: none"> • Reduction in time • Reduction in cost <p>What we need to estimate</p> <ul style="list-style-type: none"> • Financial savings • % of reinvested savings 	<p>looking at impact assessment – looked at what they can measure and what they need to try and estimate.</p> <p>In terms of measuring the team are collecting data in a number of ways</p> <ul style="list-style-type: none"> ▪ It is collecting data on levels and nature of business registration from each of its partners on a quarterly basis and this will be compared to the levels and profile of businesses prior to intervention. It is interesting that by asking for this data
--	--

the project appears to be stimulating interest by their government partners to set about establishing more efficient and effective management information systems in their own institutions.



- It will undertake a customer satisfaction survey at the end of the project will a sample of recently registered businesses to compare levels of satisfaction with the registration processes. These levels of satisfaction and the issues raised will be compared to those expressed by businesses registering prior to the project
- The local Alexandria Business Association, ABA - will also supply data on how the private sector experiences and views

reform measures. The project has stimulated interest and active commitment to reviewing reform from ABA. The BEE team have developed a 'sub project' with their working colleagues in the Access to Business team in PEP MENA are working with who has a capacity building for the membership association's element to their work. This latter team will work with ABA in helping them to design and set up a regular enterprise survey of their members, develop a local Alexandria doing business index and to establish an advocacy unit to lobby government about BEE issue as they impact on business. Rather than just seeing the private sector as a source of M&E data the project is working with and through the private sector to report on business simplification results.

- The team have begun to examine issue of ex-post impact. They are currently enegaing a consultant to help them put together a simple yet credible means of calculating quantifiable impact. In particular to look at data for jobs per \$ invested, average wages/salaries financial savings and % of reinvested savings produced by the increase in businesses registering in Alexandria following the reform simplification measures. Clearly there are significant challenges associated with such a calculation such as the quality of information available, assumptions about the similarities in profile of businesses registering before and after the reform process and the degree to which changes can be attributed or linked to reforms in the registration process.

▪ **Communicating M&E findings**

The Project has recognized the importance of communicating with partners and broader stakeholders up front in the project and has employed a comprehensive communication strategy following its diagnostic phase of work.

The team have used a wide range of communication tools to report on interim findings and results through the media. For example in November 2006 the project held a one-day Business Start-Up Simplification Conference to mark the halfway point of the project. This conference amongst other things provided a platform for one of the key partners, the IDA Chairman Amr Asal, to report that:

“Business registration and licensing procedures ,including property registration and acquisition of building permits, used to require an average of 277 days and six steps for completion. “In the past year, the organization (IDA) lowered the numbers to 135 days and four steps and is now working toward 45 days and three steps

The IFC Alexandria project is now at the recommendations stage where it will aim to reduce construction permit acquisition time to 100 days and cut in half the 60 days now required to obtain operation licenses”

The Communication Strategy

3 main goals:

- Raising awareness of the private sector about the new services of the One-Stop Shop of Alexandria
- Increasing the visibility of key government partners and their efforts in reforming business start-up
- Increasing the civil servants’ awareness of and commitment to the reform process.

Key Tools – examples

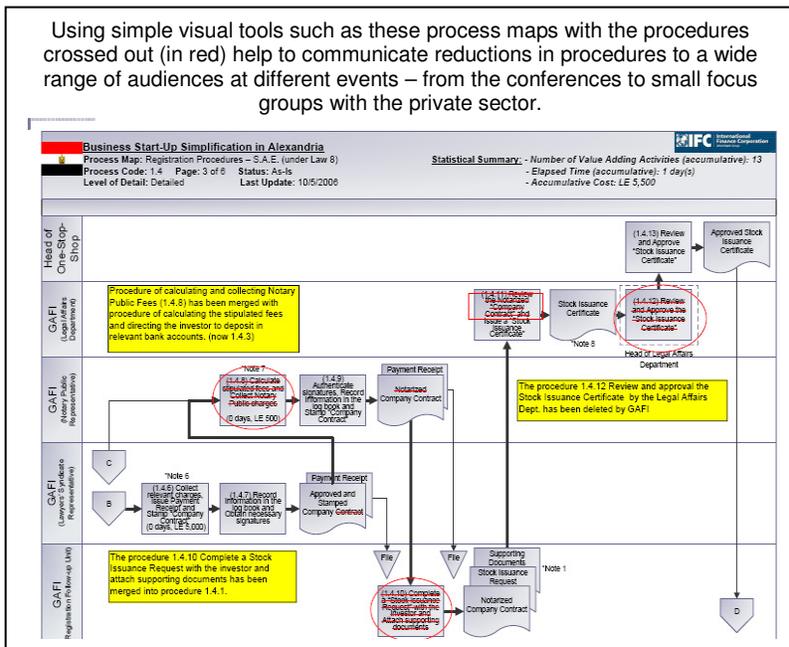
- Project Fact Sheet
- Press releases & conferences
- Two high profile conferences with local and international speakers
- A variety of public private working groups and review meetings with government and private sector partners

IFC Smart Lessons Sheet May 2007

The project team have produced an IFC ‘*SMART LESSONS in Advisory Services Sheet*’ on their communication activities to share their experiences with other project officers undertaking business simplification. In this they note a key communication lesson for M&E.

“Closely tie advisory services on developing media activities to the development of a sound and cost effective M&E strategy within the client institution. Facts and figures on the actual pace of reform and its bottlenecks will create a substantive message to the target audience, increase focus on reform issues, and lead to more accountability”

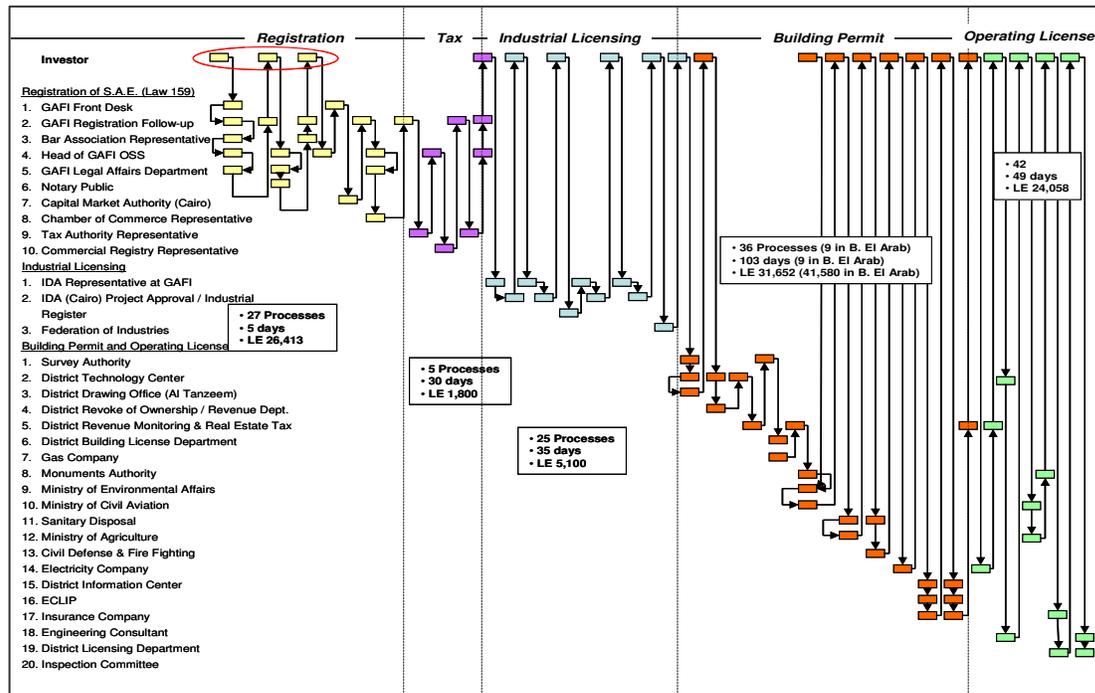
Using simple visual tools such as these process maps with the procedures crossed out (in red) help to communicate reductions in procedures to a wide range of audiences at different events – from the conferences to small focus groups with the private sector.



In communicating their work the project team have utilised a range of visual aids to present their activities and outputs. For example, using process maps, and visually showing the official start-up compliance journey.

These have proved powerful for groups who often use different first languages and can lack

familiarity with much of development terminology.



This wide ranging communication has helped to establish the credibility of the IFC team and their government partners with the business community, which in turn has helped to build trust amongst partners.

Conclusions

The Project is a relatively short pilot and recognises it is critical to provide evidence of results in order to demonstrate effort build credibility and bring on aboard partners for national implementation. To support this, M&E has focused on the thorough monitoring of activities communicating outputs on a regular 'as achieved' basis. However, the M&E is now moving towards estimating impact as well as measuring immediate outcomes.

It has engaged public and private partners to think about their M&E. Both GAFI and IDA are reviewing their basic record and monitoring systems and seeking to develop means by which they can evaluate the impact of changes made in their systems and procedures. The ABA is actively working with the IFC team to build their own M&E capabilities so that they can become an informed watchdog on reform and generate their own 'Alexandria invest climate barometer'.

It has also used a range communication tools to present interim project results giving credibility to IFC and the project team as well as their partners, building trust amongst partners and engaging interest from others in the reform activity.

In addition, it has demonstrated good synergy within PEP MENA work by engaging their colleagues in a different private sector development team to help build the capacity of a business association so that it can become an informed 'watch dog' for reform.

Key lessons for M&E

- Utilising prior knowledge in designing projects and undertaking M&E.
- Took time to establish credible baselines
- Immediate reporting of interim results in order to establish the project team's credibility and that of their partners as well as engaging support for further reform.
- Communication is critical for both the proving and improving elements of M&E work.
- Utilising a good blend of in house and external expertise for M&E.
- That projects evolve and it is important to capture additional outputs and outcomes not predicted at the outset

Options for developing the M&E:

- The program could use another governorate as a 'comparator group' to help assess the degree to which the training and support of staff contributed to the reduction in time taken by businesses to register.
- It could consider tracking a case group of minority businesses (women selected sectors) to help verify that the benefits of simplification apply to all types of businesses and business owners.
- It could use qualitative data collection techniques such as diary keeping by the team and officials to help capture process issue such as critical incidents for engaging stakeholders

Case contributors

- Frank Sader Senior Operations Manager - BEE and Chief Strategist
- Thomas Moullier Program Manager - Business Enabling Environment IFC
- Sherif B. Hamdy Project Officer, Business Enabling Environment IFC
- Yehia K. Eldozdar Project Analyst, Business Enabling Environment IFC
- Kamal Siblani- Senior Monitoring and Evaluation Specialist
- Markus Pilgrim - Program Manager, Access to Business Services Program
- Eng Moushira Madkour Vice chairman IDA
- Nayera Abd El Moneim Ahmed Under Secretary GAFI OSS Alexandria
- Dr. Rafik Abbas Awad – consultant with HUDD

References and resources

- IFC PEP-MENA Business Start-Up Simplification in Alexandria
- Project Proposal October 3, 2005
- IFC PEP MENA (2007) Project Fact Sheet. The Business Enabling Environment Pillar: Business Start-Up Simplification in Alexandria
- Smart Lessons Sheet Communication as a Tool in Policy Reform: Getting the Message through in Egypt by Thomas Moullier and Sherif Hamdy PEP MENA May 2007
- Research Study on Streamlining the Egyptian Laws Regulations and Procedures Governing SMEs Establishment Growth Export and Exit September 2005 for Egypt Canada SMEPoI by Megacom in consortium Phoenix Consulting and Abdel-Raouf Law Firm
- IFC press release Alexandria 28 November 2006 Conference Discusses How Business-Friendly Regulations Promote Economic Growth
- Tors IFC PEP MENA Access to Business Services (A2B) Program Design of Reform Index
- Research Study on Streamlining the Egyptian Laws Regulations and Procedures Governing SMEs Establishment Growth Export and Exit September 2005 for Egypt Canada SMEPoI by Megacom in consortium Phoenix Consulting and Abdel-Raouf Law Firm
- Using survey-based indicators to monitor and evaluate investment climate reforms Recent experience in MENA Dr. Sahar Nasr Finance and Private Sector Unit, The World Bank presented at IFC advisory services program monitoring and evaluation meeting "results measurement for advisory services" March 6-7, 2007, Cairo, Egypt
<http://www.businessenvironment.org/dyn/be/docs/141/Nasr.pdf>

Case Study

Tracking the Impact of Reforms in Latvia

The Latvian Business Environment Reform Program had evaluation as a core element of its implementation action plan alongside the usual range of regulatory reform assistance. As an explicit and high-priority part of the technical support requested by the Government of Latvia (GOL), FIAS was asked to help develop effective tools for monitoring and evaluating reform measures and to help create an M&E approach whereby impact could be examined.

The underpinning ethos was to develop local capacity so that the GOL and its key stakeholders could continue to practice good M&E after the program was completed. This has been the case – the range of good quality data collected during and after the reform intervention has enabled a range of impact assessments to be undertaken as outlined below.

Box A: Key Components of the Latvian Business Environment Reform Program

- **1998:** administrative barriers study approved by GOL April 1999
- **May 1999:** GOL action plan prioritized removal of administrative barriers to investment & requested assistance especially with inspections reform, construction permits, & monitoring
- **1999/2000:** FIAS seminars on inspections reform & construction permit reform as well as development of monitoring instruments
- **2001/2:** FIAS assisted with 1st Administrative and Regulatory Cost Survey of businesses and “Templates” exercise in government as part of self-assessment study
- **January 2003:** Latvia “self-assessment” update report finalized,
- **December 2003:** 2nd ARCS funded by GOL with methodological assistance from FIAS
- **Spring 2004:** Case study of impact of inspections reform
- **September 2005–May 2006:** 3rd ARCS funded by GOL with methodological assistance from FIAS and quality review of the policy report prepared by the LIDA

CASE FACTS

DONOR : IFC IMPLEMENTED BY FOREIGN INVESTMENT ADVISORY SERVICE (FIAS), WITH SUPPORT FROM EU AND SWEDISH FUNDING

PARTNERS:

- GOVERNMENT OF LATVIA (GOL),
- MINISTRY OF FINANCE,
- LATVIA INVESTMENT AND DEVELOPMENT AGENCY,
- BUREAU OF PUBLIC ADMINISTRATION REFORM (BPAR)

TIMEFRAME: 1998 - 2005

REFORM TYPE: A RANGE OF BUSINESS REFORMS AND M&E APPROACHES

PROJECT BUDGET: \$483,000

PROJECT OVERVIEW

The Business Environment Reform Program in Latvia began in 1998 and involved a number of diagnostic, implementation and review projects through until 2005. The overall aim was to help the Government of Latvia (GOL) reduce administrative barriers to investment. A range of reforms were implemented in six different aspects of business legislation and regulation: Inspections; Customs administration, border crossing, and import/export procedures; Tax administration; Expatriate immigration; Construction permits; and Procedures for acquisition of land. (see Box A). The program also worked to develop a structured dialogue between the government and the business community and to build capacity for

M&E.

M&E APPROACH

The M&E approach for the Program used a 'Before and After' study using a sample survey of enterprises to capture the changes in government regulative procedures, systems and practices and in particular the private sector's experience of these changes. Key features of the M&E approach is that it has been driven and owned by the GOL with support from FIAS to embed good M&E practices into government institutions and engage with the private sector and other stakeholders throughout the process. A logframe was created for the overall reform program presenting generic performance indicators at all levels and key sources of data. However specific targets were not set for indicators at this stage.

Outputs included methodology for measuring: reduced burdens of procedures & regulations in terms of reduced time and cost, fewer incidences of bribery, lower numbers of fines and sanctions, and more qualitative measures of improved quality of procedures. **Outcomes** are related to changes in the various indicators of investment climate similar to those used in the World Bank's Doing Business rankings and **Impact** indicators related to levels of Foreign Direct investment, Gross domestic private investment, GDP growth, levels of incidence of poverty.

Regular monitoring of the business enabling environment was undertaken by the program team. Data was collected on activities and results through focus groups and consultations with businesses, company surveys and specific studies and reporting information provided by the various government entities engaged in the reform program. In addition an ex-post impact assessment initiative examined the effects of the reforms on the BEE, improved investment levels, economic growth and poverty reduction in the country. A significant achievement of the intervention is that regular monitoring by funded by GOL continues to date.

M&E SNAPSHOT

M&E BUDGET – No explicit M&E budget up front; estimated at 10-20% of project budget

Approach: Regulatory 'Before and After' approach evolved, no control group possible in most cases

Baselines:

- Administrative Barriers Diagnostic, set scope of work and context for M&E
- Baseline set in 2001
- Follow-up (ARCS) Surveys, 2003 and 2005

Indicators – for outputs outcomes and impact relating to regulatory and enterprise performance Impact on investment growth and poverty

Data Tools: questionnaire surveys, focus group discussions in depth cases, interviews.

Communication – primarily through reports and the working group and its networks

Strong Leadership and Commitment

The wide range of M&E activities undertaken as part of the reform program were made possible by the GOL's strong commitment to reforming the BE. In 1999 the newly elected government was seen as heavily committed to BE reform and its policies were acknowledged as exemplary by the EU in 2000. This active engagement with reform came together with a desire to put in place a transparent and systematic approach to monitoring and evaluating the reform measures and their results. Moreover this interest in M&E was expressed from the very start of the reform process.

A critical driver underpinning the adoption of M&E work up-front was the establishment of an overseeing Steering Group, appointed by the Prime Minister. This group included

both public and private representation (see Box B) and was actively involved in putting together a key document - an 'Action Plan to Improve the Business Environment in Latvia'. This inter-ministerial planning document is a legal instrument which is updated regularly. It includes amendments to legal acts, revision and simplification of procedures, improvement of coordination between different institutions, preparation and publication of information as well as training of state and municipal officials. The Steering Group have met on a regular basis since 1999 to review the Action Plan. In this way the Action Plan is a "living document," as it is regularly updated to include new items and to remove those that have been implemented. By December 2003, 91 of 106 tasks included in Action Plan had been successfully implemented (and tracked), which represents a very high (approximately 88 percent) success rate of reforms.

The Steering Group, by working with key agencies, has acted as a vehicle for promoting the collection of M&E data as well as being a key a consumer of M&E findings. In this

Box B: Leadership

"A core group of pro-reform "technocrats" at senior and middle levels of the civil service provided critical continuity as various governments came and went. This included the Latvian Development Agency, which had credibility with the business community and the Bureau of Public Administration Reform, which had credibility with the national government"

P74 Reforming the Investment Climate Lessons for Practitioners
Sunita Kikeri et al

way they have ensured that M&E activities have been centre stage throughout the reform process.

Building systematic evidence through enterprise surveys

A key challenge in identifying, collecting,

and presenting outcomes for the reform program was the absence of good baseline data on key factors in the business environment. Very few if any statistical indicators were collected on regulatory procedures and practices in Latvia , nor were quantitative evaluations performed prior to the reforms.

In 1998 GoL requested FIAS to undertake an initial diagnostic study which helped to set the scene and provide the rationale for the reform work. Following this, data on the implementation of the early reforms and the outcomes were captured in a rather *ad hoc* way through focus groups and anecdotal evidence.

In 2001 the GoL with support from FIAS set out to put in place a more rigorous M&E system in place and this began in 2001 with an Administrative and Regulatory Cost survey of some 541 businesses which in effect provided an enterprise baseline for the Program. FIAS also distributed about 50 templates covering different administrative procedures, to various government and local government offices. These were used with officials throughout the key ministries involved covering some 30 different regulations at both the national and municipal level.

Having put this benchmark in place the GoL wanted a stronger statistical basis to monitor progress and review their reform strategy. Again with support from FIAS GoL has carried out two self-assessments of reform progress. Each cycle of evaluation used common templates to gather official information about administrative procedures, a business survey to collect information about experiences with such procedures, and public-private dialogue to discuss the implications of the data and to guide revisions to the program.

These different surveys have provided a wide range of data on outputs and outcomes and a degree of longitudinal evidence from which estimates of impact have been extrapolated (see below).

Using different data sources to confirm development results

While the survey data was important in providing quantifiable evidence for percentage changes, focus groups with businesses and officials focus groups gave insight into experience on the ground. Other secondary data from government departments and agencies has been used to verify and complement this evidence.

For example as Box C shows, focus group discussions confirmed and elaborated on the survey findings highlighting a reduction in the probability of fine being imposed on businesses by the inspectorates. Similarly, performance data from the State Labor Inspectorate revealed that the number of administrative penalties imposed decreased, the number of warnings issued for suspension of activities decreased as did the number of cases of suspended equipment.

Essentially, different types of data from different sources – namely a public driven survey, private sector discussions and government departments reporting – were all confirming the same story.

Box C Changes between 2001 & 2003

Reduction in Probability of a Business Having a Fine Imposed on it:

- Labor Inspectorate: -84%
- Sanitary Inspectorate: -82%
- Fire and Rescue Service: -87%
- Municipal Police: -73%

Focus groups commented

“the inspectorates are no longer penalizing for little mistakes, they are just writing or telling [us] that these problems have to be averted.”

State Labor Inspectorate reported decreases of:

- Penalties awarded by 23%
- Warnings issued for suspension of activities by 22%
- Cases of suspended equipment by 44%.

The number of administrative penalties and warnings issued by the Fire fighting and Rescue Service followed a similar pattern.

Ensuring credibility while building capacity to drive M&E

While FIAS have supported the government to build their capacity to drive the M&E of their reform Program, they have also recognized the need to ensure that evaluation work is credible in everyone’s eyes. In 2005 GoL requested FIAS support for fully embedding the M&E work locally and in 2007 it’s being implemented as designed with the business expert panel and fully funded by the government with the results feeding into policy decisions.

Local survey firms had been used since 2001, but there was a concern that a government-sponsored survey would not be credible with the business community. A task force was organized to oversee the survey, with representatives from business, academia, civil society, and the government. FIAS provided basic training in sample design, quality control, and safeguards to protect the anonymity of respondents. Participants in the 2005 survey including key stakeholders from both the public and the private sector are pleased to have a mechanism that both sides can trust to monitor the impact of ongoing reforms.

In this way the Latvian Program is seen to constitute a best practice example of mainstreaming governance and regulatory work and its use in monitoring and advancing a reform agenda.

Thinking about impact and attribution

Having operated over some seven years, the Program has been in a position to start examining the outcomes and impact of reform, to assess what improvements there have been in the BE and investment levels in the country. FIAS has examined various aspects of impact from a number of different perspectives.

Intermediate impact on operations:

Using a wide range of data and information, FIAS have been able to show significant improvements in the investment climate in Latvia; namely, in specific aspects of the regulatory environment, access to information and government service provision, and corruption.

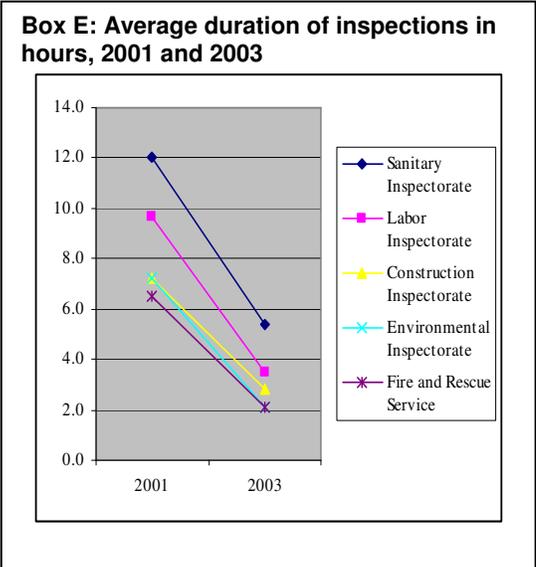
Box D: Average number of inspections a year from inspected companies			
Inspectorates	2001	2003	2005
Sanitary	4.3	2.6	2.1
Municipal Police	2.9	3.1	3.4
Construction	2.7	1.7	1.55
Environmental	2.3	2.1	1.6
State Revenue	2.2	1.9	1.9
Fire and Rescue	1.6	1.5	1.2
Labor	1.4	1.4	1.5
Inspections per year	17.3	14.3	13.3

For example, for inspections reform, between 2001 and 2003, the survey data indicated that the average frequency of inspections did not change substantially between 2001 and 2003 (Box D), but the average duration of on-site inspections decreased substantially (Box E). The surveys and focus groups with the private sector also confirmed that the average frequency and duration of inspections for the five most common inspections (fire safety, labor, construction, environmental, and sanitary) fell between 2001 and 2003, resulting in significant time savings for individual firms.

labor, construction, environmental, and sanitary) fell between 2001 and 2003, resulting in significant time savings for individual firms.

FIAS have also used respected international

Box F: Changes between 2001 & 2003
Reduction in inspection burden on businesses from Labor safety, fire, and sanitary inspections amounts to:
<ul style="list-style-type: none"> ▪ 50 hours per year per firm ▪ One staff member @ \$2/ hour = \$100 per firm ▪ 20,000 active firms in 2001 subject to inspections
= \$2,000,000 for one year for one aspect of one area of Reform
<ul style="list-style-type: none"> ▪ Estimate about ¾ or \$1,500,000 attributable to the reforms



benchmarking indicators such as the Heritage Foundation's regulation index, a number of social and economic indicators from the Fraser Institute, and the Kaufmann regulatory quality index to assess and illustrate improvements in the regulatory environment in Latvia before and after the administrative barriers reforms were enacted.

Intermediate savings for businesses: At the business level FIAS has tried to estimate the scale of savings that individual businesses might experience as result of reductions in regulations and government procedures. For example Box F shows, if it is assumed that each firm needed to assign one staff member to accompany a government inspector, and the average wage was about US\$2 per hour, the 50 hour time reduction alone (in the average inspection burden per firm, as derived from the survey data) represented a saving of US\$100 per year for an average firm. FIAS then scaled up this "aggregate cost savings" exercise using the enterprise survey data and looking at all of the key reform components throughout the project period from 2001- 2005.

Taking all of the reforms into account, FIAS have estimated that the quantifiable benefits of improvements in the business environment accruing to businesses were at least US\$170 million between 2001 and 2005, discounted to 1998 dollars. See Box G

Box G : Impact of Improvements in Latvia's Investment Climate

The final impact

The ultimate impact of business administrative reforms in any country is to increase investment, stimulate economic growth and contribute to poverty alleviation. FIAS cannot claim direct credit for the impact of its recommendations, but macro economic indicators show that improvements to the investment climate in the broader economy appear to have yielded improvements in

Table 1: Total Quantifiable Effects of Improvements in Latvian Business Investment Climate
(dollar figures discounted to 1998 U.S. dollars)

Reform Area	Explanation	Total	Per Average Enterprise
Inspection reforms	Resources freed up for the entire economy from improvements in inspection procedures (2001 vs. 2003)	\$3,011,839	\$66.49
Licensing	Decrease in official payments for obtaining licenses for business operations (2001 vs. 2003)	\$4,275,459	\$94.38
	Decrease in official payments for obtaining licenses for business operations (2003 vs. 2005)	\$7,956,766	\$147.19
	Decrease in payments to intermediaries for obtaining licenses for business operations (2001 vs. 2003)	\$322,264	\$7.11
	Decrease in payments to intermediaries for obtaining licenses for business operations (2003 vs. 2005)	\$143,487	\$2.65
Company registration	Decrease in costs of using an intermediary for business registration (2000-01 vs. 2002-03)	\$317,797	
	Decrease in official fee payments (2000-01 vs. 2002/2003)	\$59,147	\$1.31
	Decrease in costs for using intermediaries in business registration per enterprise (2000-01 vs. 2002-03)		\$7.01
Real estate	Decreased savings for businesses due to increase in official fees for all enterprises in 2005 vs. 2001 undergoing any registration procedure	\$-616,146	\$-11.40
Tax administration	Savings on preparation of declarations (2001 vs. 2003)	\$156,072,400	\$3,445.31
Total	Total from above elements	\$171,543,014	\$3,760.06

a. Agency days are the number of days an agency takes to process documents that have been submitted.

b. Calendar days are the total duration of a procedure from start to finish.

Source: FIAS, *Improving the Business Environment in Latvia*, forthcoming.

Box H: Impact Attributions

As the FIAS team themselves acknowledge "It is evident that there are many links in the chain of causation, and that the direct attribution FIAS can claim diminishes at every step downstream from its activities. Credit for success must be shared with the Government of Latvia and its immediate stakeholders (e.g., the businesses and their associations), the European Union accession process, the input of many other complementary projects, market forces, and, in some cases, sheer coincidence."¹

px Liepina et al 2006

private investment. For example, in 1997, gross fixed capital formation in the private sector was 16 percent of GDP, whereas by 2004 it had increased to 27.5 percent of GDP, and the number of active taxpaying firms increased by 31 percent between 1997 and 2004 (from 35,259 to 51,440 active companies). The mid-1990s saw GDP growth average at 6 percent and yet by 2005 it reached 10.2 percent with future forecasts of GDP growth at 8 percent.

These impact calculations are essentially based on “after vs. before” calculations rather than the more accurate “with reform” vs. “without reform,” for which we lack a counterfactual. As a matter of fact, policy reforms at the national level do not lend themselves to such an analysis, as no firms can be excluded.

FIAS was also able to track improvements in employment and wage earnings, and in terms of poverty they have looked at the numbers living below the poverty line – there has been a decrease in this figure over the period 2001 to 2005 and it is argued that the labor market has provided the primary channel through which more people are now living above the poverty line. It is difficult to show that such changes are directly caused by or attributable to the reform program of Latvia but the discipline of making attempts to do so provide useful indicators of change at the ultimate target levels for the reform work.

Using Cost Benefit Analysis

Since the completion of the program in 2005 FIAS have sought to use cost benefit analysis techniques to look at ‘value for money’: How much did it cost to bring about the benefits that have accrued from development interventions.

The FIAS interventions were relatively inexpensive; between 1998 and 2005, FIAS carried out six projects at a total cost less than \$500,000. The GoL also provided major in-kind contributions of staff time to oversee the reforms, and covered most of the costs of the second and third business surveys. This amounted to roughly another \$500,000 putting the total cost of the work at roughly \$1 million. Many of the FIAS recommendations were also supported by a World Bank loan for public administration reform (including tax and customs reform), which was about \$45 million. Taking the estimated benefit figure of US\$170 million between the period 2001 and 2005 gives a cost – benefit ratio of \$46 to \$170, in other words, each \$1 invested in the project resulted in at least \$3.7 savings for businesses in Latvia over a four-year period



COMMUNICATING M&E LESSONS

Given that M&E was an explicit element of the project there was ongoing communication of results from the reform through a number of different channels with the Steering group being the primary starting point. Business and government officials were briefed regularly and partner government agencies encouraged to promote their improved services through their (new) websites and other publications. Subsequent lessons learned from the program have been written up and disseminated in a variety of formats including a detailed case study a video available on the FIAS website, FIAS Occasional Paper no. 18, as well as an IFC Results Monitor note.

Also a big conference will be held in Riga in December 2008 on the subject.

CONCLUSIONS

The Latvian administrative reform program was not just about implementation of administrative reforms for business. It was also about building local M&E capability and commitment. The relatively long period over which the reform interventions and M&E activities took place provided opportunities to undertake outcome and impact assessment. The Program demonstrates the full cycle of designing, implementing, monitoring and evaluating reform in the business environment. It is also an experience that is well documented for lesson learning and the sharing of good practice.

KEY LESSONS FOR M&E

The Project demonstrated

- Engaging government as champions of M&E as well as reform enables sustainable M&E approaches to be institutionalized
- Having credible mechanisms for working with the private sector is as important for effective M&E as it is the implementation of reforms themselves.
- Sustained M&E is essential in order to undertake estimations of immediate and wider long term impacts
- Good use of periodic survey findings is useful for monitoring progress, evaluating results, reviewing priorities, and engaging all stakeholders in the reform process
- Using a mix of data collection tools supplying both quantitative and qualitative data provides a more credible insight to change as experienced by both the public and private sector.
- Impact assessment is complex and about estimation but it is useful and important both in terms of the proving and improving roles of evaluation.

It could have:

- Ideally with hindsight a baseline survey should have been conducted to provide quantitative data before reforms were enacted (i.e., in 1998).
- Tracked a case group of minority businesses (women or selected sectors) to help verify that the benefits of simplification and reform apply to all types of businesses and business owners.

CASE CONTRIBUTORS

Jackie Coolidge Lead Investment Policy Officer, FIAS, World Bank Group

Sanda Liepina Senior Operations Manager Sector: Business Enabling Environment IFC PEP

Lars N. Grava, FIAS, World Bank Group

REFERENCES AND RESOURCES

Presentation by Jackie Coolidge Lead Investment Policy Officer Case Study of M&E for FIAS Program in Latvia 1998 – 2005 M&E Workshop – Cairo March 6 – 7, 2007

<http://www.businessenvironment.org/dyn/be/docs/141/Coolidge.pdf>

A manual for the identification and removal of administrative barriers to investment Module 6: Monitoring, evaluation and continual assessment March 2005

[http://www.fias.net/ifcext/fias.nsf/AttachmentsByTitle/ManualsandToolkits_AdminBarriers_Module6/\\$FILE/Module+6+Monitoring+and+evaluation+-+March+06.pdf](http://www.fias.net/ifcext/fias.nsf/AttachmentsByTitle/ManualsandToolkits_AdminBarriers_Module6/$FILE/Module+6+Monitoring+and+evaluation+-+March+06.pdf)

Improving the Business Environment in Latvia: The Impact of FIAS Assistance
December 2006 Sanda Liepina, Jacqueline Coolidge, Lars Grava
FIAS Occasional Paper no. 18, available as of 1 Dec., 2007

Reforming the Investment Climate Lessons for Practitioners Sunita Kikeri Thomas Kenyon
Vincent Palmade 2006 IFC /The World Bank ✓
[http://www.fias.net/ifcext/fias.nsf/AttachmentsByTitle/ReformingtheIC.pdf/\\$FILE/ReformingtheIC.pdf](http://www.fias.net/ifcext/fias.nsf/AttachmentsByTitle/ReformingtheIC.pdf/$FILE/ReformingtheIC.pdf) a video clip about reform in Latvia Video on this website

“Case Study: Inspectorate Reform in Latvia 1999–2003” by J. Coolidge, L. Grava, and S. Putnina;
FIAS, June 2004. ✓
[http://www.fias.net/ifcext/fias.nsf/AttachmentsByTitle/Manualsandtoolkits_Module7_Latviacasestudy/\\$FILE/Case+study+-+Latvia+inspections.pdf](http://www.fias.net/ifcext/fias.nsf/AttachmentsByTitle/Manualsandtoolkits_Module7_Latviacasestudy/$FILE/Case+study+-+Latvia+inspections.pdf)

Key Benefits of Enterprise Surveys For Improving The Business Enabling Environment (BEE)
Sanda Liepina, Dina Nicholas, and Edward Novoseletsky, IFC SmartLesson, Januarys 2007 (IFC intranet only)

IFC Monitor - Tracking Impacts of FIAS Assistance on Latvian Business Climate *Results Measurement Advisory Services October 2007*
[http://www.ifc.org/ifcext/rmas.nsf/AttachmentsByTitle/Latvia/\\$FILE/LatvianBus.pdf](http://www.ifc.org/ifcext/rmas.nsf/AttachmentsByTitle/Latvia/$FILE/LatvianBus.pdf)

Case Study

Mapping the Impact of BEE Reforms in Philippines

Improving the business enabling environment is part of the objectives of the Philippines-German Small and Medium Enterprise Development for Sustainable Employment Program (SMEDSEP). However, the causality and attribution of the BEE specific component on impacts are not easily traceable. Nevertheless, the monitoring system based around impact chains coupled with a series of high level proxy indicators demonstrates the contribution of local level reforms for micro and small businesses. In addition, a comprehensive survey undertaken by a local partner serves as a definitive source of data to measure competitiveness at city level.

Project Overview

In the Philippines, micro, small and medium enterprises (MSMEs) have to cope with numerous obstacles in the form of economic policy, legal provisions and bureaucracy. High political awareness surrounding SMEs has led to a number of government-led initiatives, most notably the SME Development Plan (SMED) 2004-2010 which calls for broad-based support to foster competitiveness and growth of SMEs. President Macapagal Arroyo has also committed her administration to create 3.4 million new jobs during the SMED plan period by supporting entrepreneurs.

Given the political commitment to reform, GTZ wanted to work with both state-run and private institutions to improve general business conditions at decentralised level in the

Case Facts

Donor: German Government

Partners:

- GTZ
- Department of Trade and Industry
- Technical Education and Skills Development Authority (TESDA)
- National Economic Development Authority (NEDA)

Timeframe:

Sep 2003 – Aug 2011

Reform Type:

- MSME
- Removal of regulatory barriers at regional and local level

Project Budget:

Circa €14million



Philippine - German Development Cooperation
SMEDSEP
 DTI-TESDA-GTZ Small and Medium Enterprise Development for Sustainable Employment Program
 - at a glance -

The Small and Medium Enterprise Development for Sustainable Employment Program (SMEDSEP)
 The Philippine government increasingly regards SMEs as the driving force behind economic and social development. However, structural and institutional problems are hampering efficient and dynamic management at both national and regional level. The Small and Medium-size Enterprises (SMEs), are struggling with a multitude of economic-policy, legal and bureaucratic obstacles. Among these are cumbersome license and regulatory procedures as well as insufficient access to markets, business services, training and upgrading and financial and credit services. The investment climate of the Philippines thus is not conducive to the full usage of entrepreneurial capabilities of SMEs.

SMEDSEP goal
 The overall goal of the program is that state and private institutions shape the investment climate in the Philippines, and particularly in the Visayas, in a way that enables the development and use of entrepreneurial potential and stimulates competition.

SMEDSEP target group
 SMEs and micro-enterprises with growth potential

SMEDSEP components

1. Enhancement of SME policies, laws, and regulations,
2. Market development for services relevant to SMEs,
3. Improvement of access to middle and long-term financial credit, and
4. Market development for Demand-Driven Technical Vocational Education and Training programs

Partners

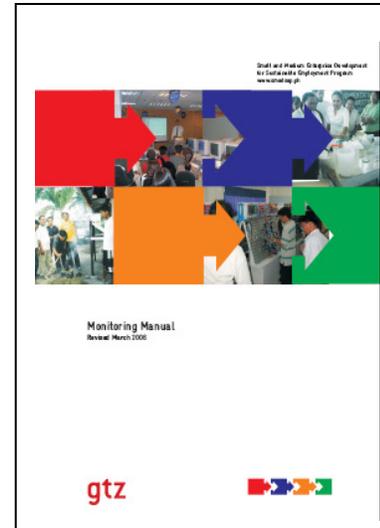
<p>Government</p> <ul style="list-style-type: none"> - Department of Trade and Industry (DTI) - Technical Education and Skills Development Authority (TESDA) - Local Government Units (LGUs) 	<p>Private Sector</p> <ul style="list-style-type: none"> - Local Business Development Service (BDS) Providers - Private Banks - Associations and Chambers - Human Resource Development (HRD) Providers
--	---

- For further information, please visit our website at www.smedsep.ph -

Visayas⁵⁵ in order to harness entrepreneurial potential and encourage competition. The mission of the program is to facilitate the development and replication of sustainable models for improving the local business climate, especially for SMEs, in the Visayas. It has been structured around three phases, and is currently in the second phase (September 2006-August 2009) focusing on harmonizing the National SME Development (SMED) Plan, and promoting and replicating models for improving the local business and investment climate, including the simplification of business registration at the local level. Services and products provided under the program include capacity and awareness building, sector-specific policy analysis and advice on business regulatory processes for regional and local authorities.

M&E Approach

The SMEDSEP has compiled a comprehensive monitoring manual which serves the whole of the GTZ-led program. This system provides a legitimization and marketing function, but also an analysis, learning and improvement function. Designed in 2004 (and revised in 2006), it is compliant with the requirements of GTZ's *managing for development results* framework and also contributes to the monitoring framework for the overall GTZ Philippines portfolio.



M&E Snapshot

Budget:

- Approx 10-20% for all management related activities.

Approach:

- Program-level monitoring manual based on impact chains

Baselines:

- Sample of companies interviewed during appraisal missions, baseline competitiveness survey

Indicators:

- Indirect outcome: increase in overall employment
- Direct outcome: increase in turnover, perceptions of increased enabling environment

Data Tools:

- City Competitiveness Survey,
- Direct measurements for streamlining of licensing procedures time / motion studies
- Rapid assessment methods for customer satisfaction

Communication:

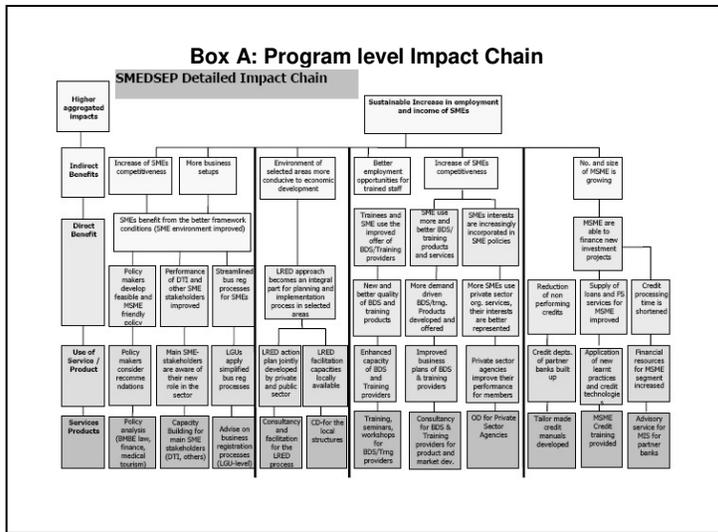
- Dissemination of City Competitiveness Survey
- Annual presentations of strategic and operational monitoring reports
- Partners participate in quarterly monitoring meetings

For SMEDSEP, the focus of results-based monitoring is on serving the information needs, decision-making and improvement process for service delivery of the program. The main challenge was to design a comprehensive information system which satisfies the information needs of the internal and external users while remaining transparent and being adapted to the resources and capacities of the program and its environment. For

⁵⁵ One of the three island groups in the Philippines

this reason, resources devoted to monitoring, financial, human and time are kept under close check. Overall, the SMEDSEP program invests between 10 and 20% of resources in the management and monitoring system.

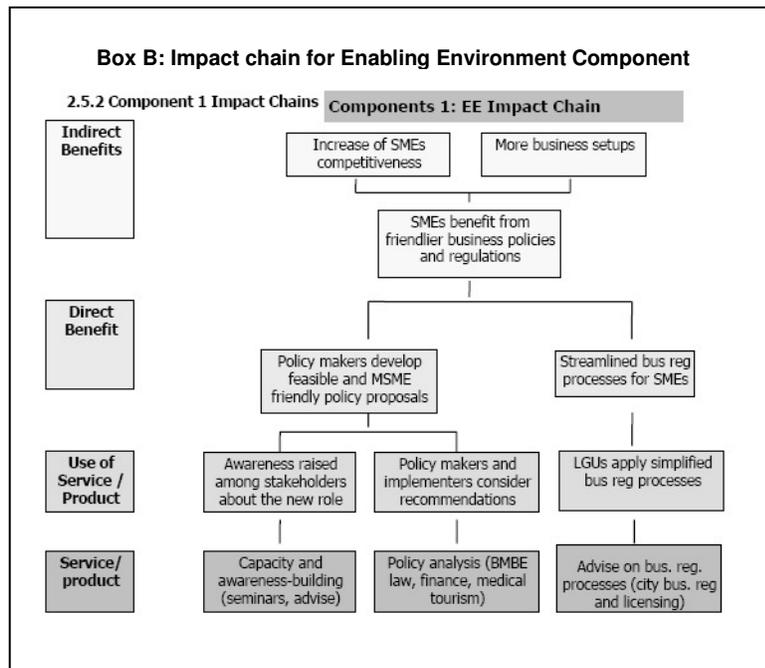
During operational planning workshops held with the three phase 1 pilot regions in early 2006, the roles and responsibilities for monitoring were clarified. Department of Trade and Industry (DTI) plays the lead role in monitoring program operations. In addition, care has been taken to integrate the GTZ monitoring requirements with the existing monitoring systems of the partner organisations – DTI, Technical Education and Skills Development Authority (TESDA) and National Economic Development Authority (NEDA).



Thinking ahead on impact

From the outset, the SMEDSEP formulated a set of *impact hypothesis* for the program as a prerequisite for building up the results-based monitoring system. The impact chain models map out the potential contributions of the reforms in terms of the services provided, the use of those services or products, the direct benefit accrued, the indirect benefit, and the higher aggregated impacts.

SMDESP has established program level impact chains (see Box A). In addition, impact chains at the component level have also been developed in preparation for assessing impact once the program components are well developed. For the component which focuses on BEE reforms (see Box B), this translates to indirect impacts of increased SME competitiveness and increased business set-ups. It is recognized that the interventions may be far removed from the overall program goal



and impact. However the impact chain illustrates the potential linkage – albeit with external factors and assumptions to be taken into consideration.

▪ Defining indicators

For the enabling environment component, WB Doing Business Indicators and the World Bank Investment Climate Survey (2003) were used to identify the need for reform.

Illustrative Enabling Environment indicators in the monitoring manual

Indicator	Method
Licensing procedures have been shortened in at least 30% with regard to the previous year and MSME's confirm that the procedures are quicker, simplified and are better publicised.	Customer satisfaction survey - <i>Securing a business permit is simple and efficient</i> to increase by 10% in 2005 compared to 2003 in Ormoc and Bacolod.
70% of the entrepreneurs assess that the framework conditions for doing business have improved since the beginning of the phase	Customer satisfaction survey - <i>The city's regulatory environment (licencing procedures, fees, taxes and other regulatory requirements) is conducive to business</i> to increase by 10% in 2005 compared to 2003.

For monitoring purposes, the M&E procedures and the summarizing indicator matrix in the manual includes indicators which measure perceptions and satisfaction as a proxy for impact rather than on the micro aspects of the reforms. The indicators are all based on the SMART principles and are matched with collectively agreed goals.

The data to verify the status of the indicators are extracted from multiple sources including direct measurements (for example, for the streamlining of licencing procedures), rapid assessment methods (assessing customer satisfaction, service quality and performance ratings), and surveys using stratified random sampling to get clear results from target groups and client. These data sources also feed into the establishment of a DTI data base for overall sector information.

▪ A toolbox for enabling environment reforms

Throughout the entire SMEDSEP there is an emphasis on process-orientation whereby ongoing evaluation and fine-tuning is viewed as vital to impact. Rather than rolling out a predetermined plan, the program team use constant adjustment and reorientation of the reforms in each component. An interactive toolbox, *Tools for Analyzing the Political, Legal and Regulatory Environment for SMEs*, has been developed for the enabling environment reforms to inform this process. The toolbox includes a range of diagnostic studies, and methodological approaches for the gathering and validation of data.

Box D: Enabling Environment Reforms Toolbox

Tool	Purpose	Method
Benchmarking City Competitiveness Survey	<ul style="list-style-type: none"> ▪ Benchmarking the competitiveness of cities to allow comparison among and over time ▪ Measurement of drivers of competitiveness to identify strengths and weaknesses 	<ul style="list-style-type: none"> ▪ Developed and conducted in partnership with a well established academic authority ▪ Survey covers 50 cities ▪ Data collected using questionnaires and focus groups with sampled businesses
Focus group discussion with Local Government Units	<ul style="list-style-type: none"> ▪ Validation of findings of the competitiveness survey ▪ Prioritization of improvements 	<ul style="list-style-type: none"> ▪ Focus group with local entrepreneurs and local government

Analysis of national policy framework for SMEs	<ul style="list-style-type: none"> ▪ Stocktaking and evaluation of national MSME promotion policies, laws and regulations 	<ul style="list-style-type: none"> ▪ Presentation of Cities ranking
Focus Group discussion on national policy framework for SMEs	<ul style="list-style-type: none"> ▪ Determine information status for micro/ SME entrepreneurs on regulations, laws and policies ▪ Learning about their impact on MSMEs. 	<ul style="list-style-type: none"> ▪ Literature review of policies, law regulations that affect MSMEs ▪ Separate focus groups for SMEs and micro/informal enterprises.
Regional SME studies	<ul style="list-style-type: none"> ▪ Provide an overview on SME in various regional locations. ▪ Identification of major players on the meso level ▪ Identification of constraints and potentials for SME's 	<ul style="list-style-type: none"> ▪ Literature review, ▪ Review of existing statistical data ▪ In-depth interview with meso players.
Survey of business registration procedures	<ul style="list-style-type: none"> ▪ Understanding registration procedures and developing ideas on how to improve them. 	<ul style="list-style-type: none"> ▪ Literature review ▪ Interviews with local government staff ▪ Description of procedural steps time spans and costs, ▪ Creation of flow charts, Comparative tables displaying procedures across cities.

▪ **A baseline survey on City Competitiveness**

The Cities Competitiveness Ratings project (PCCRP) is the flagship M&E tool for the enabling environment component. In this survey SMEDSEP collaborates closely with the Asian Institute of Management (AIM) Policy Centre and other development partners. The survey pits cities against one another on several core 'competitiveness' drivers based on 70 indicators which include measurements of the cost of doing business.

Tool A.1	Benchmarking City Competitiveness in partnership with local academe
Objective (what for?)	<ul style="list-style-type: none"> ▪ Benchmarking the competitiveness of cities to allow comparison among and over time ▪ Measurement of drivers of competitiveness to identify strengths and weaknesses
Methodology (what, how and with whom?)	<ul style="list-style-type: none"> ▪ The cities were ranked according to seven 'drivers' (dynamism of local economy, human resources and training, responsiveness of local government, quality of life, infrastructure, linkages and accessibility, cost of doing business) ▪ Each driver encompasses qualitative and quantitative indicators, totalling 70, drawing on discussion rounds and available statistical data ▪ In each participating city, partnership with local academe was sought ▪ The overall effort was coordinated by a well established academic authority in the country ▪ The findings were presented in a national conference and a road show in the participating cities
Requirements	<u>Personnel</u> : 1-2 Local Consultants with 5-10 person days per city and 2-3

(which inputs?)

Local Consultants with 30-45 person days for the national coordination, report writing, presentation, road show etc.

Operations: venues for city conferences and national conference, meals, travelling, printing/publishing, road show

Total time frame: 6 months

Lessons learned

- Partnering with an established and well connected academic institutional proved to be very beneficial. The 'brand name' served as a door opener among policy makers
- A risk connected to this strong position was the tendency of the partner to pursue its own (promotion) agenda instead of identifying with the program's intentions.
- Ensure that the project has access to the raw data behind the research project

The findings of the biennial survey were last released in February 2006. 65 cities were surveyed in PCCR 2005, the fourth edition of the project. Cities were categorized into

City	Cost of doing business	Ease of legal processing	Linkages & accessibility	Human resources & training	Infrastructure	Responsiveness or ease to business needs	Safety of life
Cebu	4	4	4	4	4	4	4
Davao	5	5	5	5	5	5	5
Iloilo-Cebu	6	6	6	6	6	6	6
Legaspi	7	7	7	7	7	7	7
Los Baños	8	8	8	8	8	8	8
Manila	9	9	9	9	9	9	9
Marikina	10	10	10	10	10	10	10
Marikina	11	11	11	11	11	11	11
Marikina	12	12	12	12	12	12	12
Marikina	13	13	13	13	13	13	13
Marikina	14	14	14	14	14	14	14

13 metropolitan cities (cities comprising Metro Manila, Metro Cebu, and Metro Davao), 15 mid-sized cities (non-metro cities each with a population greater than 200,000), and 37 small cities (each with a population less than 200,000). Geographically, 30 cities are from Luzon, 14 from Visayas, and 21 from Mindanao. On the basis of the rankings, Five metro cities, five mid-sized cities, and 10 small cities were cited as the Philippines' most competitive.

The SMEDSEP is fortunate to find strong capacity for conducting surveys and monitoring development interventions within a local partner organisation. A major advantage of this data source is that it is an objective source of information and the results are not influenced by the program.

Using the survey results

The results of the survey have fed into the indicator matrix as proxy indicators for outcomes in the monitoring system. For example:

- Representatives of the MSME sector are regularly and effectively integrated into decision-making processes by relevant promotion institutions in the pilot provinces – according to the AIM survey proxy indicator: *policies and regulations in the city are reactive of business needs, increase by 5% in 2005 compared to 2003 in Ormoc, Cebu and Bacolod.*
- MSME's in Ormoc and Bacolod confirm that approval and licencing procedures have been shortened, simplified and are better publicized by 30% as compared to the previous year – random sampling inquiry of enterprises and AIM-Survey proxy indicator: *securing a business permit is simple and efficient increases in Ormoc and Bacolod 2005 by 10% as compared to 2003.*

- 70 percent of entrepreneurs say that the framework conditions have improved since the beginning of the phase - AIM Survey proxy indicator: *in general, the city's regulatory environment (such as licencing procedures and fees, taxes and other regulatory requirements) is conducive to business* increases in Ormoc and Bacolod in 2005 by 10% as compared to 2003.
- **Using a qualitative approach to validate and use M&E findings**

Another tool in the suite, *Focus Group Discussion on LGU Governance* is essentially a validation technique for the PCCRP using focus groups in selected cities. The Handbook includes a TOR, invitation letters and press release templates. During the focus groups, the survey findings are presented to local entrepreneurs and selected primary indicators from the drivers *cost of doing business* and *responsiveness of local government* form the basis for discussion.

Originally the program had planned to use this forum to get local governments to commit to reforms there and then, but they subsequently realized that this would be too ambitious. Instead the forum is used to distil common problems allowing program staff to fine-tune reform packages and also feed findings up into recommendations for reform of national regulation. The process goes beyond merely verification of findings and M&E. An unintentional impact was the interest created by the presentation of the ranking at the focus groups. According to GTZ, "Local government members were very receptive to benchmarking with other cities".

- **Communicating M&E results**

The GTZ advisory team organized quarterly monitoring meetings to look back on what was planned, what was achieved, what was learned and what needs to be revised. Over the course of the project, these monitoring meetings have shifted from being activity-oriented to results-oriented.

On the key lessons learned from this process was that most likely due to cultural reasons, it is challenging for people to openly criticize the achievements or non-achievements of components. Good facilitation and breaking monitoring meetings up into smaller groups was required to allow people to discuss critical issues in a more comfortable and informal setting.

Conclusions

The SMEDSEP serves as an example of effective joined-up M&E where enabling environment reforms fit into a much larger package of PSD-oriented reforms. A bespoke toolkit of specific tools for measuring specific progress on enabling environment reforms at the local level uses an effective mixture of quantitative and qualitative methods that can be cross-verified.

The qualitative aspect helps to bridge the attribution gap by looking at the degree to which SMEDSEP interventions can be viewed as accountable to have contributed to these changes.

According to SMEDSEP, the problem with the counterfactual still remains in that it is difficult to be sure that the observed changes can be attributed to the development intervention. The program team feels that a quasi-experimental approach using a control group is not appropriate. Rather, the before-after comparisons using a baseline survey

as a reference is a practical solution illustrating that the conduct of baseline studies is indeed indispensable.

Key lessons for M&E

The Philippines example demonstrates that:

- An effective impact monitoring system should be developed with key partners who are implementing the BEE reforms.
- Putting in place a comprehensive overall monitoring system is critical for collective learning but to be effective development partners need to agree on key results and indicators.
- Triangulation overcomes bias that comes from single methods, informants – consistency checks come from combining multiple data sources and methods.
- The process of actively engaging stakeholders in discussing results as an ongoing process builds trust and engagement with the reforms

Case contributors

- Ms Martina Vahlhaus, former GTZ Program Manager, SMEDSEP
- Mr Volker Steigerwald PhD, GTZ Coordinator Visayas, SMEDSEP
- Ms Elpe Canoog, GTZ Monitoring Specialist, SMEDSEP
- Ms Jenny Winkler, Intern, SMEDSEP

References and resources

- Valhaus, M (2007): *Participatory Management of Development Results – GTZ BEE Program in the Philippines*, Smartlessons in Advisory Services, IFC
- SMEDSEP (2005): *Establishing baseline data on SMEs in SMEDSEP pilot projects*, Tourism and bacolod and LRED in Leyte, GTZ
- GTZ (2006): *Monitoring Manual*, SMEDSEP
- Spaeth, B (2005): *Improving the Design and Impact Monitoring of Business and Investment (BIC) Activities in Asia*, GTZ
- GTZ (2004): *Tools for Analysing the Political, Legal and Regulatory Environment for SMEs*, GTZ

Case Study

Developing M&E on Alternative Dispute Resolution in the Balkans

The M&E for IFC's ADR projects in the Balkans has been developed through a series of pilots, close monitoring, evaluations and extensive checking of international good practice. External evaluators consistently rate the success of the project highly and believe that a culture of monitoring and evaluation is embedded across the project, citing strong ownership of data management and communication by the partners and project officers. Moreover, the PEP-SE office has experimented with the use of comparator groups to improve the understanding of and capture the success of ADR in a number of countries in the Balkans.

Project Overview

Going to Court to settle disputes is the common reaction in the Balkans region - partly due to the legal requirements and partly to an apparent lack of alternatives. The reality is one of backlogs, delays and inefficiency.

In Serbia there are 255 courts for a population of 10 million with only 2500 judges and 500 prosecutors. Compare this to The Netherlands where there are 16 million people, 26 courts, 2240 judges and 625 prosecutors. The backlog is unsurprising.

The economic implications are manifold including obstacles to foreign investment due to lack of contract enforcement, damage to business relationships as a result of protracted disputes, funds denied to businesses for expansion and a lack of trust and satisfaction for a key institution.

The objectives of the ADR PEP SE projects are to support the establishment of an efficient mediation system of enforcing commercial contracts, to encourage private sector performance and investments and to reduce risks associated with highly inefficient and expensive Court procedures. Mediation can supplement and support Court reform by proving alternative procedures that enable quicker, cheaper and better access to justice for groups and individuals.

IFC PEP SE intends to achieve these objectives by providing financial support and technical assistance through an integrated project working towards:

- defining a legal framework;
- educating the broader public to the benefits of mediation;
- establishing a network of sustainable Mediation Centers throughout the region of the Western Balkan;
- creating a pool of expert mediators.

Case Facts

Development partners: IFC
Partners:

- Ministry of Justice,
- Association of Mediators,
- Bosnian High Judicial and Prosecutorial Council,
- CIDA,
- Dutch Government,
- UNICEF

Reform Type:

Alternative Dispute Resolution (ADR)

Timeframe: May 2005 - June 2008

Project Budget: \$100,000

The design in each country varies, taking into account a number of contextual aspects e.g., the legislative environment, willingness of senior officials in government and stakeholder priorities. Therefore, in Sarajevo (BiH) all cases are commercial. In Banja Luka (BiH) and Belgrade (Serbia) there is a mix of labour, commercial and civil cases. The Mediation Centres are in different types of location and formalised in different ways

Box A: Project inputs

1. *Putting in place the legal and regulatory framework to allow the broad introduction of mediation across the region;*
2. *Establishing a regional network of ten mediation centres, which will become financially self-sustainable in the medium term;*
3. *Developing a cadre of world-class mediators through customized seminars, trainings and mentoring programs;*
4. *Supporting the development of sustainable civil society institutions committed to the expansion of mediation in the region, such as associations of mediators;*
5. *Establishing the mechanisms for the continuous education of judges, lawyers and prosecutors about mediators as a complement to the formal legal system;*
6. *Facilitating a public awareness campaign throughout the region to increase the understanding of mediation and create demand for mediation services.*

so that in BiH and Macedonia the mediation takes place out of Court; in Serbia it is annexed to the Court.

The background and qualifications of the mediators varies as does the registration process. In BiH there is a mix of access for free and on a fee basis. All mediations are currently free in Serbia and will be paid for in Macedonia.

The key stakeholders were developed into a Pilot Advisory committee comprising: IFC staff, Minister of Justice, Court representatives, Association of Mediators and other relevant institutions in each country. There is a regional Manager, based in Belgrade who has overall supervision of and communicating the learning and progress towards goals. This role is only possible as it is a regional program, consisting of five country projects.

M&E Approach

This intervention has the (unusual) benefit of a degree of hindsight when it comes to evaluation. The precursor to PEP SE, SEED, had already developed, tested and

M&E Snapshot

Budget:

- No overall allocation - the budget has 'emerged'

Approach:

- Rigorous collection of monitoring data, development of control groups for evaluation

Baselines:

- Regular surveys in existing countries are creating the parameters for developing a baseline for each new country

Indicators:

- Used at all levels and each has a clear data source

Data tools:

- Program records utilizing a customized software tool, post training questionnaire, surveys, focus groups,

Communication:

- Project design includes an awareness campaign. Diverse tools used for communication of results and on-going learning

undertaken an external 'meta-evaluation' of the M&E systems in 2005. The recommendations suggested that the "hierarchical reporting of the M&E function proved optimal (as) M&E was made independent from the operational structure of SEED". It further recommended that a Logical Framework Approach should be adopted. There are ambitions to improve the precision of data collection, refine the customised indicators and feed the qualitative and quantitative findings into future designs, with the caveat that responding to the local context is also vitally important.

The M&E was not designed at the beginning of the original pilot and all involved agree that, as a result, there are some data gaps. However, the process of developing the monitoring systems - in close co-operation with partners and stakeholders - has been of lasting value, particularly in terms of gaining commitment from the Courts for access to what may be deemed sensitive data and as a key partner has become the collector and manager of data.

The resources for M&E are split between elements in project budgets (data collection), administration (original IT system for the mediation centre) and the M&E department (baseline studies, external evaluations). It is therefore difficult to define a percentage spend on M&E. There are activities that are part of project management processes that are critical to successful M&E and are wholly 'owned' by project staff and partners that should not be removed to the M&E function. The SEED meta-evaluation estimated that 2.3% of the budget was allocated to M&E - which may appear low as current best practice suggest 3%-5%. However, more detailed analysis is required to understand this dynamic.

M&E Lessons

- **Embedding the M&E in implementation**

There is a two-fold advantage in a key partner (i.e., the Mediation Centre) collecting data. Firstly, there is a sense of ownership of the data, combined with a detailed understanding of the purpose and usefulness of the data. Secondly, it is a key part of processes of working towards sustainability for the mediation centres. Given that the IT capability and the questionnaires were developed for the whole programme across the region, there is the added benefit of a degree of consistency, whilst allowing for some project variation according to the context. The combination of a strong core of data to be collected alongside the possibility of customising data for the specific context is seen as a strength of the monitoring process.

In recognition of the importance of collecting regular, reliable monitoring data, the Project Managers are encouraged to maintain close contact with court administrators and judges, spending time with the stakeholders to get a sense of what is reasonable and discussing how things could be done more efficiently and effectively.

- **Developing baselines**

The origins of developing mediation services began in the 1990s. In 2001, a group of trained mediators (mostly judges) requested support to develop the service further. This provided a very positive start to the project and the views of the judges, mediators and clients have remained influential in the development of the project and mediation services. The estimates of length of time to bring cases to court - ranging from 5 to 10 years - are only part of the story. There will be disputes that are not taken to court, relationships that are damaged beyond repair and attitudes of the legal profession that need to be understood and assessed. In effect, the baseline parameters for future ADR have been created by this project.

▪ **Establishing indicators and selecting tools**

The indicators developed by the team are now the basis for the IFC core indicators in ADR. The output indicators are generally quantitative and include counting of the number of news and sub-laws enacted, number of training events, participant hours, number of press releases, number of hits on website, number attending promotional events. All the data comes from programme records. At the outcome level there is a mix of quantitative and qualitative indicators looking at learning in terms of knowledge skills, changes in the way of resolving disputes and institutional changes (See Box B).

Box B: examples of outcome indicators

- Number of participants reporting having obtained new knowledge and skills as a result of training
- Percentage of participants strongly agreeing or agreeing with the statement that they have obtained new knowledge and skills as a result of training (Five-point scale)
- Number of cases referred to ADR by judges
- Number of disputes resolved through ADR/Mediation
- Number of Courts referring cases to ADR/Mediation
- Number of new ADR/Mediation Centers created

A range of regular surveys through questionnaires and supplemented by focus groups have been undertaken. See Box C. Using these surveys, each of the outcome indicators has a clear data source and has been adopted as the model for ADR projects in the region.

Sometimes the challenges are the small things. One anecdote recounted by a member of the PEP SE team was that as the courts supply the contact details for the participants and they are required to communicate in writing, the database did not hold telephone or email contacts. This simple omission made it very difficult to set up survey appointments and focus group. The Courts are now having to make significant changes in their procedures to capture this necessary data.

The surveys are also administered to a 'control group'. It became clear that there was a self selecting group that would not enter into mediation either through one party rejecting the offer or parties not showing at the scheduled time. As a result, a comparison was possible between the experiences and perception of the 'treated' group and the 'control' group.

The evaluator highlighted that the profile of the two groups were not sufficiently similar to be able to perform any significant analysis and that the instruments used were different in some ways that meant she could not compare like with like. Nonetheless, it gave some interesting insights as to why people dropout of the process of mediation, why some businesses may be dis-incentivized to resolve disputes (don't want to pay up) and profiles of which businesses were most likely to follow through on mediation.

Box C: regular surveys

- Customer Satisfaction Survey for all ADR training and Pilot training participants. Customer Satisfaction Survey for all clients that utilized mediation;
- Impact assessment for all judges associated with mediation;
- Impact Assessment for all mediators;
- Impact Assessment for all ADR training and Pilot training participants: IA-ADR-Training

There was also some encouraging results about the understanding of the purpose and benefits of mediation with the majority believing that disputes could be solved more quickly and cheaply through mediation and that they would consider using mediation in the future.

▪ **Measuring outcomes and impact**

The Evaluation completed in December 2006 attempted to answer a series of questions using the programme records, surveys and focus groups with key informants, non-participating (but interested) businesses and project staff.

Key evaluation questions:

- Has the efficiency increased within the Courts by the reduction of heavy backlogs and shortening the procedure for the individual clients?
- Is access to justice improved by accomplishing time and/or cost reduction by referring cases to mediation and to what extent?
- What percentage of mediation successfully completed and what percentage of the agreements have been fulfilled (with or without Court intervention)?
- Has the trust in the legal system (including the option to go to mediation) increased?
- Has the access to Court increased by the option to go to mediation during the procedure?
- Has the long-lasting relationship between business partners increased?*
- Are parties that used mediation more inclined to take the responsibility to solve their own conflicts in the future?
- Have parties that used mediation learned how to deal with future problems?
- Has the project been able to professionalize mediation by transferring skills and know how?
- Is there any experience using alternative ways to resolve a conflict besides mediation. If not, should they be considered as an alternative in the future?

The question about a potential increase in relationships between business partners (marked by an asterisk *) gave a surprise result. In Banja Luka, the first successful mediation resolved a commercial dispute that had been stuck in Court litigation for over three years yet reached a mutually satisfactory solution in just under two hours. The parties are on record as being satisfied not just with the speed and releasing of resources but particularly that they had not reached the point where future co-operation and trade would become impossible. Later work suggests that 78% of businesses re-establish cooperation after mediation.

Stories such as this have been used extensively in the media to create the interest and demand for mediation services. In some instances (Banja Luka and Belgrade) the mediation centre works on civil (family) cases as well as commercial and labour cases. Thus the message is not restricted to the business community. This had not been recognised as a key issue in the original M&E plans.

An area that can cause the delay of and ADR project is the reluctance of the legal profession to support new services, fearing a reduction in income, opportunities or cases. Careful attention has been paid to using the data emerging from the projects

prepare presentations, attend conferences, holding round table events with those who influence the thinking of the legal profession. Grounding the material presented in the data from the project has been a powerful force for credibility – and given an added incentive to the Courts to provide what could be sensitive information.

There are other new aspects to the project. Project targets were exceeded earlier than expected, thus the project managers were able to respond to interest from other parties. There was interest from the Law Colleges to explore the development of modules specifically for mediation and international experience of incorporating alternative dispute resolution into legal training. This is being pursued and the project team were quick to spot the possibilities of gaining additional resource for M&E activities, further supporting the local sustainability of ADR.

One area has remained challenging, indicators at the impact level. The goal is to improve the business environment through economic growth, higher productivity and more confidence in the judicial system. Some indicators are reliant on data that will be collected externally (e.g., Enterprise survey where companies may report that they experience the business environment to be more conducive to growth and productivity) and thus have not yet been reported on. Others are reliant on project data e.g., impact on backlog of cases in the Courts and at first sight seemed straightforward. However, this is proving a challenge. If mediation is solving 1% of cases in the courts system what can that tell us about impact on backlog?

The focus groups who have been part of addressing that question have prioritised other issues such as the importance of being able to maintain relationships with suppliers or customers. The statistical backlogs may be a result of the legal requirements of registering a dispute and there may be no impact in the short term on those numbers. However, changing the process for registering a dispute may have a significant impact on backlog i.e., registering disputes outside the court system. The M&E team see this as an important aspect of gathering data and insight that will improve all aspects of developing and ADR service. The focus group results are causing a shift in the emphasis – away from looking at court backlogs and towards looking at how the existence of an effective ADR process can prevent businesses going to court and even reduce the incidence of significant disputes.

The key impact indicator currently favored relates to the amount of funds released through mediation. Changes in the monitoring framework will be needed to capture this factor adequately.

- **Communicating M&E findings**

The evaluators found a widespread appreciation of the importance of communication – to the general public, business community, legal community and the media itself. There is a belief by the program team that the success of the project is in part dependant upon creating independent demand for mediation services. This element of the ADR model is receiving increasing attention as ADR services are developed in other countries. There also resources committed to

Box D: conference presentations



"Is mediation the solution to a clogged up court system?"

IFC's ADR Program in the Balkans
Cairo, March 7, 2007

presented by: Wilma H. van Benthem
ADR Regional Program Manager SE Europe
IFC TA Programs
Regional Monitoring and Evaluation Meeting

participating international forums and events as part of learning for the program team, establishing the credibility of mediation and mediators, communicating lessons and celebrating success.

The lessons from the December evaluation have been treated as a significant help to developing the M&E processes for M&E drawing on international comparisons, offering and independent expert opinion and a basis for discussing next level issues such as exit from the program and putting in steps for sustainability.

The learning and recommendations are filtering into the communication messages and given that there has been nearly 150 events held attracting around 5,000 people including judges, students, lawyers, SMEs and journalists. The message is that there is well documented evidence that ADR *does* reduce the cost and time of resolving disputes and has unforeseen positive consequences for future business relationships.

There is the added benefit of being able to apply the learning to new ADR interventions. In Karachi, Pakistan, the design of the M&E framework is developing from the success and new questions raised by the Balkans experience.

“Success in the Balkans prompted the project’s replication in Karachi, Pakistan, and this time the evaluation was designed prior to implementation. Following the classic encouragement (also known as instrumental variable) design, firms are being randomly selected to receive encouragement (in this case, information and training) to participate in mediation.

To estimate project impact on litigation time and cost, the values of these indicators will be compared across groups with and without encouragement, including those participating and not-participating in ADR

Even though the ‘treatment’ (ADR) has not been randomized (because this would be highly impractical), randomizing encouragement to pursue ADR is sufficient to mitigate the threat of selection bias. And because the encouragement is randomized, we will also learn about the impacts of IFC’s information and training activities”

The ability to compare across a number of countries, where they may be contextual difference yet a good deal of homogeneity has enabled the project managers to develop more sophisticated monitoring instruments and the M&E team to build more detailed datasets. The length of the engagement in BiH and Serbia has allowed greater engagement of the stakeholders in what can be a highly politicised area of BEE with a high reliance on the support of the Minister of Justice and leading legal professionals.

There are still projects to be developed in other parts of the Balkans and extensions to the service in the existing countries. The attention now will become more focused on achieving sustainability for the existing mediation centres.

Key lessons for M&E

The Balkans example demonstrates that:

- The on-going development of frameworks and indicators for M&E during the early life of new programs is perhaps inevitable. The development of a Log Frame would help in ‘walking through’ the situations that are likely to be encountered

- The creation of a 'control group' from the natural rate of attrition has enabled the collection perceptions from a broader base of businesses and the 'comparison' of views. This can be extremely useful in developing an understanding of the perceptions of different people touched by the reform, enabling a more sophisticated analysis and the development of potentially better indicators
- Indicators need to be of a mix of quantitative, qualitative, for processes and activities, allow disaggregating and above all be meaningful. One indicator currently seeks to establish the impact on court backlogs. Experience is demonstrating that this may place an inappropriate emphasis on judicial reform. ADR should be focused on what advantages the private sector is seeking in terms of the conditions for doing business. This will involve working in partnership with the courts but may have the effect of reducing the number of businesses going to court to resolve disputes.
- It is important to listen to the feedback and adjust the M&E frameworks, modify indicators, survey instruments etc. This is the value of a mid term or periodic evaluation - from an independent party
- The results are focused on quantitative indicators which is very valuable. However, further analytical work would add insight: A member of the program team suggested that "We need to take the numbers further and examine the broader economic and social context within which reforms occur"
- There may be other benefits for the private sector in changing the attitudes and available processes for resolving disputes. One idea is that more security will lead to more repeat business and repeat investment, or another is that change in cross-border trade should be monitored. These are not necessary captured in Doing Business surveys.

Case contributors

- Wilma H. van Benthem: IFC Regional Program Manager Alternative Dispute Resolution PEP SE
- Gordana Alibasic: Monitoring and Evaluation Analyst, PEP SE

References and resources

- Lorenzoni, M (2005) *Meta Evaluation SEED*
- IFC, *Logframe: ADR 2005 –2009*
- Benthem, W (2007) *Is mediation the solution to a clogged up court system? IFC's ADR Program in the Balkans*, Cairo, March 7, 2007, Presentation IFC ADR SE Europe Regional Program Manager Wilma H. van Benthem,
- Rozdeiczer, L & Campa, A (2006) *ADR Toolkit (Alternative Dispute Resolution Manual: Implementing Commercial Mediation)* IFC
- Combrink-Kuiters, L (2006) *Evaluation of the PEP SE ADR: Projects in Bosnia and Herzegovina, Serbia & Macedonia.*
- Dasovic-Markovic, V & Rust, K (2004) *Evaluation report: Introduction of Mediation in Banja Luka's 1st Instance Court (BiH)*
- Association of Mediators www.umbih.co.ba
- IFC Results measurement for advisory services - *The ADR Monitor*
[http://www.ifc.org/ifcext/rmas.nsf/AttachmentsByTitle/ADRmonitor/\\$FILE/ADR.pdf](http://www.ifc.org/ifcext/rmas.nsf/AttachmentsByTitle/ADRmonitor/$FILE/ADR.pdf)

Case Study

Measuring the impact of municipal simplification programs in Lima

In Lima, Peru, IFC designed a reform program to reduce the time and cost required for obtaining a municipal license. Following the reform, an independent before-after analysis demonstrated that the time required to obtain a license fell from 160 days to 3 days and the total cost of registration fell by more than 60%. The overall impact was an increase in registration of more than 260% from the previous year.

Project Overview

Business registration and issuing of operating licenses involve both the central and municipal governments – and both required reform in Lima, Peru.

The decision to focus on Municipal level reform was both due to expediency⁵⁶ and that although the Municipality was only involved in three of the ten procedures to start a business, 60% of the time spent in the licensing process seemed to be at this level. Typically, entrepreneurs had to wait 160 days, visit the municipality offices 11 times and endure 5 inspections.

As with most simplification programs the project began by mapping out the selected procedures in order to identify bottlenecks, opportunities for streamlining and identifying the responsible officials.

Box A: Project elements

The reform process consisted of 4 phases:

- Diagnosis and validation,
- Formulation of the proposal
- implementation - including employee training and simplification of processes,
- monitoring and setting up a sustainability strategy

the team also re-engineered inspection processes to make them more efficient and transparent. The aim was to reduce to inspections to a single visit, substantially reduce the cost and time of the licensing procedures and observe a significant increase in registrations.

Case Facts

Development partners: IFC
Partners:

- Metropolitan Municipality of Lima (MML);
- Ministry of Economy and Finance, PROMpyme (Commission on the Promotion of Small and Micro Enterprises); and
- CONFIEP (National Confederation of Management Research Institutions),

Timeframe: Nov 2004 – June 2006

Reform Type:

Business license simplification

Project Budget: US \$136,000

⁵⁶ The aspect that takes the longest to achieve relates to the forming the constitution of the business at the National level; a difficult change to achieve.

M&E approach

The original evaluation plan was to conduct a randomized experiment to evaluate the reform. This would have required randomly assigning individuals to the existing and revised process. Initially the municipality planned to continue the existing arrangement and introduce a limited trial version of the reformed process.

Due to legal reasons this could not proceed. There may have been political implications as well, if a better process was being withheld. As a result, a before-after methodology was adopted.

This had the advantage of being simpler to implement but is a less reliable mechanism for establishing causal effect. The approach was sufficient to evaluate the aggregate effect of the reform and included qualitative and quantitative components.

The key evaluation question was: how do the costs to an entrepreneur applying for an operating license change with the simplification of regulation (in terms of financial costs, time costs, and number of steps), taking into account the formal procedures and any informal procedures needed to obtain the licenses.

There were other aspects to be considered too, including the effect on municipal income levels as a result of simplification. Increased numbers of licensing issued and reduced to steps in the process should result in higher revenues.

It was assumed that license simplification was the only significant change in the BEE at the time.

- **Sampling**

The groups in each round were broadly similar. There were fewer businesses in the central area in the third round that may have the effect of underestimating the impact of the reform.

M&E snapshot

Budget:

- No budget information available

Approach:

- Before-after introduction of the reform. Two rounds were conducted before the reform date and one after.

Baselines:

- A regulatory baseline and enterprise baseline

Indicators:

- Use of Doing Business indicators: number of firms registered; firm cost-savings (impact level); number of days to comply with business registration; number of visits to comply with business registration (outcome level)

Data Tools:

- Questionnaire administered to 33, 37 and 50 enterprises. This is less than planned. The sample size was chosen to balance the trade off between cost and obtaining a reliable result. Additional discussions were had with 10 firms in each round and key informants.

Evaluation Round	Round 1		Round 2		Round 3	
	Estimate	St.Dev.	Estimate	St.Dev.	Estimate	St.Dev.
Owner characteristics						
<i>Female</i>	51.5%	0.51	56.7%	0.50	54.0%	0.50
<i>Male</i>	48.5%		43.3%		46.0%	
<i>Average Age</i>	41.6	13.70	40.2	9.61	39.6	12.90
<i>Completed secondary schooling</i>	87.9%	0.33	91.9%	0.28	87.7%	0.35
<i>Completed university</i>	27.3%	0.45	27.0%	0.45	36.7%	0.48
Firm characteristics						
<i>Revenue (Median)</i>	700		1,000		400	
<i>Weekly revenue in Soles (Mean)</i>	2,141	3,517	2,358	3,920	1,900	5,279
<i>Workers (Median)</i>	2		2		2	
<i>Workers (Mean)</i>	3.2	3.91	2.9	2.17	2.0	1.33
<i>Firm age (Median)</i>	1.75		2.33		1.00	
<i>Firm age (Mean)</i>	2.74	2.58	3.81	4.96	2.22	4.29
<i>Serving the general public</i>	78.1%	0.45	73.0%	0.48	88.0%	0.33
<i>Prior start-up experience</i>	24.2%	0.44	24.3%	1.72	20.4%	1.11
<i>Located in historical center</i>	24.2%	0.44	16.2%	0.37	22.0%	0.42
<i>Located in shopping center</i>	48.5%	0.51	46.0%	0.51	32.0%	0.47

Table 3: Characteristics of surveyed firms and their owners. Sample size: first round 33 companies, second round 37 companies and third round 50 companies; all firms are classified in group 1.

- *Group 1*: general economic activities in locations that are smaller than 100m², which do not involve production of goods or storage of hazardous products (77%)
- *Group 2*: locations that are used for preparation and selling of food and drinks (8%)
- *Group 3*: services in general and economic activities that involve some risk, but are not included in Group 4 (4%)
- *Group 4*: manufacturing and economic activities involving hazardous products (11%)

M&E Lessons

• Embedding M&E in implementation

The existing data management in the Municipality was described by the consultant as suffering “information asymmetries”. There were a number of databases leading to uncoordinated actions including the regular suspension of applications in the mistaken belief that payments had not been made for a previous step. The program invested in the design of a licensing module to improve this aspect of the service and provide the means of on-going monitoring. The evaluator expressed concern about the decline in the number of licences being issued and the increase in the number of days to process already evident by the time the fourth round of interviews were being undertaken.

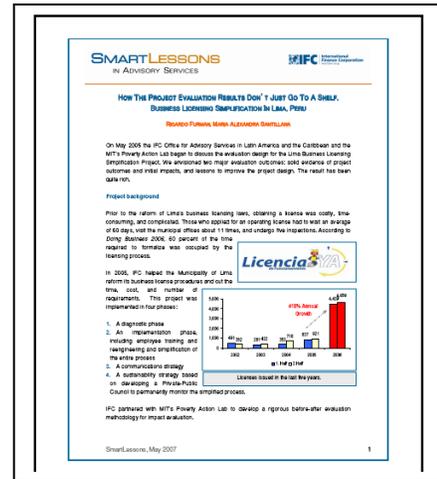
During the analysis phase of the evaluation, changes in the types of licenses being applied for were noted. Further qualitative investigation is needed to understand this dynamic.

Interviewers found one interesting step missing in the revised process. No mechanism exists for informing businesses of their successful application. People were still going to look for licenses at the offices that were booked to be sent by courier. This creates a negative impression for a process that has improved!

- Simplification is not enough**

The qualitative discussions raised a number of issues that are more complex than can be addressed by reduction in steps. The process is simpler and has less steps and therefore should be cheaper. The highest increase in license applications though is for provisional license. This was not anticipated as an outcome.

The attitudes of business operators as to the advantages and disadvantages of formalisation did not seem to change significantly despite the recognition that the process to get licenses was now simpler, more clearly explained and less costly. The major resistance could be accounted for by the attitudes towards and from the bureaucrats themselves.



The inspectors and officials were expected to display and use the well-designed brochures to help bring the simplified process to the attention of potential license holders. This does not seem to have been noticed by the entrepreneurs.

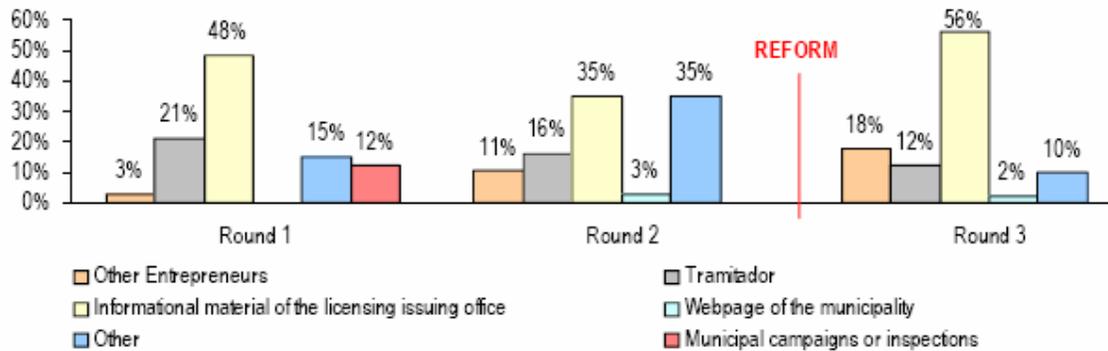


Figure 14: Percentage of people who mentioned other sources of information besides the officials employed at the municipality.

In Lima, the importance of the qualitative aspects of evaluation are highlighted. There was also a need to review the results on a periodic basis and to listen to what businesses are saying even if it does not fit with the assumptions set up in the project and recognise that adjustments in the program or the priorities of the program will be required. Discussions regarding what is going well and not so well were a contributory factor to long term sustainability of the project and reform agenda.

- Communicating M&E findings**

Simplification programs at the municipal level are being developed across Latin America and there are regional forums to discuss learning. There is a program in Sao Paulo, Brazil, that is currently planning to design and undertake a randomised design to explore the impact of reforms on promoting the formalization of pf the informal sector. A municipal scorecard is also being developed for the 'benchmarking' of reforms in the

region. This is an example of internal communication of findings for both proving and improving program and M&E design.

Key lessons for M&E

The Project demonstrated:

- An external evaluation provides the opportunity to test internalised assumptions and to discuss issues that project officers, consultant or project clients may not be fully aware of.
- Independent evaluation results may be substantially different from that which monitoring data suggests i.e., the municipality's data did not entirely match with that collected independently
- Developing a model for evaluation can encourage other organisations to institute surveys of firms to service their own need for accurate and timely understanding
- Costs can be reduced by using local firms after the model has been 'proven'
- Evaluation models for a local context can be replicated across countries and regions and enable 'bundling up' of results.

Case contributors

- Ricardo Furman, LAC PDF, IFC
- Alexandra Santillana, LAC PDF, IFC

References and resources

- IFC (2006) *Simplification of Business Regulations at the Sub-National level*
- Furman, R & Santillana, (2007) *Smart lessons: How the Project Evaluation Results Don't Just Go to a Shelf. Business Licensing Simplification in Lima, Peru.* May 2007
- Furman, R (2007) *Quasi-experimental and tracer studies.* Ricardo Furman, M&E Officer, LAC TA Facility, Hanoi, December 5th, 2007

Case Study

Integrating M&E into an administrative barriers program in Sierra Leone

The FIAS-DFID Improvement to Administrative Barriers Program in Sierra Leone has made it a priority to develop an up-front integrated M&E system. It has engaged a wide range of stakeholders to become involved, take ownership of the system and make it work. In addition, an extensive baseline survey was conducted to underpin the reform work.

Project overview

DFID and FIAS are working with the Ministry of Trade and Industry (MTI) to implement an administrative barrier reform program to help Sierra Leone to “get back to business”. The reforms center on the processes, procedures, policies, and regulations for starting-up, locating, and operating a business. They are now part of a broader Private Sector Development (PSD) reform initiative which aims ultimately to reduce poverty.

In 2005 FIAS undertook a detailed analysis of the administrative barriers using diagnostic mapping techniques to track existing business processes. The Government of Sierra Leone (GoSL) and national stakeholders endorsed the findings and an implementation plan of reforms is now underway.

The goal of the FIAS-DFID Program is to increase both domestic and foreign investment, stimulate the growth of businesses, particularly through SME development, and the reduction of informality. The realization of the PSD goals entails impacts which are identified as higher domestic and foreign investment, an expanded manufacturing sector, increased and diversified exports, increased business registrations, increased employment in the non-agricultural sector, reduced poverty, improved human development and gender empowerment.

Case Facts

Development partners:

- FIAS, DFID, IFC

Partners:

- Ministry of Trade and Industry
- Sierra Leone Business Forum

Timeframe:

- From 2005

Reform Type:

- Removal of Administrative Barriers including start-up procedures, tax and customs, land/locating procedures, restructuring of Investment Promotion Agency

Key project objectives

- Streamlined Company Registration System, Business Licencing, Work Permit procedures, locating/land procedures, legal and regulatory systems
- Transparent and efficient Customs Administration
- Reduced tax burden
- Increased transparency and improved access to information on regulatory policies
- Improved enforcement of the Rule of Law
- Development of SME's and reduction of the informal sector
- Investment promotion through the restructuring of SLEDIC (Investment promotion agency).

M&E Snapshot

Budget: not defined.

Approach:

- Comprehensive multi-component monitoring system, owned and coordinated by government
- M&E Working Group run by private sector representatives

Baselines: Baseline survey of formal and informal firms

Example Indicators:

- Impact: Volume of Gross Fixed Capital Formation, Net inflow of FDI, FDI as a percentage of GDP, manufacturing growth and exports, Enterprise growth (business registration and number of firms filing tax returns), informal sector as % of GDP
- Outcome: time, cost and number of processes for registration/licences, time and documentation required for imports and exports, time spent dealing with tax, time, cost and number of procedures to register property, access to information on regulatory procedures, improvement in DB

Data Tools:

- Direct measurements for streamlining of licensing procedures time / motion studies
- Business Enterprise surveys
- Secondary data – DB, WBI Governance dataset, MTU data

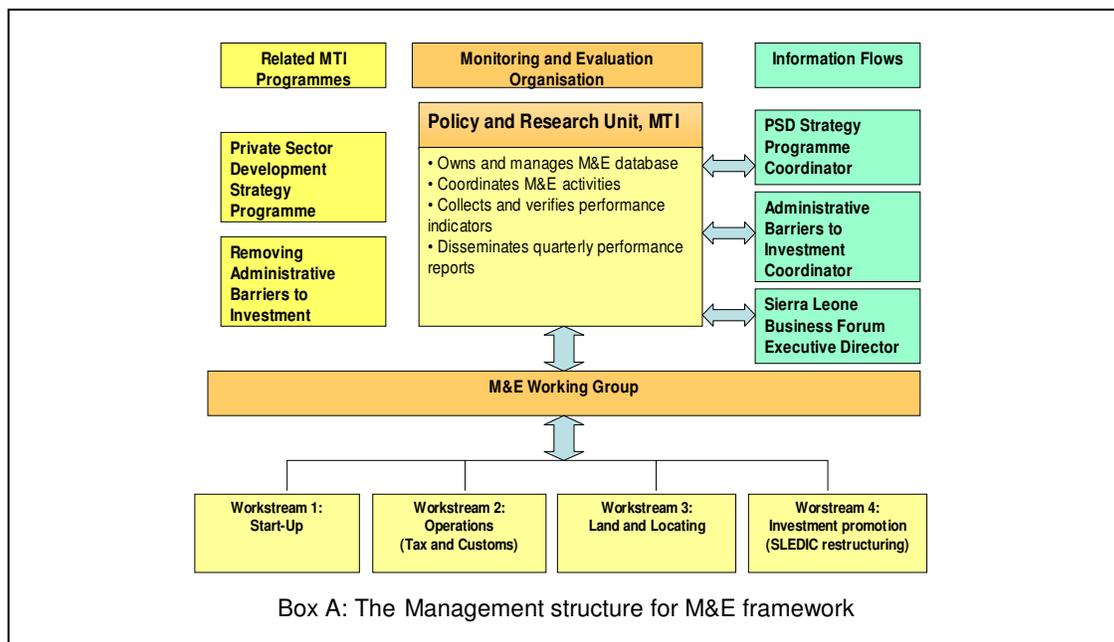
Communication:

Quarterly M&E report, to be distributed by M&E Working Group
MTI Website

M&E Approach

- **An appropriate management structure for M&E**

From the outset, it was recognized that the removal of administrative barriers must be results-oriented. A project was therefore undertaken by FIAS to design an M&E framework for measuring and monitoring the FIAS-DFID interventions. This was later



linked to other related programs, such as the PSD Strategy Program managed by DFID.

The framework was designed to be comprehensive and yet manageable to enable the GoSL, the SLBF and various other public and private sector bodies, along with DFID and FIAS to learn what reforms are working, what is not working and what can be done better.

There was early recognition that local ownership and broader stakeholder participation are essential for a sustainable and effective M&E system and this was reflected in an M&E management structure (see Box A).

During the design phase, FIAS experts worked with the Policy, Planning and Research Unit (PPRU) in MTI. This unit was subsequently tasked with coordinating all M&E activities including data collection and component monitoring. Low resource capacity in the PRU meant that technical support was needed and this was provided by FIAS M&E specialists. In addition an ODI fellow⁵⁷ working within the MTI worked over the past two years with a dedicated counterpart from the ministry to operationalize the system.

- **The M&E working group**

A key feature of the M&E system is the M&E Working Group. Established in May 2005, it comprises of key business leaders from different business communities, the secretary of chambers, representatives from MTI and the central statistics office, Statistics Sierra Leone. The Working Group has been designed as a 'consumer' of M&E – its role is to monitor progress from M&E activities undertaken by the PPRU function and disseminate results. In order to track the progress of reforms, the M&E working group acts as a bridge and interacts on a quarterly basis with other Program working groups which represent the various different components of the reform process.

The group also provides inputs into public-private dialogues on what and how reforms are working. The remit of the Working Group is to be results-focused and less concerned with Program management issues. Its rationale is to demonstrate how M&E outputs can be used, how reform progress is communicated and disseminated, and how ultimately this builds private sector support for reforms, by fostering increased dialogues, with stakeholders.

- **Establishing a baseline**

A central part of the M&E project during the design phase was to establish baseline data using large-scale surveys of the formal and informal sectors.

During 2006, FIAS M&E experts developed a survey instrument and supervised Statistics Sierra Leone to undertake the primary research. Both surveys were relatively large in scale. A sample of 468 formal firms provided data for key indicators on obstacles to growth and operations, business registration, licensing, land acquisition and registration, work permits, tax procedures and business associations. The survey therefore provided definitive data on the actual time and cost implications of the current regulatory regime as well as business perceptions on these processes. A sample of 1362 informal firms provided data on the characteristics, advantages, disadvantages and direct costs of informality.

While relatively high cost and resource-intensive in nature, the surveys were viewed by the Program team as critical to establish a measurable defined baseline against which

⁵⁷ An ODI fellow is an individual seconded from the UK-based Overseas Development Institute to the ministry as a civil servant

outcome targets could be set and progress could be measured. It is intended that the formal sector survey will be repeated in 2008 to establish progress in the outcomes of the reform process.

Sample baseline findings:

- Business registration: firms went through 3 procedures on average and interacted with to least 2 agencies during the registration process. The average duration to complete the process was 4 days. They spent an average of Le 215, 667 (USD 71).
- Business licensing: The frequent licences were the mandatory general business licence (56%) (indicating a high degree of non-compliance) and the city/local council licence (53.2%). Average official fees are Le 988,512
- Land Acquisition: A majority of firms (71%) rent premises. Most firms have not attempted to purchase or lease land in the last 5 years. It takes on average 24 days to complete the state acquisition process
- Work permit: The majority of firms (88%) did not go through work permit procedures
- Tax procedure: The most frequent tax procedures are personal tax for unincorporated businesses, the sales tax and corporate income tax. On average, a firm has to allocate 52.36 man days to complete all the yearly requirements for corporate income tax
- Business Associations: Only 24% of surveyed firms belong to a business association

- **Developing appropriate indicators**

At the component level, the M&E design team then needed to establish suitable monitoring indicators which were closely aligned to the Program Log Frame. Within the framework, a distinction was made between process / intermediate outcome indicators, and result / final outcome indicators (see Box B).

For process indicators, the PPRU looks to the component leaders to provide data in a matrix format which is closely matched against logframe activities and outputs. This reporting format instructs component leaders to provide concise detail on the recommended reforms, reform objectives, the target date or timeline for reform, key milestones reached, an update of the current status, a note of any key bottlenecks and any significant lessons or observations. In addition, key potential benefits, outcomes and results should be recorded. The example below shows the business start-up component.

Box B: Two types of indicator

Process indicators:

- Track the reforms undertaken to attain the desired outcomes.
- Closely linked with the key outputs and activities of FIAS-DFID interventions.
- Measured frequently.

Results indicators:

- Objectively verify the achievement of the desired outcomes once the necessary reforms are implemented.
- Realization of outcomes and impacts will not be instant.
- Measured less frequently

Matrix for tracking reforms- Business Start-up

Key Reforms Recommended	Specific Objectives of the Reform (i.e., why specifically this reform has been recommended)	Target date/timeline for the Reform	Key Milestones	Current Status	Key bottlenecks for implementing the Reform	Key lessons learned so far as regards implementing the Reform	Key Potential Benefits/Outcomes/R results of the Reform	Comment
Streamline business registration	Business registration is the most expensive in the world	Jul-07	New registration law in place; Changes implemented	Cabinet decision made; legal drafting underway	Resistance from Bar Association; unclear how much Registrar-General is on board	Special interests have to be taken seriously (Bar Ass.)	Reasonable start-up costs and time	
Unified tax and registration numbers	To remove redundant administration and streamline procedures	Sep-07	Unified tax and registration number in place	Crown Agents in charge	RG has to wait for NRA		Efficiency gains at tax and RG	
Streamline licensing	Licensing requirements are redundant	Jul-07	Superfluous licenses on national and municipal level abolished	Strategy in place; Sensitization consultant hired	Position of Freetown City Council (pilot) unclear	Municipalities have as autonomous bodies their own decision-making process; Revenue generation is key for municipalities are reform needs to be revenue neutral	Less redundancies for private sector when starting a business	
Streamline work/residence permits	It takes much too long with too many officials involved to obtain residence and work permit	Jul-07	Committee reduced from 24 to max. 3 members; combined residence and work permit introduced	Cabinet decision made; legal drafting underway	Ministry of Labour says it is on board, but not clear if this is so during implementation phase	Resistance on lower level to reform needs sensitization	More transparency for applicants and faster issuance of combined permit	

The major challenge has been the sheer volume of reform processes against which each component should report, and also lack of consistency in the quality and nature of reporting coming from the different components. It has also taken significant time and effort to incorporate the baseline 'outcome' figures into the system. The major challenge has been coordination in order to pull together the monitoring and reporting in a consistent manner.

A simplification and revision process for the indicators is now underway, and a consultation is planned with the working group and component leaders to agree on the final framework. This will be facilitated by the M&E team from FIAS and there are expectations of a protracted debate on the choice of final indicators and associated targets.

- **Tracking outcomes and impact**

In its coordination role, the PRU is also charged with collecting data at the outcomes and impact level. Since there is a scarcity of primary data on a wide range of indicators, the PRU continues to be predominantly reliant on secondary sources. However, the program team is currently building MTI capacity to play a dynamic role in coordinating with the relevant government ministries and organizations to collect time-series data on a wide range of PSD impact and outcome indicators, such as employment, business registration, SMEs, exports and so on. This will be done in coordination with the wider PSD reform program supported by DFID and will form part of a ministry-wide database for the MTI which extends into all areas of the ministry's remit.

An important element to impact assessment is the planned repeat of the baseline survey which is planned for 2008. This will provide time series data using a before-after methodology on the impact of the reforms on the experiences and perceptions of businesses in dealing with regulations.

- **Communicating and using M&E findings**

While the indicators and reporting system are not yet finalized and fully operational, the M&E activities to date have led to some significant outcomes. The meeting of the working group has fostered active debate and interest from the private sector and other stakeholders which has provided important input into program management.

Moreover, the PPRU has recently produced the first M&E quarterly report for dissemination. The report focuses on measurable progress, and highlights the achievement of milestones and results. Using media style 'headlines' it provides a

digestible commentary which focuses on outcomes that are directly relevant to stakeholders including investors and the private sector.



In order to generate further public awareness and support for the PSD reforms, the Private Sector Forum will disseminate information about results through the media, public-private dialogues and workshops. In this manner, strategic communications of the findings resulting from M&E generates is intended to generate increased political will, public awareness on the cost and benefit of reforms and broader support for the reforms.

Conclusions

The aim of the M&E project in Sierra Leone was to create and operationalize a client-led and client-owned process which aims to raise stakeholders’ awareness about the importance of M&E and their capabilities to undertake effective M&E.

A focus was placed on developing local capacity through “learning-by-doing” model whereby the FIAS M&E team transfers technology and skills to local counterparts in the PPRU, M&E working group and Statistics Sierra Leone. In addition, the intention was to encourage local counterparts to lead a home grown M&E scheme and institutionalize M&E as an integral part of the reform process.

A feature of the M&E system is that it incorporates both required donor reporting processes, whereby progress is mapped against the logframe, but is also one that generates information on results on what the reform program means for private sector. In order for this latter process to work, it is dependent on increased transparency, and also a well functioning Private Sector Forum and Diaspora community.

The model in Sierra Leone is being used as a blue print for design and roll out M&E strategies in other FIAS-led initiatives. It demonstrates that where there is limited capacity in government to undertake M&E, it is possible to build that capacity for the future. However, there is also recognition that this type of approach requires significant donor investment in both time and resources.

Key lessons for M&E

The Sierra Leone example demonstrates that:

- Effective planning from the start is essential
- It is important to focus on the institutional set-up for M&E as well as the operationalization framework and processes. It is important not to underestimate the level of support required to operationalize an M&E system of this nature.
- Engagement with a broad range of stakeholders is critical to build credibility and commitment if the private sector is strong, use for dissemination

- A sound business climate survey informs the public about the features and benefits of reform – as well as putting pressure on government to act. It also creates the baseline for impact assessment for national level reforms.

Options for further developing M&E:

- In order to ensure the sustainability of the M&E system, dedicated resources in terms of personnel and funding needs to be assigned

Case contributors

- Beatrice Dove-Edwin, Director, MTI Sierra Leone
- Mikael Turay, M&E coordinator, MTI Sierra Leone
- Antonio Bojanic, Administrative Barriers Program Manager
- Oluniyi Robbin-Coker, President of the SLBF
- Aminur Rahman, FIAS
- Chris Parsons, MTI (ODI Fellowship Scheme)

References and resources

- FIAS (2006): *Monitoring and Evaluation of Private Sector Development*
- FIAS (2006): *Sierra Leone, Monitoring and Evaluation of Private Sector Development: Baseline Survey Results*
- FIAS (2006): *Sources of Informal Economic Activity in Sierra Leone*
- FIAS (2005): *Sierra Leone Administrative Barriers to Investment Phase III Proposal for the Implementation of the Action Plan*

Case Study

Setting up government-owned systems to track regulatory governance in Uganda

The Regulatory Best Practice (RBP) Program in Uganda evolved over a six-year period working with both public and private sector partners to improve the business enabling environment. As the program itself moved towards completion in 2007, the focus turned to building capacity in government institutions to spearhead a 'Long Term Strategy for RBP'. Critical to this was the establishment of an M&E framework and process that the government would adopt and implement going forward to track progress.

Project overview

Between 2000 and 2007, DFID funded a consultant-delivered program working with the government and private sector to increase awareness of the business enabling environment in Uganda. Originally referred to as the 'Deregulation Project', the program worked to strip out unnecessary regulation that hampered the business sector. A business licencing reform initiative at the local level was highly successful, and demonstrated the benefits of better streamlined regulation and implementation.

Box A: What is Regulatory Best Practice in Uganda?

"RBP is a set of action and principles against which governments can measure and modify their policies, laws and behaviours in such a way as to minimise the costs, risks and barriers to competition facing firms, and in so doing, create an environment which is positive for business and investment."

The Long-Term Strategy for RBP in Uganda:

1. Policy-makers and regulators use RBP in new policy and law-making
2. Effective public, private and civil society engagement
3. Ministries carry out regular review of existing regulations to ensure conformity with RBP
4. Fair, efficient, comprehensive implementation and enforcement of regulations
5. Strategy is Ugandan-owned, driven, resourced and publicly accountable.

Case Facts

Donor: DFID

Partners:

- Ministry of Trade, Tourism and Industry
- Office of the Prime Minister
- Ministry of Finance
- Private Sector Foundation Uganda (PSFU)
- Uganda Management Institute (UMI)

Time frame: 2000 - 2007

Reform Type:

- Regulatory Governance,
- Business Operations
- PPD

Project Budget: circa £2.4m (GBP)

The purpose of the RBP Program was to establish a simpler, more appropriate and sustainable regulatory environment for business which would contribute to the goal of enhancing enterprise growth and competitiveness.

The program increasingly became focused on the process of policy-making and developing the mindset of government to be private-sector focused. This was to be achieved by establishing the use of Regulatory Impact Assessments (RIA) and systematic public-private dialogue to inform effective policy making.

In 2005 the government signed up to a 'Long Term Strategy of Regulatory Best Practice' and the program became oriented towards building capacity to support the government in taking this Strategy forward program finished in early 2007 (see Box A).

This involved working closely with two dedicated units established by the project:



the RBP Unit, situated with the Ministry of Trade, Tourism and Industry responsible for continuing the work of the program team, and

the RIA Unit situated with Office of the Prime Minister which would become the technical champion facilitating the learning and application of regulatory best practice through the use of RIA in policy development and review.

M&E Approach

During the lifetime of the RBP program, M&E systems and processes were predominantly based on donor-reporting requirements which required inputs from the consulting team, DFID and also the main government counterparts. Six-monthly progress reporting prepared by the consulting team tracked progress against the logframe focusing on activities and outputs. In addition, independently conducted output-to-purpose reviews of the program were commissioned at periodic intervals by DFID to provide a more in-depth and qualitative assessment of progress towards the project goals and objectives.

M&E Snapshot

Budget: no assigned budget

Approach:

- Integrated system for tracking RBP reforms on micro, meso and macro level
- Linked to national monitoring systems

Baselines:

- Baseline survey of formal and informal firms
- Baseline scored assessment of line ministry capacity to undertake RIA
- Baseline scored assessment of main private sector associations for PPD

Indicators:

- Doing Business
- % change in quality of regulations

Data Tools:

- Scorecard for quality of RIA Cabinet submissions (DAI Europe RIA Scrutiny Tool)
- Qualitative assessment of private sector associations

Communication:

RBP Unit has communications plan for updates and reporting to Steering Group, Presidential Investors Roundtable (PIRT) and Competitiveness and Investment Climate Strategy (CICS) Working Group

In a process-oriented program of this nature, ‘results’ in terms of program goals and objectives are extremely long-term. The focus of both the independent reviews, and regular progress reports provided by the project team were therefore naturally more focused on measuring progress on process, the increase of capacity of government partners and stakeholders (for example to engage in PPD) and an assessment of changes in mindset which is measured by demonstrable government commitment to RBP, such as RIA being adopted as a standard across government.

- **Measuring the administrative burden to business**

While the systemization of improved regulatory governance became an important aspect of the RBP program, the work on local level business licencing reform and on the regulatory burden generally was still a major facet of the program.

Effective diagnosis of the administrative burden was therefore important to inform the programs direction and activities. It was also an important marketing and communications tool to demonstrate exactly how RBP principles and ‘smart regulation’ can make a difference to business.

Undertaking an Administrative Compliance Cost Survey based on the standard cost model was used to demonstrate and substantiate the regulatory burden. An early study in 2000 identified Uganda’s high compliance costs and the specific burden placed on small and micro businesses.

A calculation which estimated the potential cost of ‘red tape’ to the economy as a whole as 11% of GDP became a headline figure which captured the attention of both government and the private sector and built their support for the reform program. Similarly, for the programs work on local-level business licencing reform, quantitative data was also of critical importance and an important driver for reform.

For the pilot of licencing reform initiatives in Entebbe, the team used a ‘before and after’ model undertaking a survey which captured simple time and cost measurements which became a persuasive communications message and driver for reform. The implementation of the policy changes required evidence-based advocacy and the establishment of close working relationships between the project team and local authorities (See Box B).

- **Transferring ownership of M&E**

During the final year of the RBP program, the consulting team and program counterparts turned their intention to ensuring the legacy of the RBP program and specifically how the newly established government units would spearhead the Long Term Strategy for RBP. The notion of RIA and improved regulatory governance had gained significant momentum. The challenge was therefore to ensure that this momentum continued, but also remained closely linked to how this translates through high quality, low cost laws,

Box B: Effective quantification = effective communications

A successful pilot programme in Entebbe focused on streamlining business licencing: The time that Ugandan entrepreneurs needed to register a business fell from 2 days to just 30 minutes.

The RBP project working with Entebbe council calculated that estimated four times as many businesses registered in Entebbe the year after the pilot. Despite the lower annual registration fee, the higher number of registrations meant that the total revenue collected by the municipality increased by 40%.

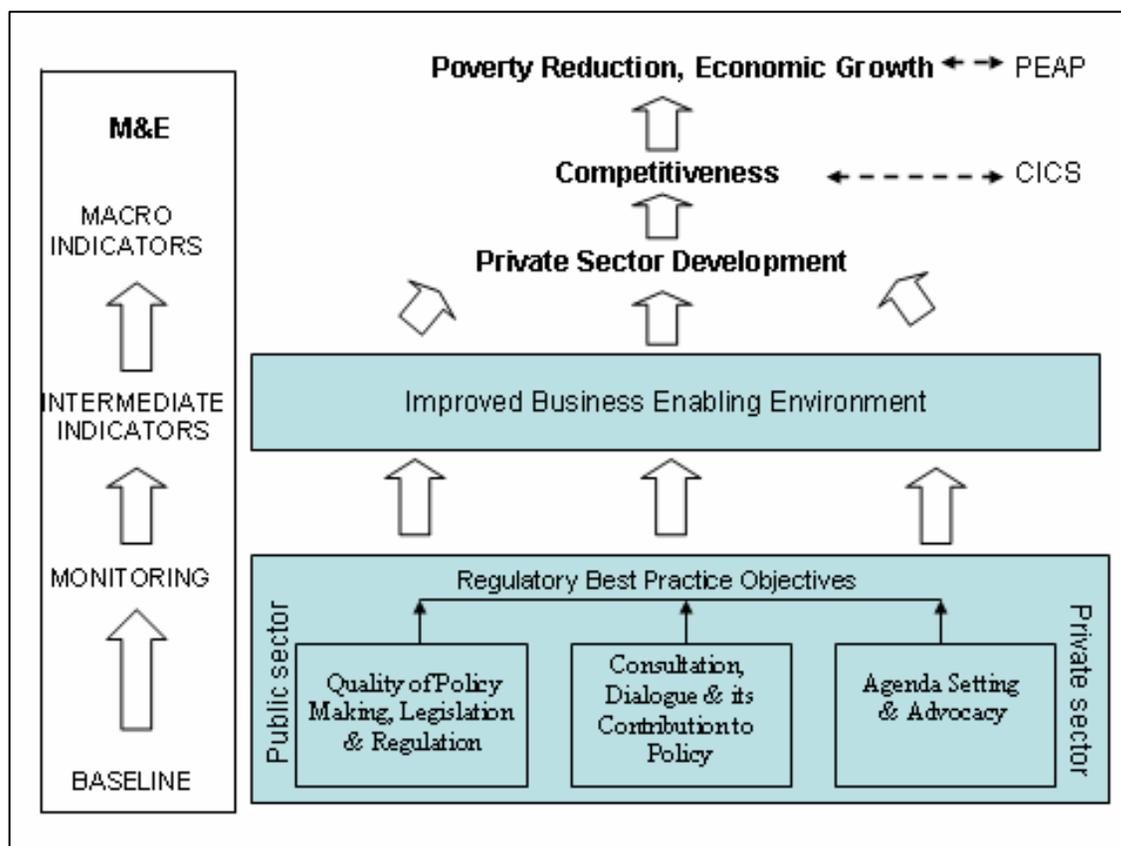
The Entebbe pilot was well publicized, it won the Africa Investor Award 2004 for Smart Regulation and subsequently an additional 10 councils signed up for the rollout.

policies and administrative procedures for business to increased competitiveness and private sector development.

The consultant team program set about designing an M&E framework in partnership with the RBP and RIA units. The outputs included an implementation Plan - a short summary document explaining the institutional structure of the M&E framework, assignment of key roles and responsibilities, and reporting instructions. In addition a handbook was compiled which included step-by-step instructions for undertaking the M&E, reporting templates, existing data and baselines.

The M&E framework illustrated in Box C was designed according to three platforms – micro, which measures the objective of RBP, meso (or intermediate) which measures the purpose intermediate outcomes of RBP, and macro which measures the goal or impact of RBP.

Box C: M&E Framework for RBP



- **Micro level monitoring tools**

At the micro level, the design of the M&E framework needed to capture the core elements of RBP process-oriented reforms which related to the changing way Government would approach policy-making, and how RBP and RIA were embedded into government structures and systems. A distinction was made between three processes, namely:

- Tracking the **'quality' of policy-making, legislation and regulation**, in particular its adherence to the principles of RBP, and assessing the capacity of

the public sector to deliver high quality policy-making, legislation and regulation on a sustained basis.

- ii) Tracking the **effectiveness of private sector consultation** and dialogue, and assessing its contribution to the design and implementation of policy.
- iii) Measuring the **capacity of private sector stakeholders and civil society organisations to identify regulatory problems** and advocate for an improved business environment, and tracking the engagement of the private sector and civil society in policy analysis and policy advocacy.

For the micro indicators, the strategy uses a dual approach to M&E, drawing on the existing ‘baseline surveys’ undertaken by the RBP program; and ‘tracking exercises’ using monitoring tools which would be carried out by the RIA and RBP units on a continuous basis. (See Box D).

Box D: M&E tools

Baseline surveys:

Measure variables such as structures put in place by the government or the private sector, formal rules and processes for policy development, and capacities to carry out policy analysis and RIA.

Tracking exercises:

Measure whether formal structures and rules are followed in practice, and whether capacities are used effectively. Focus on qualitative assessment and process indicators.

The monitoring tools are based on very simple assessments which are closely aligned to the activities of the RIA and RBP units in their delivery of the RBP strategy. For example, for the RIA Unit an excel tool, called the RIA Scrutiny Tool was developed by the consultants team to monitor on an on-going basis the quality and outputs of policy-making (See Box E).

The tool is designed to evaluate and give an automated score to Cabinet submissions to parliament according

to a set of best practice criteria for high quality policy proposals. The tool was piloted by the RBP Unit in 2005 to provide a baseline.

- (i) % Ratings of the individual submissions over the years of review
- (ii) Average % ratings of the submissions
- (iii) Average % ratings of the submissions for EACH key element in the evaluation criteria e.g. options analysis, consultations, assessment of impacts etc.) This should provide the basic benchmark upon which quality changes could be measured over time.
- (iv) Comparative analysis

Box E: The RIA Scrutiny Tool

Criteria	Score
1 Purpose and intended effect of the proposal	
1.1 The RIA Scrutiny Tool has been used to assess the proposal	
1.2 The RIA Scrutiny Tool has been used to assess the proposal	
1.3 The RIA Scrutiny Tool has been used to assess the proposal	
2 The policy problem	
2.1 The RIA Scrutiny Tool has been used to assess the proposal	
2.2 The RIA Scrutiny Tool has been used to assess the proposal	
2.3 The RIA Scrutiny Tool has been used to assess the proposal	
3 Options Analysis	
3.1 The RIA Scrutiny Tool has been used to assess the proposal	
3.2 The RIA Scrutiny Tool has been used to assess the proposal	
3.3 The RIA Scrutiny Tool has been used to assess the proposal	
4 Assessment of impacts	
4.1 The RIA Scrutiny Tool has been used to assess the proposal	
4.2 The RIA Scrutiny Tool has been used to assess the proposal	
4.3 The RIA Scrutiny Tool has been used to assess the proposal	

The M&E framework recommended that the RBP Unit could apply the tool on an annual basis to a sample of Cabinet submissions from key ministries who had received training and support from the RIA unit to measure their progress towards improving policy. In addition to this, it was recommended that the RIA Unit could use continuous monitoring using their own Cabinet Decisions Making Database (a comprehensive policy

tracking database set up by the RBP Program) to download snapshot data on the number of cabinet submissions which met certain criteria. Reporting templates were devised for both and dissemination reporting requirements were defined and agreed.

- ***Tapping into secondary data and national frameworks***

At the intermediate/meso and macro level, the M&E Framework is linked to Uganda's Poverty Reduction Strategy, the PEAP through its second 'pillar': Enhancing Production, Competitiveness and Incomes, 2.1. Efficient and Competitive Private Sector. The realisation of this Pillar is dependent on successful implementation of Uganda's Competitiveness and Investment Climate Strategy (CICS) 2006-2010. The RBP M&E Framework attempts to develop linkages to CICS and other indicators which track changes in the environment for private sector growth, and observable socio-economic outcomes of RBP.

The meso level represents the intermediate outcomes or purpose of the RBP strategy, namely a simpler, more appropriate and sustainable regulatory reform leading to an improved business enabling environment. At this level, given recognition of limited resources, time and capacity of ministry staff to undertake extensive data collection, a focus was placed on secondary data such as World Bank Doing Business indicators. However, recommendations and instructions were included for repeating and updating the administrative regulatory compliance costs survey, should the government decide to allocate resources to this in the future.

At the macro level, the framework presented a monitoring framework, again based on secondary data sources, for the goal and impact of RBP, namely enhanced enterprise growth, increased competitiveness and ultimately increased poverty reduction and economic growth.

A key element of both the meso and macro platforms was to increase awareness and tracking of these secondary sources and also to disseminate these indicators widely within government and to the private sector to focus dialogue and foster momentum towards the reform process. In this respect, the M&E Framework placed less emphasis on the complicated issues of causality and attribution between RBP processes and increased competitiveness. What was more important was to establish the structure for an effective communications campaign that demonstrates the linkages between RBP and economic growth by drawing on data and observable results.

Conclusions

An important element of capacity building and ensuring the effectiveness of a donor-led intervention is ensuring the sustainability of reforms. In the case of Uganda, there was high political commitment to a long term strategy for the implementation of RBP. However, it was crucial to set up an effective and simple framework for monitoring and evaluating progress to ensure continued political will and also to track progress of the reforms. In the final stages of the RBP program it was also critical to ensure effective handover of the consulting team's own research and data sources to government counterparts. Much of this wealth of information formed the basis for rich qualitative and quantitative baselines.

Nevertheless, there was sound recognition that the government would be unlikely to have the same incentives, resources and capacity to undertake future research and monitoring on an extensive basis. The M&E framework was therefore designed with the government in mind, focusing predominantly on simple tracking tools, and reliance on secondary data sources which could be easily accessed. A great emphasis was placed

on establishing an agreed reporting structure and using M&E as a communications tool with stakeholders and the private sector and therefore keeping the RBP agenda active and engaging. An important design aspect was therefore to try and encourage ownership of the strategy by the RIA and RBP units as much as possible.

Key lessons for M&E

The Project demonstrated:

- When there are capacity and resource constraints, go simple – use tools that are closely linked to the delivery of reforms and have minimal cost implications.
- The structure for an M&E strategy is as important as the tools themselves – consider who is tasked with which responsibilities, who they report to, and how.
- Where appropriate, M&E frameworks should be closely linked to existing national monitoring frameworks and goals, such as the PRSP

Case contributors

- Patrick Banya, Consultant, Team leader RBP Program, 2006 - 2007
- Fiona McCulloch, Consultant, Team leader RBP Program, 2000-2006
- Naboth Namanya, RBP Unit, Ministry of Trade, Tourism and Industry, Government of Uganda
- Innocent Ejola, RIA Unit, Office of the Prime Minister, Government of Uganda

References and resources

- Humphries, N (2006): “*Monitoring and Evaluation Framework for the Long Term Strategy for RBP in Uganda – Implementation Plan / Handbook and Resources*”, Regulatory Best Practice Program, DAI Europe/Government of Uganda
- Sander, C (2003): “*Less is more, better compliance and increased revenues by streamlining business registration in Uganda*”, a contribution to the WDR 2005 on Investment Climate, Growth and Poverty, World Bank. Bannock Consulting Ltd. <http://siteresources.worldbank.org/INTWDR2005/Resources/CaseStudy3.pdf>
- Competitiveness & Investment Climate Strategy (CICS), 2006-2010: “*Enhancing Competitiveness through Public Private Partnerships*”, Government of Uganda.
- MTCS Secretariat, Ministry of Finance, Planning and Economic Development (2006): “*Medium Term Competitiveness Strategy, (MTCS): Enhancing Competitiveness through Public Private Partnerships*”, 2nd Edition 1st Draft.

Case Study

Tracking performance of the Business Environment Strengthening for Tanzania (BEST) program

For the Business Environment Strengthening for Tanzania (BEST) program, a primary challenge has been to strike a balance between providing an M&E framework which tracks the influencing and coaching elements of the program's central coordination unit, and setting up a central monitoring system to track progress against the reforms being implemented by various Ministries, Departments and Agencies.

Project overview

In Tanzania, the National Strategy for Growth and Reduction of Poverty (NSGRP, or MUKUTA in Swahili) recognises the private sector as the engine for economic growth and its close link to national development policies, especially via micro and small businesses.

The government has therefore committed to an ambitious multi-component, multi-donor funded and government-owned reform program – BEST - focusing on encouraging formalization and growth of small businesses and improving the quality of public services.

The overall goal of the program is to reduce poverty by enhancing the growth and development of business in Tanzania. The objectives are:

- to reduce the burden on businesses by eradicating as many procedural and administrative barriers as possible;
- to improve the quality of services provided by Government to the private sector; and
- to enhance the capacity of the private sector to advocate for and demand a better business environment.

The BEST program aims to address a wide range of policy issues affecting the private sector including business registration, various dimensions of business operations (including land and labour law), and the commercial justice system through a series of reforms initiated and managed by various Ministries, Departments and Agencies (MDAs).

A central coordinating unit, the Better Regulation Unit (BRU), situated within President's Office, Planning and Privatization, is tasked with overall coordination of the program, but also the remit to foster a change in government culture and the public sector towards the enhancement of private sector growth and improved service delivery.

Case Facts

Development partners: World Bank, DFID, DANIDA, SIDA, Royal Netherlands Embassy
Partners

- Government of Tanzania,
- Business Registrations and Licencing Agency (BRELA),
- Tanganyika Law Society,

Timeframe: From Dec 2003

Reform Type: Multiple reforms including:

- Business registration and operations reform including land and labour laws,
- Commercial justice reform,
- Support to the Tanzanian Investment Centre,
- Regulatory governance and introduction of Regulatory Impact Assessment

The program itself is not a direct implementer - the outputs and outcomes of the reforms are delivered by the implementing MDAs. Rather BEST aims at systemic change which spans a large number of sectors. The role of BRU is therefore essentially an influencing agent which gives government and stakeholder partners the incentives and capacity to change and reform. The focus is therefore process rather than tangible outputs in the short to medium term. The components of BEST are not isolated activities or separate initiatives but collectively have an overall contribution to the process of improving the enabling environment for private sector development.

M&E Approach

M&E Snapshot

Budget: No explicit M&E budget up front

Approach: Overall M&E system covering multiple components

Baselines:

Baseline compliance cost survey

Indicators:

Impact – overall annual GDP growth, GDP growth at sectoral level, exports as % of GDP, % increase in FDI, unemployment, access to credit for small holder farmers, investor perceptions, DB ease of doing business, growth competitiveness index

Outcomes – index of regulatory quality, titled land as % of all land, time and cost for registering a property, cost of employment regulations, time and cost for business licensing, perceptions of tax system, average annual cost to import business of compliance with import procedures.

Data Tools:

- Direct measurements for streamlining of licensing procedures time / motion studies
- Rapid assessment methods for customer satisfaction
- Compliance cost survey
- Secondary data

Communication strategy:

Not yet established

The main challenge for M&E for BEST was to design a framework that made sense for the overall structure of the program and fed into short term project management.

While the logframe of the project provides a long-term perspective on the reform and a common understanding of the program, it is less useful for short term project management. Progress towards a better enabling environment can be tracked, but the ‘results’ have a long time lag and project milestones in terms of reforms do not necessarily illustrate whether the BEST strategy is working in short to medium term.

Nevertheless, there was early recognition that M&E needed to create the basis for critical reflection on the logframe and its adjustment based on experience during implementation.

It was decided that a bespoke M&E framework must be carefully designed. This was to be a management, accountability and performance reporting tool to track and measure the strategy and tactics of the BEST program and its role as an influencing and coordinating agent.

- **The A-B-C Approach for Assessing Influence**

An upfront design of an M&E system was contracted out to consultants in 2004, and a document entitled “The ABC of BEST, a framework and implementation plan” was

produced. The framework concentrated on M&E for BEST and BRU as an influencing agent in terms of three principles – **Advocacy**, **Better Regulation**, and **Culture Change** - the attributes that should characterise interactions within government and between the public and private sectors as a result of the successful implementation of BEST. The suggested indicators were designed to capture both process and outcomes and were intended to be complemented by case studies to illustrate the strategies and tactics of BRU.

There were two problems with this approach:

BOX A: THE A-B-C OF BEST

A framework for performance feedback at three levels:

- the **achievement of purpose and objectives**, including components and reform initiatives;
- the **effectiveness of strategies** employed by the BRU and also by reform partners; and
- the **effectiveness of mechanisms** for the BRU, and also for the funding mechanism.

- Firstly, the output was an ambitious conceptual framework and was extremely management-focused. There were detailed instructions for conducting baselines which were very resource and time intensive. However, specific information on agreed indicators, and how to update them was missing.

Secondly, the challenge of implementation was not sufficiently addressed by the BRU following the design of the system, most notably the need to build capacity to implement the M&E system. The M&E framework made recommendations on how to address this, but they were not followed through.

- **A comprehensive M&E System Report**

BOX B: M&E SYSTEM REPORT REQUIREMENTS:

- Explicit link of M&E indicators to macro indicators in the log frame
- Milestones and targets to enable implementers and beneficiaries of the program to assess progress, effects and impacts of the program
- Comprehensive reporting formats to enable a participatory process capable of tracking, recording information for sharing with all stakeholders.

In 2005, it was agreed that a comprehensive, coordinated and inter-linked approach was needed and a re-design of the M&E system was contracted. The TOR listed specific design requirements (see Box B) and was contracted with a Regulatory Compliance Cost Survey of formal firms which would provide essential baseline data on the Business Enabling Environment.

The M&E System Report was completed in July 2006. In contrast to the A-B-C approach, the focus shifted from monitoring the BRU and BEST as an influencing agency, to more active management of progress towards the implementation of reforms. This involved tracking inputs and outputs at MDA level, and setting up baselines against which future monitoring of outputs eventually impact can be evaluated. The framework used a micro-meso-macro structure.

- **Micro:** direct activities of the 7 BEST components with activity indicators. Mapped to the BEST annual work plan
- **Meso:** BEST purpose of reducing regulatory, procedural and administrative barriers to business. Tracked from MDA-based M&E systems.
- **Macro:** Goal and Objectives of BEST to enhance the growth and development of the private sector. Links to the MUKUTA Poverty Monitoring System

In addition, the following definitions formed the basis of the framework:

- **Output:** measure of activity undertaken under the work-plan
- **Outcome:** effective integration of outputs into an enhanced system
- **Impact:** change in client welfare as a result of project outcomes.

The system primarily assigns monitoring and tracking responsibilities to the MDA's at the micro level with the BRU coordinating the data, and tracking meso and macro-based outcomes and impact. The outcome indicators are predominantly based in relation to Doing Business indicators and other existing national statistics, with additional specific data sourced through the baseline surveys such as the Regulatory Compliance Cost Survey. The focus is on providing quantitative data in a matrix reporting form.

- **Challenges of Implementation**

Despite significant time, effort and resources on the design process for M&E, the BEST program is still grappling with the challenges of implementation. Training and dissemination of the M&E framework was rolled out to the MDAs in the first quarter of 2007. However, it has been slow to get the systems up and running.

One of the primary problems is the sheer number of indicators in the M&E System Report. In addition, in the months since the M&E system report was completed, a number of other program documents have referred to different and revised lists of indicators and there appears to be a lack of consistency on what constitutes the final process. In part this flux reflects the iterative nature of selecting key indicators.

Certainly, there is a sense that the MDA's have limited ownership of both the indicators and the process, despite consultation undertaken by the external consultants throughout the design process. A similar situation has arisen with the compliance cost survey where the results are not fully 'owned' and accepted by the deliverers of the reform program.

- **Taking next steps for M&E**

Later in 2007 the BRU made active steps to take a much more active role in facilitating and coordinating the M&E process. A key aspect of this involved defining a simplified list of key output, outcome and impact indicators, and also assigning clear roles and responsibilities. Some components are delivered by multiple stakeholders, and there needs to be clear direction on who is responsible for what. For example, for the CDR component, delivery of certain activities is being undertaken by the Tanganyika Law Society, Commercial Law Court, the Judiciary, and the Tanzanian Law Reform Commission. There was a need for clarity over who will track which indicators and how these will be compiled, also taking into account which MDAs have capacity to undertake M&E activities.

Related to this, the BRU is addressing how to foster greater ownership of M&E within the MDAs which involves both educating and incentivizing the relevant stakeholders. This

entails presenting M&E as more than just a process for its own sake but actually drives the reform process and is a powerful communications tools.

Conclusions

The BEST example demonstrates that there are multiple aspects to M&E and the difficulties of developing an M&E framework that tries to be all things to all people. The focus of the finalized M&E framework centres predominantly on mapping progress towards reforms that are being delivered by the MDAs rather than the BEST program itself. It moves away from previous efforts to track the process objectives of the BRU in changing behaviours and as an influencing agent which proved to be overly complex, theoretical and impractical given capacity and resources. This is not necessarily problematic since the annual donor-led program reviews focus on evaluating these aspects and assessing the success of BEST and the BRU from a programmatic sense.

KEY LESSONS FOR M&E

The Project has demonstrated:

- For multi-component program, focusing on a simple structure with key indicators and a clear reporting system, roles and responsibilities is essential
- Build on existing systems and sources of information to minimise the response burden of the M&E system
- Tracking outcomes and impact may have limitations for effective ongoing project management due to the lag in obtaining data.

Case contributors

- Fiona McCulloch, Technical Advisor, BEST Program

References and resources

- Sander, C and Yeo, S (2004): *The A-B-C of BEST, Framework and Implementation Plan for the Monitoring and Evaluation of the BEST Programme*, Business Environment Strengthening for Tanzania
- Law and Development Partnership (2007): *Monitoring & Evaluation of the Business Environment Strengthening for Tanzania (BEST) Programme, Monitoring & Evaluation System Report*, Business Environment Strengthening for Tanzania

Case Study

Tracking results on competitiveness for specific sectors in Thailand

The 'Thai-German Program for Enterprise Competitiveness' (T-G PEC) supports the improvement of the business environment in the agro-industry sector. The overall aim of the program is to improve the competitive advantage of enterprises in 5 agro-industry sectors through work with intermediaries and other stakeholders in the broader enabling environment. The assessment of interventions in these sectors has focused on changes in competitiveness at the enterprise level. This is measured mainly through changes in productivity, market share and innovations.

Based on the GTZ impact chain approach, this M&E work demonstrates how poor knowledge of, or poor access to business services, or a weak business environment impact on the day to day operation and competitiveness of businesses.

Case Facts

Donor: BMZ

Implementing Agency: GTZ

Partners: The Department of Industrial Promotion of the Ministry of Industry, Department of Alternative Energy, Ministry of Energy, the Palm Oil Crushing Mills Association (POCA)

Reform Type: Sub Sector Reform

Timeframe: October 2005 to September 2007

Palm Oil Budget: €250,000

M&E Budget: € 15,000

Project Overview

Box A: Goals of the Palm Oil sub sector

- Improve overall sector productivity and increase the utilization of biomass

Competitiveness Issues:

- Relatively low overall productivity in both plantations and crushing mills
- Opportunities to utilize biomass residues for energy production and to generate additional income from power sold to the grid.

Services focus at the "upstream part of the value chain from plantation input suppliers (fertilisers and seedlings) to the plantations and then on to the transporters and crushers. The aim being to:

- help growers increase the quality and quantity of fresh fruit and
- Improving the oil extraction rate and eco-efficiency of the crushing mills.

The **objective** of T-G PEC is to improve the competitiveness of SMEs in 5 agro-industry sub-sectors. Specific improvements in business performance and productivity are identified as **outcomes** for each of the sector interventions arising from a series of **outputs** related to the specific challenges identified in that sector. Typically technical support involves conducting some form of value chain sector analysis to identify key constraints and opportunities related to improving the sector's competitiveness. This is followed by designing specific measures to address these constraints and opportunities.

While the core "thrust" of the Program is to help SMEs, it is recognised that SMEs can often best be served indirectly through working with others and through

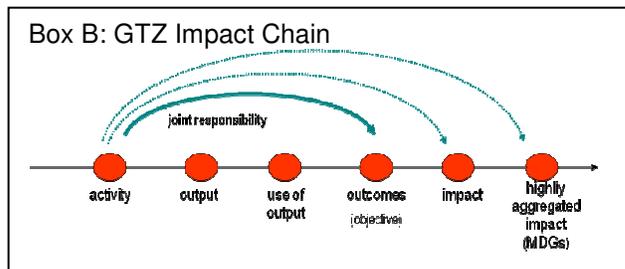
improvements in the general policy environment in which SMEs operate. For this reason the T-G PEC works with a wide range of intermediaries or facilitators and service providers through its implementation including:

- *Lead firms:* These are firms that are either important input suppliers or buyers of SME products. T-G PEC works with them to repackage their transactions with SMEs to increase its value addition for both parties.
- *Stand alone service providers:* like certification or standards bodies that are committed to sharing costs in the expansion of competitiveness enhancing services (consultancy, certification, lab testing etc.)
- *Business Membership Organizations:* such as chambers of commerce and sector-based associations to develop their capacities to deliver advocacy, better business linkages, business information and sector or regional competitiveness strategies.
- *Governmental Agencies:* to improve the legal, institutional, regulatory or policy environment.

M&E RESULTS SNAPSHOT

- Value chain analysis
- **Indicators** for outcomes & impact established through impact chain (see Boxes B & C)
- Business and BE baselines established
- Quasi experimental approach to impact
- Tools: enterprise surveys, interviews FGDs, business records etc
- Creating bottom up evidence for changes in the BE /IC
- Development of impact assessment manual for staff use

M&E Approach

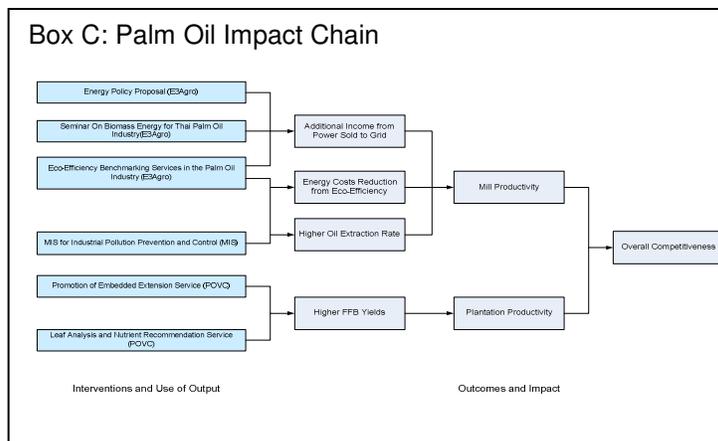


GTZ uses a ‘results based approach’ to assess all of their development interventions. Underpinning this work is the ‘impact chain’(see Box B) which utilises a variation of the ‘logic model’ or logframe used by other development partners⁵⁸.

In Thailand, GTZ with its partners has developed a competitiveness strategy based on a value chain analysis that identifies the most important constraints or opportunities for enhancing the overall competitiveness of the value chain. Interventions are designed which are consistent with this strategy.

Each value chain may be working on five to six interventions at any one given time. For example, in the palm oil value chain the overall production costs of crude palm oil are 12% higher than its main competitors so a major focus is cost reduction and/or improved productivity and opportunities for additional income generation through for example methane production.

⁵⁸ An intervention is defined as: Any significant allocation of programme resources (manpower or money) invested in a well-defined “sub-project” of a partner which is aimed at enhancing the competitiveness of SMEs through either: stimulating the demand for services from SMEs; improving the ability of the partner to provide better services (public or private) to SMEs; or improving the policy, legal or regulatory framework conditions for SMEs.



The impact chain (see Box C for Palm Oil) connects project interventions to services/activities, to outputs, to use of outputs, to outcomes and then to impact and aggregated and highly aggregated impact.

The same impact logic is applied to both business services interventions and investment climate work, showing how the benefits

achieved at the project level connect upwards contributing to benefits and impact in terms of contribution to economic growth, employment, income levels, poverty alleviation etc. This impact chain provides a clear framework for managing the intervention and the M&E of that intervention.

M&E Lessons

- **Identifying results indicators up front**

Value chain analysis is used as the diagnostic instrument for identifying the key players and the critical issues currently impacting on the competitiveness of the sector. This analysis is not only used for identifying the type of technical intervention needed, but also for deriving the key ‘result indicators’ for measuring the success of the project and any need for baseline data collection.

Box D: Typical Results Indicators

- Improved productivity of labour capital and energy
- Better Business performance in terms of increased market share and profitability
- Introduction of successful innovations
- Increased use of environmentally friendly sustainable production processes

The T-G PEC Program is working in five sub-sectors which have commonalities, but also variations between them, and so the Program operates with a “menu” of competitiveness indicators. This allows them to choose the most appropriate for the given sub-sector and SME target group. Box D shows typical results indicators that are used. At the objective level, there are two basic

stages of impact: Impact on SMEs that are beneficiaries of a pilot case and, impact that comes from the scaling-up of this pilot to other SMEs.

For interventions that deal directly with BEE issues, such as changes in regulations with public authorities, indicators relate to numbers of businesses affected or reached by the regulation, any significant changes that have taken place as a result of these changed regulations, such as savings, generation of additional income or increases in investment.

- **Embedding Impact assessment in Project design and delivery**

The goals of the project are ambitious. Practical and measureable results are expected from the target groups and partners. The core approach of the project is to test the impact of a particular change (in either services available to the target group or a BEE factor) on a pilot group of SMEs. If this experience is positive the project aims to scale-up this change so that its impact is more widespread.

Without persuasive impact data from the pilot group the project would lack credibility from both intermediary service providers and the target group to proceed with its scaling-up efforts. In each intervention an impact assessment method is chosen which the project considers will yield the most convincing argument for the widespread adoption of the change being supported. For this reason impact assessment is embedded

in the design and implementation of every intervention. The monitoring reports that go along with this are a series of four 2-3 page reports at different stages as outlined in Box E.

Box E: Key intervention M&E documents

- **An intervention proposal for internal screening and peer review** to ensure that the intervention addresses the right issues;
- **An intervention agreement with whatever intermediary is co-financing** the intervention, this agreement outlines the issue being addressed, its impact logic and the contributions of all parties;
- **An internal impact assessment plan which lays out what methodology will be used to assess impact** and how and when specific activities need to be tackled (control group, before and after, satisfaction surveys etc.) and finally
- **An intervention report which tracks progress of the intervention** (early signs of impact) and documents key lessons.

- **“Right Sizing” evaluation work**

The scale of effort and the choice of evaluation tools is critical if impact assessment is to be “manageable” and in appropriate proportion to the scale of the intervention itself.

The PEC Program adopts a pragmatic approach to impact assessment data means continuously walking the tightrope between ‘doing too much’ and ‘doing too little’. The key determinants for how much is ‘right’ are many for example:

Box F: The Impact tightrope

The most important principle to be observed in the case of the PEC is that the level of effort in data collection is in proportion to the priority of the intervention with respect to its plausible attribution on the target group.

Jim Tomecko, Director Business and Financial Services T-G Program for Enterprise Competitiveness

- whether the project is operating in an “information rich” environment;
- how much convincing project partners (target group and intermediaries) is needed; and
- the specificity of data needed by the funding agency.

As regards evaluation approaches, the Program has used simple post intervention assessment approaches in some cases, and in others quasi experimental approaches have been employed to try and estimate the counterfactual and examine issues of attribution through the use of enterprise comparator or control groups against baselines.

Box G: Purpose of Impact Measurement Manual

- Improve the design of interventions by anticipating *what* should be measured, *when* it should be measured and *how* it should be measured;
- Show partners that the programme has impact, so that this may lead to some change in the way that they operate;
- Use resulting evidence of impact to persuade target groups that T-G PEC interventions have impact on their “bottom lines;”
- Enable Programme Management to monitor where T-G PEC is having impact and where it makes sense to further invest;
- Show the Programme client, BMZ, in a transparent way, that T-G PEC has impact; and
- Enable Programme Management to develop BMZ progress reports in an easy, simple and consistent way.

The PEC program's use of *control groups and baselines* is limited to those cases where a strong point needs to be made to convince either a target group or a supplier that there is concrete evidence to support a change in behaviour; for example, conducting trials to show that changes in nutrition management will yield increased in income and productivity. In other cases *ex-post opinion surveys* are sufficient to show that demand for a service is increasing. In some cases market research tools are used to identify shifts in behaviour or constraints to behaviour change.

In terms of evaluation tools the PEC Program utilizes a variety of data collection methods using both quantitative tools (such as business

surveys, business record keeping) and qualitative approaches (such as focus groups, end of event reviews, meetings) to assess the progress and benefits of their work.

To help staff determine which evaluation approach and tools to use and how to use them, an impact assessment manual (see Box G) has been developed. This manual identifies typologies of interventions and then suggests the appropriate tool for that type.

- **Using Control Groups**

The PEC program has used control groups in four cases of the sector-specific work - on in palm oil, two in tangerines, one in shrimps, and their experience is mixed. While these control groups have provided ‘counterfactual’ data, the program has faced several challenges with establishing and maintaining control groups. Some of the core constraints are outline in box H.

The use of control groups is however compelling as in the Shrimp sector example. For example, the bulk of shrimps are produced through 20,000 small farms where outputs and income levels vary because of the risks associated with disease. Disease can wipe out a farm in 24 hours.

Box H Key challenges for control groups

- If using small numbers then comparability criteria between groups needs to be very precise
- Getting sufficient numbers in pilot and control group to make comparable data meaningful
- Those in control groups often want to be in the pilot groups – ethical and practical issues
- Trying to keep control groups out of the pilot group can be in conflict with the short term goals of the project to scale up & engage with these same enterprises as quickly as possible- how do you stop them copying or migrating to the pilot group!

Since antibiotics are banned farmers need to take greater care of the health of their shrimp, especially in the first 6 weeks of their life cycle. Scientists in Thailand believe that by changing the Ph level of the soil in shrimp ponds it is possible to introduce more natural feed during this stage of growth which creates healthier shrimp and increases the survival rates. To prove this the PEC needs a control group and a group testing this new management system.

Box I Challenges of measuring Impact in the agro sector

- If using small numbers then comparability criteria between groups needs to be very precise
- Timescales – working within the agro sector means that you have crop cycles that do not fit into typical program reporting timeframes – for example it is 18 months before you see any changes in palm oil. Predictive assessments have to be used to conform with the requirements of annual reporting.
- Isolating attribution is always difficult but especially so for the agro sector where there are a multitude of variables that are impossible to control or easily predict – such as weather and commodity prices.
- Data collection from smallholders is difficult – micro entrepreneurs are not accustomed to keeping written records on indicators such as income levels so one is always working with imperfect data.

Robust data on the reduced level of risk and the changes in income (impact data) as a result of interventions (impact data) are the ‘development results’ that the PEC needs to get the message out to the 20,000 farmers and other stakeholders if this intervention is to succeed. In addition to the technical challenges of establishing and using control groups, the PEC team has also faced additional challenges that are particular to evaluating impact in the agro-sector (see Box I).

- **Connecting up from the sector specific to ‘BE’ issues**

The approach of the PEC to BEE issues is to identify specific BEE changes that will have a measurable impact on the short to medium term competitiveness of the value chain actors, and then work with these actors on the preparation of technical

justifications for why the BEE changes are in the public interest, and then assist in the lobbying process with appropriate public officials to have the changes approved and implemented.

For example, part of increasing competitiveness in the plam oil sector is to exploit the opportunity that crushing mills have to convert excess biomass waste into methane and then into electricity. In Thailand all of the crushing mills are located within a few hundred meters of the power grid. In Indonesia and Malaysia this is not the case. Power generation therefore is a competitive advantage for Thai mills.

Persuading the 44 mills to make investments in power generation requires information on how to do it and the right package of incentives. The PEC Program has been encouraging the power supply corporation to increase its feed-in tariff to reduce the payback period for the investment in the methane digester and the generators that convert methane into electricity. The goal level indicators are: the level of investments that are being made by mills in power generation and the volume of electricity produced by palm oil crushing mills (pilot and scaled up). What is measured at the next level down (service market sustainability) is the take up rate of millers (outreach) and the quality of implementation (are the millers getting paid on time, does the tariff administration work, etc.).

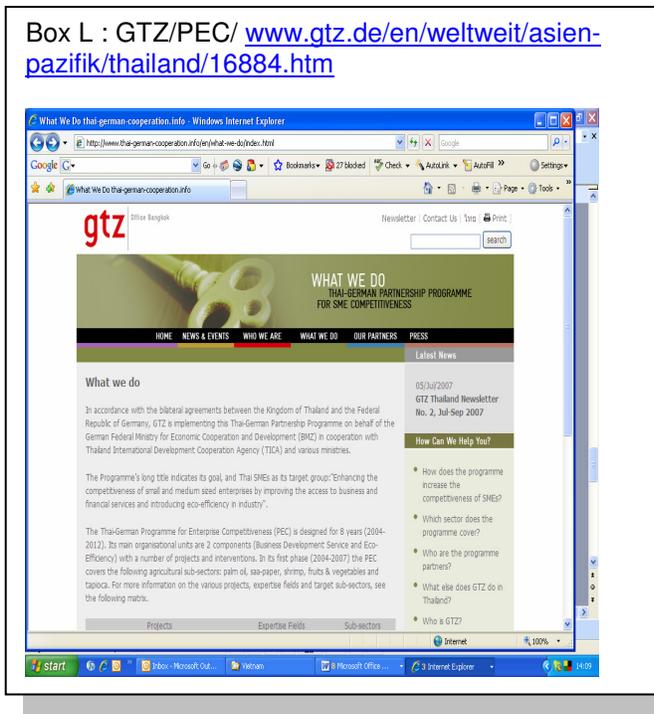
In this case, the changed framework condition being promoted is related to an increase in the feed-in tariff for crushing mills that recycle bio-mass into methane gas and feed-in this power to the electricity grid. The feed-in tariff change occurred in February 2007 from 2.8ThB pkw/hr to 3.1ThB pkw/hr. In a follow up survey 32% of the crushing mills agreed that this is a significant improvement and that they are prepared to invest further in bio-mass conversion technologies. As investments become more evident this impact will be documented.

▪ **Communicating M&E Findings**

It is an intrinsic part of the approach of the PEC to persuade public agencies and the target group of enterprises that the interventions undertaken have impact. This is done principally through two methods:

For public officials that have access to the internet the main form of communication is through a website that publishes articles on interventions (see Boxes K&L).

Box L : GTZ/PEC/ www.gtz.de/en/weltweit/asien-pazifik/thailand/16884.htm



Following this, interested farmers were exposed to the technical knowledge they needed to maximize the service.

Box K : GTZ newsletter http://www.thai-german-cooperation.info/news-events/news/newsletter_July_eng.pdf



The second form of communicating results is through the business associations related to the service providers and target groups. Mass media communications instruments have also been effectively used for demand stimulation. In the soil and leaf analysis case, the strategy was to use mass communications media such as radio stations and billboards to stimulate the interest of farmers.

Conclusions

There are many advantages from building impact assessment into the design of the project up front although to do so effectively you must invest time. Time is needed to examine the overall 'project logic' so that it can be adapted or translated into a wide range of situations that arise in project implementation. If this first part is properly done, it is possible to design operational interventions that are "demand driven" but still nested into the overall project design. When this is done impact assessment is less of a "chore" and more part of an implementation process aimed at maximising project productivity.

KEY LESSONS FOR M&E

The Project demonstrated that:

- M&E is a core management function. Impact for development interventions equates to return on investment in a business. You need credible evidence to demonstrate your bottom line results.
- Investing time and effort looking at impact logic upfront and getting the team on board up front pays dividends for effective impact work later in the project
- Invest in systems design and the training of staff in the practical aspects of impact assessment and ensure that all staff prepare impact logic statements prior to the commissioning of all interventions and prepare quarterly intervention reports on impact. The quality of these reports should have a significant bearing on staff performance evaluation.
- Few projects have the luxury of being able to completely design their logframe or impact chain "from scratch". There are always variations that are determined by history, personalities, donors' "flavours of the month", partner preconditions and the like. No impact chain will be perfect and attribution can always be questioned.
- M&E of PSD work with enterprises can be a valuable source of 'bottom up' evidence for what needs to be changed or improved at the meso and macro levels of the business environment/Investment climate

CASE CONTRIBUTORS

Jim Tomecko Director Business and Financial Services T-G Programme for Enterprise Competitiveness

Phitcha Wanitphon Deputy Director Business and Financial Services T-G Programme for Enterprise Competitiveness

REFERENCES AND RESOURCES

http://www.bdsknowledge.org/dyn/bds/bdssearch.details?p_phase_id=533&p_lang=en&p_phase_type_id=3

<http://www.thai-german-cooperation.info/en/index.html>

Case Study

Impact assessment of Public-Private Dialogue initiatives in Cambodia, Lao PDR and Vietnam

Well managed Public-Private Dialogues are increasingly regarded by governments and donor agencies as a necessary condition for the effective design and implementation of BEE reform strategies. Demonstrating that a long term process of building ‘intangibles’ such as trust and co-operation does have a tangible impact, presents particular challenges. A collaborative effort to test an approach to achieving an understanding of the impact of PPD initiatives was undertaken in South East Asia in 2007 utilizing a charter developed at a workshop in Paris 2006.

Project overview

The introduction and promotion of Public-Private Dialogue (PPD) and policy advocacy mechanisms complements other areas of BEE reform and investment climate reform more widely. PPD supports champions for reform thus creating momentum and accelerating the reform process. Creating forums for dialogue and policy advocacy is an active way of generating consensus via the private sector or civil society, or to generate pressure. It may be implemented at national or sub-national level, and can generic or be sector-specific.

A structured public-private sector dialogue seeks to build a sustainable constituency for reform in the expectation of better **diagnosis** of perceived problems and improved **policy design**. It is a process that can enable the business community to participate effectively in the policy and regulatory reform process. While PPD has a range of potential impacts, it will not achieve anything on its own. It works by facilitating, accelerating or cementing other ongoing BEE initiatives which need stakeholders' pressure in order for them to be successful. M&E for PPD is important to monitor the development and success of the process tools developed for advocacy.

The impact assessment (IA) presented hereafter sought to measure whether these outcomes were achieved in the case of three very different PPDs, of different levels of maturity, in South East Asia.

Characteristics and challenges of M&E for PPD.

- PPD is process-oriented and qualitative. This presents issues with how to measure this in a quantitative sense and how to assess change and improvement. Assessing the economic benefit of these reforms is a particular challenge.
- Similarly, the intangible benefits and ‘outcomes’ of PPD are not easily quantifiable, but are very significant. They include improved levels of trust, understanding and cooperation.
- The PPD process ownership ultimately rests with national stakeholders, independent of international development partners. As owners of PPD, the domestic stakeholders may program their own set of objectives and quantified targets, which may significantly differ from the M&E framework established at a program onset.

- It is important to bear in mind that the voices that are being heard through PPD processes may not be representative – this presents particular challenges in assessing diversity and exclusion issues.
- The dynamics of PPD reforms can be long term.

A handbook on PPD has been produced by IFC in association with DFID, World Bank and OECD. The handbook includes a comprehensive chapter presenting a standardized evaluation framework for PPD. The PPD website also has a excel format evaluation tool which can be downloaded.

Box A: Three PPD's

1997 Vietnam Business Forum (VBF): a mechanism for attracting foreign direct investment and to stimulate domestic economic growth. The participants in the VBF are public authorities, the private sector and the donor community.

1998 The Cambodian Government-Private Sector Forum (G-PSF): is led by a forum held on a bi-annual basis. It is chaired by the Prime Minister and is a mechanism for consultation on issues ranging from policy to operational matters. There are seven sector-based working groups that meet on a regular basis.

The **Lao Business Forum (LBF)** was established in 2005, holding its first Forum in May 2006.

PPD entails structure and process outputs which can be measured effectively using simple monitoring methodologies, techniques and tools. According to the M&E framework presented in the PPD Handbook, three primary areas should be assessed:

- (1) the organizational effectiveness of PPD forums,
- (2) the impact on the reform process as influenced by PPD mechanisms, and
- (3) the economic impact through increased private sector savings.

The PPD Handbook advises keeping the approach “flexible, user-friendly and light” whilst adopting a monitoring and evaluation framework that should provide stakeholders with “the ability to monitor internal processes and encourage transparency and accountability”. In 2006, three PPDs—the Vietnam Business Forum, Cambodian Government–Private Sector Forum, and Lao Business Forum—were evaluated on the primary areas mentioned above.

Impact Assessment Approach

This is the first attempt to benchmark a series of PPDs against the 12 dimensions advocated by the PPD Charter of Good Practice and agreed at an international workshop in February 2006.⁵⁹

M&E snapshot

IA budget:

Approach: An impact assessment comprising 3 evaluations and testing process indicators for alignment with 12 points on the charter for PPD

Baselines: absent – reconstruction attempted from documentation and recall.

Indicators: focus on process indicators

Data tools:

- using indexation of 1034 documents; a survey of 246 companies (75% participants to the forums, 25% non participants randomly selected); interviews with 71 experts
- Use of SPSS package for analysis of private sector survey
- Use of MS Excel tool or analysis of expert interviews

Communication: all the documents have been collected into an on-line database that can be searched (password protected)

See www.publicprivatedialogue.org

- **Objectives of the design**

Three concurrent evaluations were commissioned to provide:

- an objective and comparative basis for assessing performance;
- a solid foundation for management decisions; and
- to facilitate the dissemination of findings and learning with the donor community and to external stakeholders

1.

- **Evaluation Approach for the overall impact assessment**

1. Organizational effectiveness: The evaluation tested the forums for alignment with the 12 charter points (mandate and institutional alignment; structure and participation; leaders and champions; facilitators; outputs; outreach and communication; M&E; subnational; sector specific; international role, crisis-mitigation; and development partners). To create objectively verifiable process indicators for each aspect of the wheel suggested in the Handbook, two indicators were developed and then indexed on a scale from 1-10. The average index between different indicators for a single process aspect gives the final score to be plotted on the wheel. (See an example in Box B.)

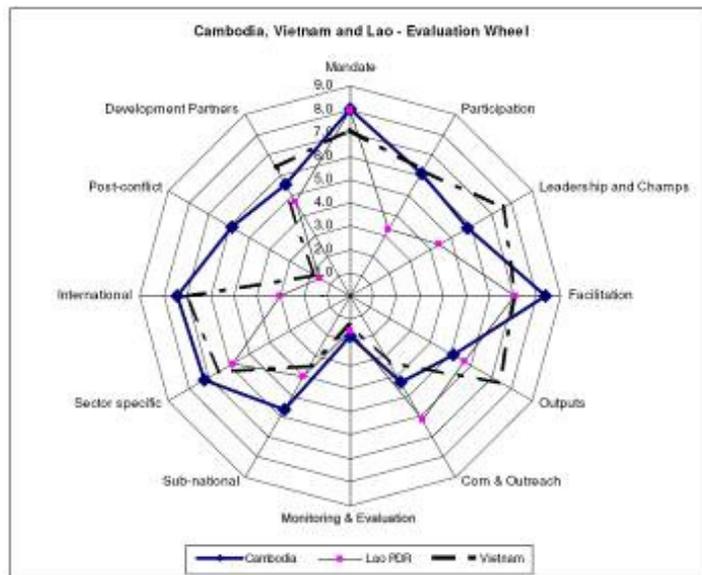
⁵⁹ See section 5 for a fuller explanation

Box B: examples of indicators, index measures and scoring

Operational Process Indicators	Index Measurement (scale 1-10)
Aspect 1: mandate and institutional alignment	
Existence of mission statement and capacity of participants to explain this mission statement	Non existence = 0; written co-coherent document = 10 % of respondents able to recite substance of missions statement
<i>Adequacy of the PPD mission</i>	% of respondents who believe PPD mission should modified/improved
Degree of anchorage of the partnership into existing public institutions, as per mandate	% of participants with decision making power in home institutions Mandate formally accepted and signed by relevant public institutions

Figure 1 shows an assessment of the degree to which each dialogue matches the “ideal” of the charter, indicating the effectiveness of the processes and structures put in place to support the public-private dialogue. It is useful for providing in-depth understanding of the dynamics of a PPD in a particular context and analyzing differences in appreciation of the PPD in question by participating stakeholder groups

Figure 1. Combined Three-Country “Evaluation Wheels”



Specific observations from this assessment address each of the 12 elements in figure 1, clockwise from the top:

- **Mandate and institutional alignment.** Participants identify with the purpose of the dialogues and are largely satisfied with their mandate and governmental anchorage; although some stakeholders felt that public-private dialogues could take on a more

sophisticated or strategic role and be more closely linked to provision of technical assistance and other donor activities.

- **Participation** was generally good and broad, although some groups had limited access, such as informal, provincial, or small businesses, at least in the early days of the forums. However, progress can occur quickly.
- **Leadership and champions.** Involvement of champions was an important part of the dialogues. A number of such champions existed in the Cambodian and Lao forums, but fewer than expected. A link appeared to exist between such champions and the consistency in a working group's work outputs. Lao participants agreed much less on champions and the working groups were somewhat more divided.
- **Facilitation.** Respondents were positive about the role of the individuals involved as well as IFC, although additional administrative and technical support would have made their help more valuable.
- **Outputs.** One output of note was development of branded position papers by the private sector in all three forums, which focused and informed the discussions, increasing traceability of suggested reforms and advocacy impact by presenting the proposals as consensual private sector recommendations.
- **Marketing and communications** were deficient to some degree across the three countries.
- **Monitoring and evaluation.** The three secretariats largely overlooked M&E, except for the progress matrices, which served more as reporting tools than M&E frameworks. It led the secretariats in failing to prioritize reforms in regards to their economic impact.
- **Subnational efforts.** All three dialogues have identifiable gaps in serving subnational or non-central businesses. Some regional public-private dialogue activities do happen in each country; yet, each is lacking in how it feeds into the central dialogue or in providing rural mechanisms for addressing issues.
- **Sectoral approaches.** Cambodia's "mixed model" in arranging its working groups along sectoral or cross-cutting lines appeared to be a positive approach. Such cross-cutting groups in the Lao Business Forum might have assisted in finding agreement on difficult issues at the sectoral level (taxes or SMEs). The Vietnam forum had some success in approaching cross-sectoral issues through task forces within working groups.
- **International role.** The forums took different approaches on international matters. In Vietnam, the forum had a positive role in the economic liberalization that led to WTO accession. The Cambodia facilitator promoted knowledge sharing with newer public-private dialogues in Laos and around the world.
- **Conflict resolution.** Survey respondents indicated, especially in Cambodia, that the forums sometime serve as a platform for peacefully resolving conflicts.
- **Development partners.** The forums could have benefited from more technical assistance addressing issues discovered in the working groups. Except possibly for Vietnam, the public-private dialogues had limited impact on driving donor private sector development strategies at the time of the evaluation.

2. The reform process:

This part of the evaluation aimed at measuring the degree to which the forums were effective at moving reforms from one step of the reform process to the next. The reform process was broken down into 13 steps representing the identification of issues (steps 1-3), the drafting of solutions (steps 4-5), their processing through the executive and then legislative branches of government until final enactment (steps 6-10) and the

implementation and maintenance over time of the reform (steps 11-13). For a given reform claimed by a forum as having been successful, scores were assigned as follows:

- 0 PPD had no impact on this step
- 1 This step has benefited from input
- 2 The role of PPD was crucial in accelerating this step
- 3 The PPD was solely responsible

Overall, the evaluators found higher scores at the heart of the reform process rather than at the start or end of it. The scores of 2 and 3 (where the reforms can be significantly attributed to the forums) are found mostly at the executive stage of the reform process. For instance in Cambodia, a controversial reform such as the streamlining of scanning procedures for containers in Sihanoukville port would have flatted at the cabinet level without the pressure put on the government by the forum's working group. The analysis for Vietnam shows that while the forum is not diagnosing new issues (the forum scores only 0 or 1 at the beginning of the reform process) it appears to bring stronger added value in pushing reforms through implementation, by creating political will (scores of 1.5 or 2 for steps 4-8). The public-private dialogues opened new communication and advocacy channels and expanded existing channels to new groups, allowing governments to consider, accelerate, and successfully process reform issues. This was particularly evident in Cambodia where the garment and tourism industries were able to voice their concern through the forum's working groups and push their issues with scores of 2 or 3 (the issues would not have been resolved without the forum). Interestingly, the forum enabled the tourism industry to also play a downstream role in the application of the tourism tax reform (score of 3 for step 12 – reform implementation).

Other findings included that:

- For many respondents, the dialogue process itself was a positive outcome of the reform process
- Despite the potential and open process, some private sector groups still lacked opportunity or perceived need to participate in the reform process.
- In each country, government made strong use of the public-private dialogue to improve its own communication, coordination, and internal accountability.

3. The economic impact: This aspect examined the actual benefits that public-private dialogue brought to the private sector in terms of regulatory and economic impact. Although large trends in investor confidence and growth cannot be attributed, positively or negatively, to the public-private dialogues under review, the evaluation suggested that certain aspects of the business climate were positively influenced.

Alignment with investment climate constraints. The three dialogues proved to be effective means for improving the time for export and import in Cambodia and the flexibility of employment in Vietnam. These reforms were strongly demanded by the private sector during the dialogues. In addition, private sector actors identified “increased government understanding of private sector needs,” “improved information flow,” and “existence of a dialogue platform” as key elements in observed improvement in private sector confidence. Also, while not a true proxy of alignment with investment climate constraints, the evaluators calculated that 58% of the issues processed through the forums corresponded to IFC's business enabling environment priorities in the region.

Private sector valuation. The annual private sector's pro bono input into the dialogues was estimated at \$950,000. Accepting that the participants' voluntary contributions to the forums reflect at least their perception of the dialogues' value to them, the private sector valued the public-private dialogues at levels far exceeding donor funding of \$345,000.

Quantification of economic impact. The evaluation quantified specific and observable economic impacts of 16 reforms in the three countries over the four years preceding the assessment. The 16 reforms were selected from a larger pool, on the basis of a) availability and reliability of impact data and b) a demonstrated impact of the forums on pushing those reforms through the reform process. Box 1 provides an example of calculation.

The conclusion was that in the past five years, the forums had important measurable economic impact in terms of private sector savings: \$237.9 million in Vietnam (based on the quantification of five reforms), \$69.2 million in Cambodia (based on the quantification of nine reforms), and \$2.7 million in Lao PDR (based on the quantification of two reforms) for a total of \$309.8 million.

Cost-benefit ratio: 291

Based on direct impacts evaluated, the public-private dialogues had direct, measurable impact exceeding inputs by the private sector, IFC, and other donors by an order of magnitude. If one limits costs to IFC only costs, the return on investment or private sector gains was at least \$291 for each dollar that IFC and donors invested in the three forums. In reality, other costs should be taken into account.

Box C: Example of reform quantification

Country: Cambodia

Reform: Reduction of the Export Management Fees (EMF) by the Ministry of Commerce

Comments: The EMF collects fees based on the number of garment pieces exported. It was originally set at an average of 25 cents per dozen (ranging from US\$0.10 to US\$1.75 per type of garment). Cambodia exported in 2006 70M dozens. The EMF was reduced overall by 21%. Total savings = $70M * US\$0.25 * 21\%$

Annual impact: \$3,675,000

Date: 2005 - ongoing

Impact over the period: \$7,350,000

Source: Garment Manufacturers' Association of Cambodia

▪ **Data tools, techniques and instruments**

The key techniques were desk research, surveys and key informant interviews. The resulting data sets were used to a data archive available for use to all project teams including terms of reference, project documents, progress reports, surveys etc searchable by topic strings, country, legislation type and so on. This proved a significant

undertaking with the desk research alone yielding 210 documents for Cambodia, 698 for Vietnam and already 126 for Lao PDR.

A self administered survey instrument was developed with an explicit sampling plan devised for forum members and a random sample of non member companies (roughly a quarter of the sample size) sourced from telephone directories. Those in the PPDs were further classified as membership organisations and private companies.

Key stakeholder interviews included representatives from civil society, advocacy intermediaries and the judiciary. Interview guidelines were developed around a number of modules – 25 in all – and an average of 4 was assigned to each interviewee.

The questionnaires used mostly closed questions in the form of a statement, to capture respondent's perceptions. The desk research, surveys and key informant interviews were used as data in all three evaluations. The limited size of the surveys and key informant interviews means that whilst sampling occurred, it was largely for expediency than randomised or stratified.

- Lessons Learned and Recommendations

The evaluation generated a number of lessons learned and recommendations:

For forum secretariats:

- Involvement of “champions” are an important part of public-private dialogues and appears to be linked with working group output.
- Developing branded, technical position papers helped focus and inform the discussions, increasing traceability of suggested reforms.
- Proper M&E systems would allow for increased accountability, a more strategic prioritization of issues and, hence, better quality of outputs.
- Developing a communications strategy would increase participation and commitment and positively impact the partnerships.

For donors, public and private stakeholders:

- The structured public-private dialogues helped remove implementation roadblocks.
- Private sector development programs could better use the dialogue mechanisms to inform their own agenda.
- The public-private dialogues allow proactive solution of conflicts and help rebuild trust amongst conflicted parties.
- Donors should manage the structures more strategically and improve coordination of their private sector development programs with the dialogues' findings.
- Supporting dialogues is different from supporting secretariats: secretariat sponsorship by the IFC is a viable option for the startup phase but not sustainable over the long term. While keeping providing targeted support to working groups, donors should consider phasing out of the secretariat management, hand it over to local institutions and accompany such transfer with capacity building activities.
- The M&E framework successfully piloted in this evaluation should be adopted by IFC for all the public-private dialogue it sponsors.

Key lessons for M&E

The Project demonstrates that:

- The PPD's objectives may be more dynamic than most programs. As ownership of the PPD by domestic stakeholders develops, they develop their own set of objectives and qualified targets which may significantly differ from the onset M&E framework
- Some of the most important outcomes – building co-operation and trust – are hard to quantify. Dialogue maintained in Cambodia would have been unthinkable a few years ago
- The informal steps in the process of reform should not be underestimated
- large trends in investor confidence cannot be attributed (positively or negatively) to the PPDs studied. Yet analysis suggests that the sub-indicators of DB are positively influenced. You have to look at the right level for impact.
- It was possible to calculate private sector savings for PPDs
- Return on investment calculations are also possible
- M&E systems, appropriate to the nature of PPDs, are required to achieve greater accountability. Forums would benefit from the identification of measurable and quantifiable outputs and contribute to the achievement of strategic alignment.
- The work of the facilitators is recognised as critical to success yet are resource constrained.
-

Case contributors

- Benjamin Herzberg, Investment Climate Department, World Bank and IFC
- Lili Sisombat, MPDF Cambodia, IFC

References and resources

- IFC (2007) *Impact Assessment of the Public Private Dialogue Initiatives in Cambodia, Lao PDR, Vietnam*, Internal report. Evaluation team: HR Inc, Cambodia, MCG Management Consulting, Vietnam.

ANNEX 2: Glossary

Annex 2.1.: Key Terms

Activities or tasks	The actions taken or the work performed as part of an intervention.
Attribution Gap	The point at which that observed changes can no longer be directly attributed to the project and the benefits are now 'indirect'. The gap is contextual, depending on the complexity and scale of the project and can occur at different points in the causal chain. .
Baselines	A set of factors or indicators used to describe the situation prior to a development intervention. They act as a reference point against which progress can be assessed or comparisons made. These are sometimes referred to as benchmarks.
Benchmarks	A standard to measure performance against. Allows comparison.
Business Environment Snapshots	World Bank online resource that pulls together key information on the investment climate into one easy to access web-format.
Cost Benefit Analysis	A means of assessing whether the benefits accruing outweigh the costs involved. A complex technical tool.
Counterfactual	ability to demonstrate that changes would not have happened if the intervention had not taken place
Direct indicators	Used for observable change resulting from activities and outputs
Enterprise Baseline	Data on the perception and experiences of businesses
Evaluation	Regular systematic collection and analysis of information to track the progress of program implementation against pre-set targets and objectives.
Indicators	A variable that allows the measurement and verification of changes relative to what was planned.
Impacts	Positive and negative, long-term results/benefits for identifiable population groups produced by an intervention, directly or indirectly, intended or unintended.
Impact Assessment	Assesses what has happened as a result of the intervention and what may have happened without it.

Indirect indicators	Used when the objective is not directly observable. Also termed proxy indicator
Informality surveys	World Development Report 2005 included eleven background surveys on the informal sector using a modified Investment Climate Survey Instrument.
Inputs	The resources that will be used including people, money, expertise, technology and information to deliver the activities/tasks of the project/program.
Investment Climate Survey	
Logical Framework Approach	A project/program design methodology developed by Leon J. Rosenberg in 1969
Logical Framework or LogFrame	A document capturing the objectives, inputs, processes, outputs, outcomes, and impact with the performance indicators, verification processes, risks and assumptions presented in a matrix format.
Monitoring	Regular systematic collection and analysis of information to track the progress of program implementation against pre-set targets and objectives.
Milestones	Significant points in the lifetime of a project. A particular point in the project by which specified progress should have been made.
Outcomes	Short-term and medium-term results of an intervention's outputs, usually requiring the collective effort of partners. Outcomes represent changes in conditions that occur between the completion of outputs and the achievement of impact.
Outputs	Immediate results derived from the activities of the project. These outputs might be directly experienced by those being targeted by the intervention e.g. training advice or indirectly through outputs like reports, mapping of a situation etc.
Performance Baselines	Data on current business performance
Program Logic Model	The identification of the expected causal links; a way of thinking about how the various components of a project relate to each other to achieve impact and meet goals.
Proxy indicator	Used when the objective is not directly observable. Also termed indirect indicator.

Qualitative	Used to measure attitudes, change, experiences.
Quantitative	When something can be 'counted' in numerical terms
Quasi-experimental approach	Explicitly addresses the validation challenges of attribution and the counterfactual when evaluating the impact of an intervention by comparing intervention participants and some form of non-intervention control or comparator group both before and after the intervention. Different rationales are used to assign control groups but this is undertaken in a non-randomised way.
Regulatory Baseline	Data on current regulatory system
Results-orientated Impact Chain	Captures activities, outputs, outcomes and impact inputs. Usually translated into a matrix, similar to the Log Frame, for project planning and management. Focus is on results at all stage of the program/project.
SMART	Checklist for performance indicators – are they Specific, Measurable, Attainable, Relevant, Time bound?
SPICED	Checklist for qualitative indicators – are they Subjective, Participatory, Interpretable, Cross-checked, Empowering, Disaggregated?
Targets	Indicators are a means by which change will be measured; targets are definite ends or amounts which will be measured. A target is an explicit statement of the desired and measurable results expected for an indicator at a specified point in time. Targets should be expressed in terms of quantity, quality and time (QQT)
Triangulation	the use of several information sources and different methods simultaneously to generate information about the same topics

Annex 2.2.: IFC BEE Core Indicators Definition⁶⁰

Output	Number of entities receiving advisory services	Number of companies/FIs/SMEs/NGOs/government entities who received a tailored program of support. At least all entities with whom the project has a formal agreement should be counted. Count all entities for which the project expects recommended changes to be implemented.
Output	Number of media appearances	Number of times the project or project related content is mentioned in the media (TV, radio, press). This indicator excludes marketing and brochure distribution. Press releases should only be counted if they are carried by the media. If the same article appears in five newspapers, count five. If the same TV story is on the air five times, count five.
Output	Number of new laws/regulations/amendments/codes drafted or contributed to the drafting	Laws/regulations/codes should be counted only if IFC has significantly contributed to the drafting of new/amended law/regulation/code. The project should count amendments separately only if each amendment tackles a separate and distinct concept. For example, a project working on an enterprise law proposing amendments on minimum capital requirement and foreign ownership should count two amendments. However, if a project proposes two amendments to a law in order to reduce capital requirement, this should only be counted as one.
Output	Number of participants in workshops, training events, seminars, conferences, etc.	Number of individuals attending any workshops/training events/seminars/conferences, etc. conducted by the project. This indicator can be calculated using headcounts or sign-in sheets at project events, i.e. this does not have to be a unique count of individuals trained (for example, if one individual attends 3 different training events, the project would report a "3" for

⁶⁰ As of April 2008. Those definitions are subject to revisions depending on actual use by practitioners. IFC accompanies them with information of baseline (when is a baseline needed) and source of information (where project staff might find the information to compose such a baseline).

		<p>this indicator). Note: this does NOT include individuals reached by project trained NGOs/training partners/consultants/educational institutions. Projects that wish to track reach of project trained NGOs/training partners/consultants/educational institutions activities should use the relevant outcome level indicator. Trainers trained by the project should be counted here.</p>
Output	Number of participants reporting satisfied or very satisfied with workshops, training, seminars, conferences, etc.	Number of participants reporting satisfied or very satisfied with workshops, training, seminars, conferences, etc. on a scale of 1 to 5 where 1 is Very Dissatisfied, Dissatisfied, Neither Satisfied no Dissatisfied, Satisfied, Very Satisfied. This data must be collected using standard evaluation forms at the end of every event.
Output	Number of procedures/policies/practices proposed for improvement or elimination	Number of improvements, additions or eliminations recommended by the project. For example, 1) we propose to cancel 100 permits and improve issuing procedures for 10 permits - 110 improvements are counted; 2) we recommend to improve both Sanitary and Fire inspection through risk categorization - 2 improvements are counted; 3) we recommend the Customs Office computerize their processing system - 1 improvement is counted; 4) we recommend eliminating notary fees when registering a business - 1 improvement is counted; 5) we recommend the municipality provide information on market prices to rubber planters - 1 improvement is counted.
Output	Number of reports (assessments, surveys, manuals) completed	Number of completed assessments, surveys, manuals, information brochures etc. that contribute to project outcomes.
Output	Number of women participants in workshops, training events, seminars, conferences, etc.	Subset of output indicator "Number of participants in workshops, training events, seminars, conferences, etc.". Count number of women attending any workshops/training events/seminars/conferences, etc. conducted by the project. This indicator can be calculated using headcounts or sign-in sheets at project events, i.e. this

		does not have to be a unique count of individuals trained (for example, if one individual attends 3 different training events, the project would report a "3" for this indicator).
Outcome	Average number of days to comply with business regulation	Average number of days required for the given procedure in a given jurisdiction including waiting time. For projects working on multiple procedures in one jurisdiction or projects working one procedure in multiple jurisdictions, list each procedure or jurisdiction as a separate indicator. Jurisdictions and procedures should be listed in the Activities/Components column without changing the indicator name itself. In cases where data is tracked in hours divide the number of hours by 8.
Outcome	Average official cost to comply with business regulation	Average official fees for the given procedure in a given jurisdiction. For projects working on multiple procedures in one jurisdiction or projects working one procedure in multiple jurisdictions, list each procedure or jurisdiction as a separate indicator. Jurisdictions and procedures should be listed in the Activities/Components column without changing the indicator name itself. To be calculated in local currency.
Outcome	Number of businesses completing a new/reformed procedure in a given jurisdiction	The indicator is intended to track the change in the total number of businesses that completed the procedure improved by the project. For example: 1) the project sets up a one-stop-shop, the total number of companies registering through the one-stop-shop should be reported here; 2) the project streamlines the construction licensing procedure, the total number of companies licensed since the new procedure was put in place should be reported here.
Outcome	Number of entities that implemented recommended changes	Number of entities to which we provided advisory services that implemented at least one recommended changes.

Outcome	Number of recommended laws/regulations/amendments/codes enacted	This corresponds to the output indicator "Number of new laws/regulations/amendments/codes drafted or contributed to the drafting". For example: 1) A municipal decree is enacted when signed by the mayor or municipal assembly; 2) A ministerial decree is enacted when signed by the minister; 3) A law is enacted when passed by parliament and signed into law and/or published into the official gazette; 4) A presidential decree is enacted when signed by the president. Summary information on all laws/regulations passed should be provided in the comments section following the indicator section in the PSR. Include a description of the level of implementation.
Outcome	Number of recommended procedures/policies/practices that were improved/eliminated	This corresponds to the output indicator "Number of procedures/policies/practices proposed for improvement or elimination". Procedures/policies/practices should be counted here only when the project finds reasonable proof of implementation. In cases of decentralized implementation, count improvement or elimination only if you can document at least a 10% implementation rate (following the DoingBusiness guidelines). Summary information on all procedures/policies/practices improved or eliminated should be provided in the comments section following the indicator section in the PSR. Include a description of the level of implementation.
Outcome	Number of cases successfully settled through ADR	Number of cases that are resolved through mediation centers or project-trained mediators
Outcome	Number of days to settle a case through ADR	Average number of days for dispute resolution from the beginning of the mediation process to the settlement decision.
Outcome	Number of jurisdictions reporting at least one Doing Business reform	Number of jurisdictions with which the project works or tracks that implement at least one reform as measured by the Doing Business report.

Outcome	Number of reforms resulting from advisory service as measured by Doing Business	Number of Doing Business reforms in jurisdictions with which the project works or tracks.
Outcome	Number of investor inquiries in targeted sectors	Number of inquiries recorded by an investment/industry promotion agency from potential investors.
Outcome	Number of investor inquiries in targeted sectors leading to an investment	Number of inquiries recorded by an investment/industry promotion agency from potential investors that led to an actual recorded investment.
Outcome	Score obtained by Investment Promotion Intermediary on IP performance review	Score obtained by Investment Promotion Intermediary on IP performance review.
Impact	Number of formal jobs	Number of formal jobs in the jurisdiction in which the project is working.
Impact	Value of aggregate private sector savings from recommended changes (US\$)	Aggregated cost savings for businesses resulting from administrative procedures/policies/practices that were improved/eliminated and/or law/regulation/amendments/codes passed in the jurisdiction in which the project operates.
Impact	Value of investment/financing facilitated by advisory services (US\$)	Volume of investment into companies or capital raised by companies in the jurisdiction/sector/zone in which the project operates.
Impact	Value of funds released through ADR (US\$)	Total value (US \$) of funds transacted between parties as a result of enforced settlements (excluding any lawyer or other fees).

ANNEX 3: Bibliography

There are a wide range of resources available on monitoring and evaluation and evaluation work specifically related to the business enabling environment. This field of work is ever evolving with new material and guidance being developed and produced on a regular basis. Therefore rather than provide a long list of specific documents we have provided key electronic based sources of guidance which cover the primary network active in the evaluation of BEE interventions.

OECD/DAC Network Evaluation Resources

The DAC network represents the evaluation experiences of some 30 national and international development partners and organisations including IFC, GTZ and DFID. Access through their main evaluation website www.oecd.org/dac/evaluation that connects to the DAC evaluation resource centre DReC which is designed as a one-stop-shop for use key evaluation publications including:

- A series of 'Evaluation Guidelines produced by members of the DAC Network on Development Evaluation
www.oecd.org/document/11/0,3343,en_35038640_35039563_35126667_1_1_1_1,0_0.html
- A 'Glossary of Key Terms in Evaluation and Results Based Management'
www.oecd.org/dataoecd/43/54/35336188.pdf and
- Pilot Evaluation quality standards www.oecd.org/dataoecd/34/21/38686856.pdf.

Donor Committee for Enterprise Development (DCED)

The Committee promotes enterprise development, particularly for small enterprises, in developing countries. It provides a forum, in which member agencies can exchange information about their programmes, and the lessons learned through those programmes. Building on experience, the Committee publishes common guidelines for member agencies as well as posting that produced by its members.

See: www.sedonors.org/about/default.asp or www.enterprise-development.net

The Committee have a working group on the business environment – refer to www.sedonors.org/groups/group.asp?groupid=2 and a working group on impact and performance www.sedonors.org/groups/group.asp?groupid=5

IFC

IFC are very active in both the delivery and the evaluation of BEE interventions. This includes their own activities but also promoting good practice in the sector as a whole. The main reference is through the small business section of their website that leads through to their BEE work www.ifc.org/ifcext/sme.nsf/Content/BEE and through this to other resources such as the:

- The series of Toolkits www.ifc.org/ifcext/sme.nsf/Content/BEE+Toolkits
- Specific Guidance and resources for evaluation – Results measurement for Advisory Services www.ifc.org/ifcext/rmas.nsf/Content/home
- IFC core evaluation indicators www.ifc.org/ifcext/rmas.nsf/Content/StandardIndicators
- The Monitor Paper Series with BEE papers on ADR, business simplification and BMOs (as at Dec 2007) www.ifc.org/ifcext/rmas.nsf/Content/MonitorSeries.
- Business Environment Snapshots present measurable indicators across a wide range of BE issues and over time. This new web-enabled tool compiles many data, indicators, and project information on the business environment for each country in an easily accessible, consistent and usable format. <http://rru.worldbank.org/besnapshots/>
- IFC's Gender Program which aims to mainstream gender issues into IFC's work, while helping to better leverage the untapped potential of women as well as men in emerging markets including the reduction of gender-based barriers in the business environment. www.ifc.org/ifcext/enviro.nsf/Content/Gender.

GTZ

GTZ main site is www.gtz.de/en/ , with specific reference to their private sector work at www.gtz.de/en/themen/wirtschaft-beschaefigung/privatwirtschaft/870.htm.

General guidance on their evaluation procedures is given at www.gtz.de/en/leistungsangebote/6332.htm

Each of their regional offices have websites that illustrate their BEE work locally. For example see www.sme-gtz.org.vn for Vietnam and www.gtz.de/en/weltweit/asien-pazifik/vietnam/4787.htm for Thailand.

DFID

DFID main site is www.dfid.gov.uk with general guidance through a publication *Guidance on Evaluation and Review for DFID Staff* at

www.dfid.gov.uk/aboutdfid/performance/files/guidance-evaluation.pdf

DFID have supported the development of a specialist 'enterprise development impact assessment information service' website EDIAIS www.enterprise-impact.org.uk

www.enterprise-impact.org.uk/BEEvironments/index.shtml This provides access a wide range of resources on BEE evaluation including '*Guidelines for Assessing the Impact of Enabling Environment Programmes: an Integrated Impact Assessment Approach (IIAA)*' [www.enterprise-](http://www.enterprise-impact.org.uk/BEEvironments/DFIDdocs/BEEGuidelinesandHandbook.shtml)

[impact.org.uk/BEEvironments/DFIDdocs/BEEGuidelinesandHandbook.shtml](http://www.enterprise-impact.org.uk/BEEvironments/DFIDdocs/BEEGuidelinesandHandbook.shtml)

and '*Evaluation of DFID Development Assistance: Gender Equality and Women's Empowerment Phase II Thematic Evaluation: Enabling Environment for Growth and Investment*' www.dfid.gov.uk/aboutdfid/performance/files/wp10.pdf

Doing Business

The Doing Business Project and website provide a range of resources related to the DB project which examines objective measures of business regulations and their enforcement across 178 countries and selected cities at the sub national and regional level. <http://www.doingbusiness.org/>. Business Planet provides a web based resources for mapping these measures and performance for 178 economies

<http://rru.worldbank.org/businessplanet/>

BEE Toolkits

[Business Inspections Toolkit](#) Inspections are meant to make businesses safe for both the people and environments they impact. "Good Practices for Business Inspections: Guidelines for Reformers" lays out a series of benchmarks that identify inspection elements as "ideal," "reasonable," and "bad practice," and provides guidelines for taking steps toward reform. <http://rru.worldbank.org/Toolkits/BusinessInspections/>

[Business Licensing Reform Toolkit](#) Licenses provide the permissions businesses need to perform their core activities. When combined with registrations, permits, and inspections, entrepreneurs face a confusing web of red tape. "Business Licensing Reform: A Toolkit for Development Practitioners" gives project managers the tools for reforming business licensing regimes at the national level.

<http://rru.worldbank.org/Toolkits/BusinessLicenses/>

[Business Membership Organizations Toolkit](#) Entrepreneurs need reliable infrastructure, efficient regulations, and a range of financial and business services for success. This toolkit provides project managers with relevant case studies and step-by-step information on how to design, implement, and evaluate projects that build capacity in business membership organizations.

<http://rru.worldbank.org/Toolkits/BusinessMembership/>

[Collateral Toolkit](#) The "Reforming Collateral Laws to Expand Access to Finance" toolkit gives policymakers and stakeholders the answers to key questions in tackling reform: Why is collateral important? What should reform look like? How can reformers make it happen? <http://rru.worldbank.org/Toolkits/Collateral/>

[Corporate Governance Toolkit](#) Corporate governance codes have effects at both the micro and macro levels; they serve as benchmarks for monitoring and implementing policy and practice within companies and restore investor confidence in markets. "Corporate Governance: Developing Corporate Governance Codes of Best Practice" provides practical guidance on creating and revising codes to fit diverse and dynamic corporate environments. <http://rru.worldbank.org/Toolkits/CorporateGovernance/>

[Customs Reform Toolkit](#) Customs reform can enhance countries' competitiveness, particularly in the developing world where red tape, rampant fraud, and corruption within customs agencies keep trade costs high. "Reforming the Regulatory Procedures for Import and Export: Guide for Practitioners" provides detailed information on best clearance processes and best export and duty deferral regimes.

<http://rru.worldbank.org/Toolkits/CustomsReform/>

[Dispute Resolution Toolkit](#) The "Alternative Dispute Resolution Manual" defines the processes, and provides a framework and guidelines for program designers and managers to set up efficient cooperative approaches to dispute resolution.

<http://rru.worldbank.org/Toolkits/AlternativeDisputeResolution/>

[Evaluating Regulatory Systems Toolkit](#) The "Handbook for Evaluating Infrastructure Regulatory Systems" provides guidance on conducting independent and public evaluations of regulatory systems in developing and transition countries.

<http://rru.worldbank.org/Toolkits/InfrastructureRegulation/>

[Leasing Toolkit](#) "Leasing in Development: Guidelines for Emerging Economies" describes the legal, regulatory, and supervisory requirements for developing a leasing sector. For small businesses with limited access to credit, leasing equipment can provide an affordable means to expand operations. <http://rru.worldbank.org/Toolkits/Leasing/>

[Public-Private Dialogue Handbook](#) The "Public-Private Dialogue Handbook" provides the diagnostic tools, monitoring and evaluation frameworks, and design and implementation guidelines for facilitating collaborative dialogues that maximize the efficacy of business environment regulations and reforms.

<http://rru.worldbank.org/Toolkits/PublicPrivatedialogue/>

[Reforming Business Registration Toolkit](#) "Reforming Business Registration Regulatory Procedures" guides users through the design and implementation of business registration reforms, highlighting good-practice cases and demonstrating how to streamline procedures. <http://rru.worldbank.org/Toolkits/BusinessRegistration/>

[Subnational Regulation Toolkit](#) "Sub national Business Regulation: Guidelines for Reforms" provides practical advice on simplifying business regulations at the municipal level, since most contact between firms and government takes place at the local or regional level. Simplification involves not only business process change but also "cultural" change. <http://rru.worldbank.org/Toolkits/RegulatoryReform/>

[Tax Administrations Toolkit](#) Many tax administrations in developing countries are plagued by burdensome reporting and inspection requirements, costly and duplicative

structures, and other problems. "Tax Administrations and Small and Medium Enterprises in Developing Countries" offers tools to assess the developmental stage of a country's tax administration system and tips for implementing key reforms.

<http://rru.worldbank.org/Toolkits/TaxAdministration/>

BEE Smart Lessons

Binh L D, Finkel T(2007) Shifting The Focus To "Quality At Exit" – An Effective Approach To Improving The Business Environment At The Subnational Level From GTZ Vietnam Smart Lessons In Advisory Services, IFC

Furman, R, Santillana, M A (2007) How the project evaluation results don't just go to a shelf. Business licensing simplification in Lima, Peru. May Smart Lessons in Advisory Services:

Herzberg B (2007) Monitoring And Evaluation During The Bulldozer Initiative - 50 Investment Climate Reforms In 150 Days May Smart Lessons In Advisory Services, IFC

Kaufman, F (2007) "Smart Lesson: Key to Success, A Sound Business Climate Survey". May Smart Lessons in Advisory Services, IFC

Kurz, S, and Ruf Y.(2007) Introducing Toolkits To Empower The Intermediary For Monitoring And Improving The Business And Investment Climate, May , Smart Lessons in Advisory Services, IFC

Liepina, S, Nicholas, D & Novoseletsky, E (2007) *Smart Lessons: Key Benefits of Enterprise Surveys for Improving the Business Enabling Environment*, Smart Lessons in Advisory Services, IFC

Matzdorf, M (2007): Smart Lessons: Impact Monitoring of the GTZ Program 'Human Resource Development for a Market Economy' (HRDME) in Lao PDR, Smart Lessons in Advisory Services, IFC

Moullier. T and Hamdy, S (2007) Communication As A Tool In Policy Reform: Getting The Message Through In Egypt - IFC PEP MENA, May, Smart Lessons in Advisory Services, IFC

Valhaus. M (2007): *Participatory Management of Development Results – GTZ BEE Program in the Philippines*, Smart lessons in Advisory Services, IFC

ANNEX 4: Technical Annexes

Annex 4.1. Conducting an enterprise survey

Significant planning is required to design, manage and undertake an enterprise survey. The following provides some guidance on the four key steps of undertaking an enterprise survey.

<p>Plan</p>	<ul style="list-style-type: none"> ▪ There must be a clear objective on how to use the results of the survey before start of the exercise. ▪ At the outset, convincing partners that a quality survey is required can be an issue given that quality is expensive. Therefore the budget and scale of the survey should be carefully considered (See Section 5.2). ▪ A survey manager will typically design, coordinate the process and compile the results. This might be an internal project team member, someone from the donor organization with specific experience in survey management, or an external consultant who has skills and experience in survey management.
<p>Design</p>	<p><u>Questionnaire:</u></p> <ul style="list-style-type: none"> ▪ Private sector representatives of the district/ region should be involved in the development of the questionnaire and sensitization of private sector associations. ▪ Consider the length of your survey and the style of the questions you are asking. <ul style="list-style-type: none"> ▪ Business may be reluctant or unable to provide you with exact detail on costs, revenue and income – provide appropriate bands from which to select. ▪ Perceptions can be reported on a quantitative scale noting whether 1 is high or low. (How satisfied are you on a scale of 1 to 5). ▪ Businesses may be unwilling to reveal details of informal payments, bribes or ‘facilitation fees’ which are important aspects of compliance costs. Rather than asking for their personal experiences, ask them about the experiences of ‘businesses like theirs’ ▪ Ensure that you pilot (test) your questionnaire before rolling it out. Test to ensure that the questions are not ambiguous, and

that the translations are accurate.

Sampling⁶¹:

- The sampling used must be carefully designed to reach the target businesses.
- Note characteristics such as firm size, sectors, regions and company size. You will need these aspects when you come to disaggregate data and in order to pick up trends. Consider if you wish to reach the informal sector – a separate survey and questionnaire is likely to be required.
- Ideally, you will need to use a data set which captures your target population from which to take a representative and random sample of businesses. Ideally, all units in the target population should have an equal and known chance of being selected. This requires both a list or mapping of the complete target population from which random selection can be done and minimizing of refusals or non contacts. However, in many countries these types of data sets are simply unavailable or inaccurate or outdated.
- If you have access to an accurate business register (i.e., from a central statistics unit or from a government department), apply a stratified random sampling methodology (either proportional or quota-based⁶²).
- In the absence of a dataset, it will not be possible to define a representative sample. Without a sample frame, these may be located directly in chosen locations using chain sampling or snowballing – a first contact is selected and interviewed then asked to suggest other interviewees and so on. Non-random quota sampling can also be applied to ensure that suitable numbers of respondents in different industries/sectors/firm size groups are interviewed.
- You may wish to choose a non-random purpose technique to select respondents deliberately in order to probe particular issues which specifically will apply to those respondents. This method is useful for targeting micro firms and informal sector businesses.
- Consider repeat sampling methods for updating and repeating the survey. A full repeat survey entailed repeating the entire survey processes, including taking a fresh (random) sample from the population dataset. This is appropriate where a reliable business register is available. Alternatively, panel or cohort surveys use the same sample of people or organizations contacted several times over a relatively long

⁶¹ For further information on sampling, see: <http://www.enterprise-impact.org.uk/informationresources/toolbox/sampling.shtml>

⁶² Dividing the population into homogenous subgroups and then taking a random sample in each group

period. This is beneficial for accurate 'Before-After' assessments (see Section 5)

- One of the most important decisions in designing a survey is choosing the sample size. Choose too large a sample, and you will spend more money than necessary on data collection and processing; choose too small a sample, and you may end up with inclusive findings and poor credibility. In the end, cost and efficiency determine most sample sizes, and these considerations tend to result in smaller samples, which are less robust when complex statistics are applied to them. There is no 'magic ideal number' which gives sample size of all assessments. However, for an enterprise survey, something in the region of 300-500 respondents is generally considered sufficient.
- In practice, a number of elements may introduce biases in the sample, despite careful planning and application of techniques. This is especially relevant for small and micro enterprises who may choose to remain informal and are unlikely to be listed on business registers.

In addition:

- Don't underestimate the time needed to design a questionnaire and implement the survey.
- Remember baselines should be designed to be repeated. The aim is to maintain, as much as possible, the questionnaire and the sample in order to:
 - Track changes in business and investment performance of sampled enterprises
 - Track the influence of regulatory reforms and the impact of the reform process
 - Draw conclusions for effective promotional or regulatory reform efforts

Administer

- Local enumerators (surveyors) will be required and will need significant training, a coordinator to manage logistical coordination for sampling, data recording, data entry, travel and expenses. It is common practice to use a local firm familiar with surveys, or hire enumerators from local university social studies, statistics or economics department. Personnel must be (perceived as) impartial!
- Compile a 'field guide' for the enumeration team and training sessions.
- Your field team may need to talk to the town council, local business association or other officials before conducting survey interviews in order to explain the purposes of the survey.

	<ul style="list-style-type: none"> ▪ Use standardized personal interviews.
Interpret	<ul style="list-style-type: none"> ▪ Local/regional expertise is required for the analysis and interpretation of the results. ▪ Invest in proper database management. The survey will be longitudinal if repeated. ▪ Consider analysis techniques for structural equations which allow you to test for causal relationships in your data ▪ There may be inconsistencies between factual evidence and perceptions of interviewees on changes in business performance and constraints. If so, this requires further data interpretation and explanation. ▪ For the formal sector, there are pitfalls associated with aggregation of compliance costs and attempts to extrapolate the overall burden to the economy. Be wary that some administrative burden may not be captured by the compliance cost survey, namely opportunity costs (i.e., severe delays), the real direct costs of regulation (license fees and taxes paid) and also other indirect costs. ▪ Measuring the administrative burden is particularly challenging for micro and small-scale businesses. They may have minimal compliance costs but are subject to non-compliance costs (i.e., bribes or informal payments to stay hidden) and indirect costs (i.e., unreasonable VAT on inputs). Dynamics of non-compliance and its opportunity cost should be taken into account. ▪ There may be long gestation periods and complex impact relationships between program activities, outputs, use of outputs and eventually their impact on enterprises. Taking this into account, there may be seemingly inconsistent changes in the parameters in the short run.
Disseminate	<ul style="list-style-type: none"> ▪ Organize an official presentation. The business enterprise survey is an important driver for reform – effective dissemination turns attention into action. ▪ Presentation of the survey results to a wide audience via channels such as the media, associations of entrepreneurs, donor organizations, and direct mailing to government helps to raise awareness, stimulate debate and widen the client base for reforms. The pressure for reform once built up, can be leveraged to lobby for change. ▪ Form alliances – local partners may be interested in participating in the repeat surveys thereby ensuring sustainability or enlarging the scope.

Annex 4.2. Tools for data collection

Formal Sample surveys

Overview

Formal surveys can be used to collect standardized information from a carefully selected sample of people, businesses or households. Surveys often collect comparable information for a relatively large number of people in particular target groups.

What can we use surveys for?

- Providing baseline data against which the performance of the strategy, program, or project can be compared.
- Comparing different groups at a given point in time.
- Comparing changes over time in the same group.
- Comparing actual conditions with the targets established in a program or project design.
- Describing conditions in a particular community or group.
- Providing a key input to a formal evaluation of the impact of a program or project.

Typical uses of surveys in the M&E of BEE reforms include:

Survey's can be used for baseline enterprise surveys, business satisfaction surveys, tracer studies. For example, Business Satisfaction surveys are used to assess the performance of government services based on client experience. Such surveys can shed light on the constraints clients face in accessing public services, their views about the quality and adequacy of services, and the responsiveness of government officials. These surveys are usually conducted by a government ministry or agency or an independent consultancy.

Advantages:

- ✓ Findings from the sample of people interviewed can be applied to the wider target group or the population as a whole.
- ✓ Quantitative estimates can be made for the size and distribution of impacts
- ✓ Collecting quantitative and qualitative data
- ✓ Providing a picture of conditions for a targeted group

Disadvantages

- ✗ The processing and analysis of data can be a slow process and a major bottleneck for the larger surveys even where computers are available.
- ✗ Surveys can be expensive and time-consuming.
- ✗ Sound technical and analytical skills are needed for sample and questionnaire design, data analysis, and processing.
- ✗ Many kinds of information are difficult to obtain through formal interviews.

Checklist for implementation

- Step 1 – Be clear about what is the purpose of your research
- Step 2 – Establish who is your target audience and how they can be reached
- Step 3 – Decide on the size and nature of your sample
- Step 4 – Devise your questionnaire - using both open and closed questions
- Step 5 – Pilot test the questionnaire to check understanding and logistics
- Step 6 – Undertake survey
- Step 7 – Analyze the findings
- Step 8 – Review and report findings

Group interviews/Focus Group Discussions

Overview

A facilitated discussion among 8–12 carefully selected participants with similar backgrounds. Participants might be beneficiaries or program staff, for example. The facilitator uses a discussion guide. Note-takers record comments and observations.

What can we use focus groups for?

- Generating qualitative information although specific facilitation can obtain objective information.
- Collecting data on attitudes experiences and views from small group of pre selected participants
- Involving participants in sharing ideas and information with each other as well as the facilitator of the group.
- Comparing changes over time in the same group.
- Giving an insight into conditions of a particular community or group.
- Providing a key input to a formal evaluation of the impact of a program or project

Typical uses of surveys in the M&E of BEE reforms include:

Can be used with 'Key Informants' to help build a baseline but more so for obtaining views and experiences of key stakeholders about critical issues at different points in time during the project. Can be used with groups such as government officials and businesses.

Advantages

- ✓ Easy and affordable to conduct.
- ✓ Good for collecting more in depth information about a particular topic or group of people.
- ✓ Complements larger quantitative surveys of customer groups. If run before a survey they can help to shape the questions asked in the survey. If they are used after a survey they can be used to explore in more depth the issues that have emerged from a survey.
- ✓ Useful for finding out a wide range of information about different aspects of the FG both from the user and provider perspective.

Disadvantages

- ✗ Many kinds of information are difficult to obtain through formal interviews.
- ✗ A lot of quantitative information that requires precise specific responses from each individual asked.
- ✗ Information that needs to be representative of any group.
- ✗ Difficult to extract sensitive personal information about individuals. The timeframe of a FG may not be sufficient for participants, who are usually strangers, to get know each other well enough to share such information.
- ✗ Difficult for those without good facilitation and communication skills

Checklist for implementation

- Step 1 - Be clear about what is the purpose of your research?
- Step 2 - Establish who is your target audience?
- Step 3 - Decide where and when to hold your Focus Group?
- Step 4 - Agree your Focus Group structure - what questions task & how to ask them?
- Step 5 - Facilitating and record your Focus Group discussion
- Step 6 - Analyzing and lesson learning from your Focus Group
- Step 7 - Follow up after your Focus Group

The IFC's *Reforming Business Registration Regulatory Procedures at the National Level* Toolkit includes detailed instructions for how to undertake focus groups in Annex D.

Individual interviews/ key informant interviews

Overview

A one to one meeting and questioning session where the interviewer guides the a series of open-ended and closed questions posed to the interviewee. Interviews involve in-depth, structured and semi-structured questioning. They rely on interview guides that list topics or questions.

What can we use individual interviews for?

- Providing an in depth insight perspective of one person about a wide range of topics.
- Collecting qualitative and quantitative data on attitudes experiences and views of one person.
- Can compare changes in their conditions and experiences if you use follow up interviews.
- Can provide a key input to a formal evaluation of the impact of a program.
- Key informants interviews are with individuals selected for their knowledge and experience in a topic of interest.

Often record keeping can be used along side a series of interviews, people can be asked to keep diaries and log their experiences and views between interviews

Typical uses of surveys in the M&E of BEE reforms include:

Usually will be used to gather key informant perspectives from stakeholders. For example key officials or businesses as part of a BEE diagnostic exercise. Can be used to supply larger scale surveys and focus groups.

Advantages

- ✓ Low cost.
- ✓ Can be conducted quickly.
- ✓ Provides flexibility to explore new ideas
- ✓ Can get in depth insight especially if interviewee is a key informant.
- ✓ Discussing sensitive issues with appropriate choice of interviewer

Disadvantages

- ✗ Not possible to generalize findings beyond interviewed groups.
- ✗ Less valid, reliable, and credible than larger surveys focus group.
- ✗ Validity depends on standing of interviewees
- ✗ Need good interviewing, observation, note-taking, and basic communication skills.

Checklist for implementation

- Step 1 – Be clear about what is the purpose of your research
- Step 2 – Establish who is a suitable interviewee in relation to proposed research
- Step 3 – Devise interview guide sheet with questions any prompt cards
- Step 4 – Contact and set up interview
- Step 5 – Provide pre interview briefing note
- Step 6 – Undertake interview
- Step 7 – Record and review data,
- Step 8 - Send interview report to interviewee for verification and approval if to be published.

Case Studies

Overview

Involves putting together an in-depth picture of a particular individual, business or institution or group of businesses. Involves using a number of different data sources and interview techniques to build up a 'history' on the target individual or group.

What can we use case studies for?

- In depth insight perspective of one person/business about a range of issues
- Collect qualitative and quantitative data on attitudes experiences and views of a single business or small group
- Compare changes over time and build up a history of experience
- Providing a key input to a formal evaluation of the impact of a program or project, especially if pursuing a sector or target group

Often record keeping can be used along side this- people can be asked to keep a diary and log their experiences and views to help create the case study history

Typical uses of case studies in the M&E of BEE reforms include:

Useful for building up an in-depth understanding of a particular aspect and or stakeholder target group for the reform. For example, mapping of regulations, processes and procedures for a business registration at the relevant government organisation; talking with officials there and asking businesses about their experience of going through registration could build up a case study' insight to business registration in a particular business.

Used to help identify indicators as part of impact assessment.

Advantages

- ✓ Can be conducted relatively quickly.
- ✓ Provides flexibility to explore new ideas.
- ✓ Gives a rich in-depth insight to the circumstances and context of the case
- ✓ Collecting a range of qualitative and quantitative data over a period of time

Disadvantages

- ✗ Findings relate to specific communities or localities
- ✗ Cannot generalize from findings.
- ✗ Can be very time consuming
- ✗ Requires skills in non-directive interviewing, group facilitation, field observation, note-taking, and basic statistical skills.

Checklist on how to:

- Step 1 – Be clear about what is the purpose of your research
- Step 2 – Establish who is a suitable 'case' in relation to this
- Step 3 – Obtain secondary data and design primary data collection.
- Step 4– Contact and set up data collection mechanism – may involve several visits
- Step 5 - Provide pre case briefing note
- Step 6 – Undertake interviews and data collection – inc secondary sources
- Step 7 – Record and review data
- Step 8 , S cases subject case report for verification and approval

Annex 4.3. Donor approaches to M&E

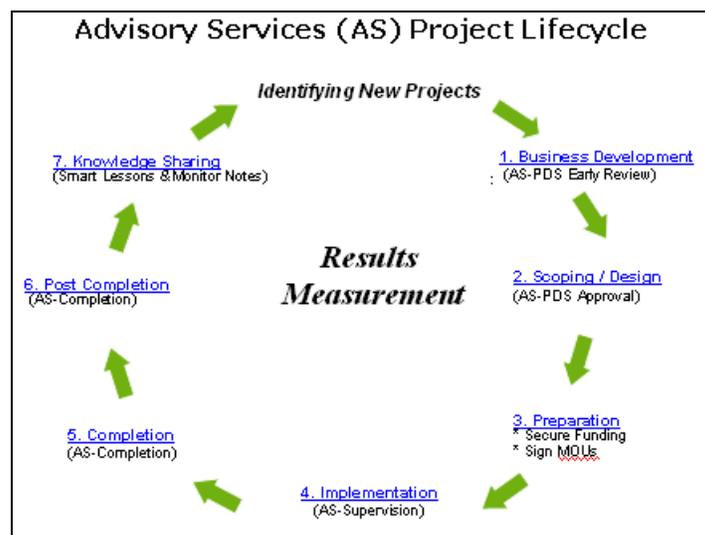
The precise protocols and practices of when, what and who is involved in undertaking evaluation and in particular assessing the impact of interventions, varies between development partners and organisations. Usually evaluation practices are part of the broader project management systems used by each organisation. These systems include designated guidelines for when and how evaluation should take place and who should be involved in undertaking it.

This annex provides a brief outlines of how evaluation fits into the systems of IFC, GTZ and DFID.

IFC

IFC introduced a new project management system Development Outcome Tracking System (DOTS) in 2005 based on the IFC Advisory Services project lifecycle (see figure 1). This system provides systematic tracking of development results throughout the project cycle, from identification of clear, measurable development objectives up front to ongoing tracking during supervision.

Fig 1: IFC Advisory Services Project Lifecycle.



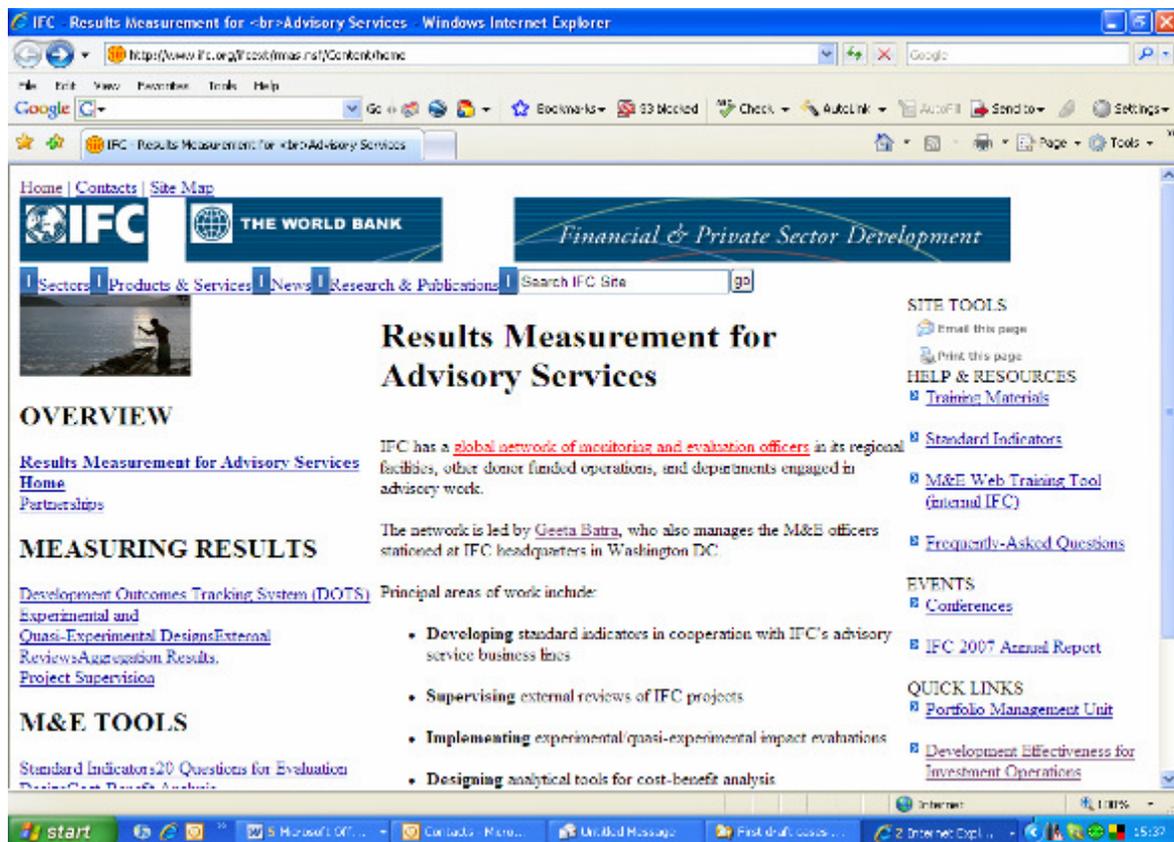
The system facilitates data-aggregation and reporting on key output, outcome and impact indicators. Review evaluation is undertaken and reported through semi-annual supervision reports and an end of project evaluation is undertaken.

DOTS is administered by IFC's Portfolio Management Unit and is analogous to the <http://www.ifc.org/ifcext/devresultsinvestments.nsf/Content/DOTS>

IFC have an M&E specialist team in Washington called the 'Results Measurement Unit' as well as a network of regional M&E specialist teams in their regional Facilities. These specialists advise on M&E matters and can be involved in directly evaluating projects.

<http://www.ifc.org/ifcext/rmas.nsf/Content/home>

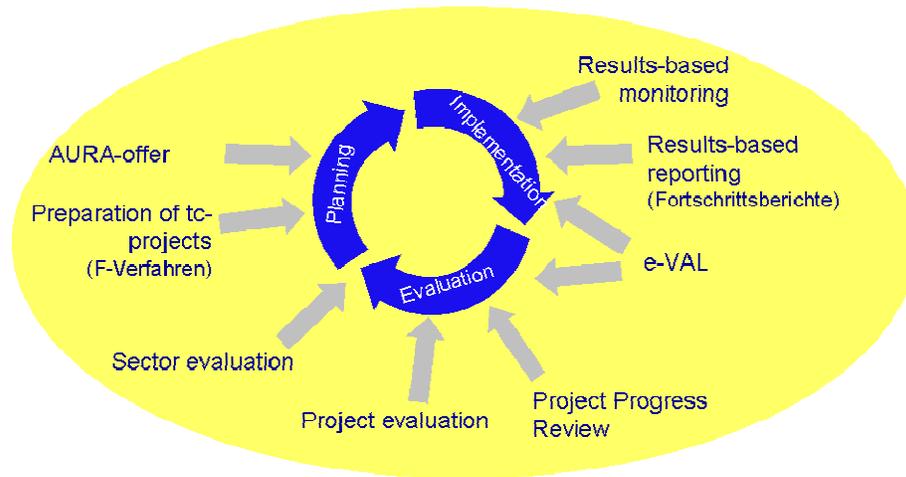
Fig 2. Results Measurement for Advisory Services website



GTZ

M&E at GTZ is undertaken alongside a project management system called AURA. The cycle of key steps in this system is represented in the Figure 3..

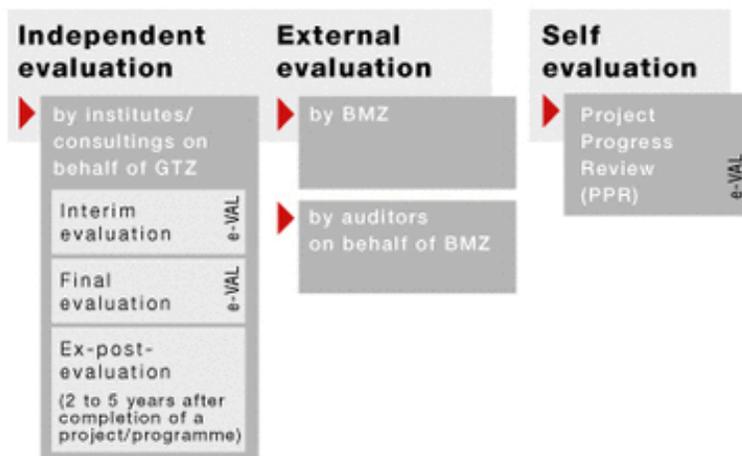
Fig 3. GTZ AURA



In terms of expertise GTZ has two specialist evaluation units at its head quarters: one focusing on helping project officers to undertake effective M&E of results, the other focusing explicitly on post-project and impact evaluation.

Figure 4 shows the evaluation system of GTZ which incorporates internal or self and external evaluation elements as well as independent evaluation.

Fig 4. The GTZ evaluation system



<http://www.gtz.de/en/leistungsangebote/6332.htm>

In this system substantive 'project progress review' is undertaken about 6 months before a project is about to end. This involves data from ongoing monitoring, a specific self evaluation exercise undertaken by project staff – known as e-VAL and an additional visit by dedicated evaluation staff from GTZ headquarters.

e-VAL is a universal computer based evaluation system employed by GTZ and being rolled out through all of their projects. e-VAL prescribes general 'elements' typical for and common to all TC-projects. These elements are assessed in the course of a computer-assisted interview applying subjectively defined yardsticks and ratings. The e-VAL assessment contributes to the end of project evaluation. This evaluation is looking at outcome results and immediate impact and which is undertaken by the headquarter evaluation team and or external consultants. At a time after the project ends its activities and results may be considered in a more substantive sector evaluation where several projects are evaluated together.

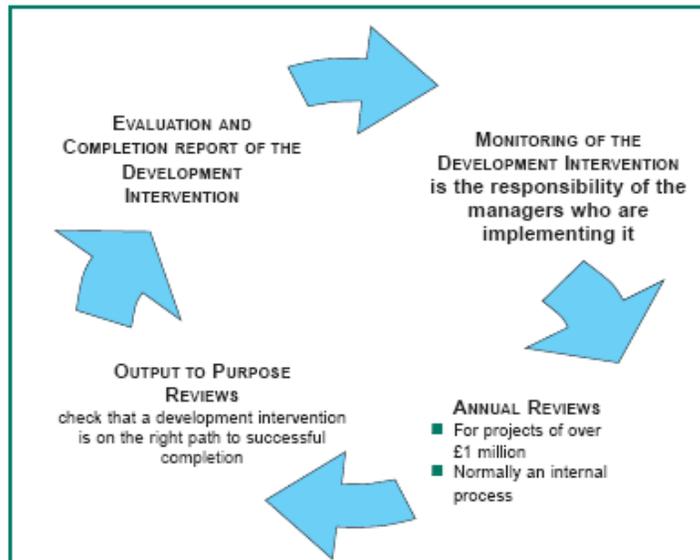
DFID

Ongoing M&E at evaluation activities at DFID take place through their PRISM project management system which follows the similar project cycle as that of IFC. In DFID evaluation is broadly grouped into what are termed formative and summative evaluations.

- Formative evaluation (called 'review' in DFID) is undertaken during implementation to gain a better understanding of what is being achieved and to identify how the programme or project can be improved.
- Summative evaluation is carried out after implementation to assess effectiveness, and to determine results and overall value.

The timing and reporting of both types of evaluation are shown in the Figure 5.

Fig 5. DFID evaluation cycle



Unlike IFC, DFID do not have a network of M&E specialists throughout their country offices but rather it is the responsibility of project officers to ensure that projects are evaluated. DFID make widespread use of external consultants and specialists in project and program evaluation.

Guidance is given to officers through a resource guide as well as advice from a small head quarter based evaluation team.

See:

www.dfid.gov.uk/aboutdfid/performance/files/guidance-evaluation.pdf

www.dfid.gov.uk/aboutdfid/evaluation.asp

Key M&E forms can be found at:

www.dfid.gov.uk/research/mande-forms.asp

Fig 6. DFID online resource for M&E



As noted in the main text of the Handbook, DFID has sought to highlight the issue of impact and how best to measure the impact of BEE interventions on poverty alleviation. An outline M&E framework, the Integrated Impact Assessment Approach based on the Log frame In particular, the IIAA examines the links between BEE activities and poverty alleviation. This framework sets the agenda for a shift in approach within M&E but it does not prescribe or include a set of core indicators and practices for implementation

See <http://www.enterprise-impact.org.uk/>

Annex 4.4: Sample TOR for a mid term review

TERMS OF REFERENCE

EVALUATION OF DOING BUSINESS BETTER – BURKINA FASO

INTRODUCTION

This document provides the parameters for an evaluation of the International Finance Corporation's Advisory Services (AS) Program in Burkina Faso, known as "Doing Business Better in Burkina Faso" (DBBBF).

A mid-term evaluation of the DBBBF Program is to be conducted to inform The Private Enterprise Partnership for Africa (PEP Africa) Management on progress made in the Program's implementation and delivery and provide learnings to guide future replication of the Program.

As the oldest of the Business Enabling Environment (BEE) and Investment Climate (IC) programs that PEP Africa is implementing in the continent, a mid-term evaluation should be very useful in terms of lessons learned and improvements in program design for the program itself and for all the other BEE/IC programs that are being replicated or implemented elsewhere in Sub-Saharan Africa.

PEP Africa

Introduced in 2005, PEP Africa represents a new business model for delivering Advisory Services (formerly "Technical Assistance") in Sub Saharan Africa.

PEP Africa was built on its predecessor the Africa Project Development Facility (APDF), which was the model for Advisory Services from 1986 to 2005.

At its conclusion, or transformation into PEP Africa, an evaluation of APDF was undertaken and supported the essential elements of a new business model. The new model seeks to "*promote sustainable private sector investment in Sub Saharan Africa, helping to reduce poverty and improve people's lives.*" Essentially, it differs from its predecessor in the scope and focus of AS interventions.

PEP Africa seeks to develop the private sector in Sub Sahara African countries through support for the development of not only firms (SMEs), but also for the underlying financial, legal and other institutional infrastructure, which is essential to sustaining a vibrant marketplace.

The DBB Burkina Faso Program

Description

PEP Africa is implementing an Advisory Services Program to improve the business climate in Burkina Faso in collaboration with the Foreign Investment Advisory Services (FIAS) and the Swiss Development Agency: SECO.

The Program, which has a lifespan is 30 months (commencing March 16, 2006 and ending September 15 2008), is being implemented by a Program Team comprising a Program Manager and Program Staff based in Burkina Faso.

The Team works with Consultants to deliver a range of services aimed at improving the “Doing Business Ranking” Business Climate in Burkina Faso. Typical activities of the Program are presented in Annex D.

Key results areas of the Program are:

1. Business registration and start-up, streamlining procedures to reduce time and costs;
2. Employment regulation, to encourage formal employment while preserving appropriate worker protections;
3. Contract enforcement, to improve the ability of firms to access the judicial system or alternative dispute resolution mechanisms for commercial matters;
4. Property registration, to simplify and reduce the costs of acquiring and registering property associated with private investment; and
5. Business closing, to improve liquidation and bankruptcy procedures.

OBJECTIVE AND KEY EVALUATION ISSUES

The purpose of the evaluation is to provide PEP Africa Management with an assessment of the early results towards intended outcomes and impacts and the design and delivery of the DBB Burkina Faso Program, and make recommendations for improvements where necessary.

The goal of this assignment is to evaluate the effect of simplified business start-up processes, such as registration. The expected change from the simplified processes is a reduction of the time and cost needed to obtain an operating license and start a business. The assignment shall perform a procedural evaluation, aimed at understanding the immediate outcome of the Program’s interventions in terms of an effective reduction in the burden of formalizing a firm.

A key evaluation question is: how do the costs of an entrepreneur applying for an operating license change with the simplification of regulation (in terms of financial costs, time costs, and number of steps)? Main variables of interest are (i) official cost of registration, (ii) time requirements of registration, and (iii) personal experiences throughout the registration process (‘extra’ costs, actual time invested, etc.). The evaluation needs to answer this question taking into account the formal procedures as well as any informal procedures needed to obtain the licenses

In addition, the evaluation should address the following issues:

1. The level of program implementation: is the level of program implementation satisfactory based on the achievements of the program and the ongoing activities?
2. Performance measurement: are the tools of performance measurement pertinent to capture the outcomes and results of program implementation?
3. Implementation strategy and approach: is the team employing the most efficient approach and strategy to implement reform proposals?
4. Scope of program: is there ground for broadening the focus of the program to include other major issues such as tax and trade?
5. Duration of program: are there any grounds for extending the duration of the program?

The evaluation should specifically address the following key issues and sub questions:

1. Relevance and Rationale

- i) What is current “best practice” in international development literature and circles with respect to Business Enabling Environment (BEE) and Investment Climate (IC) promotion?
- ii) How has the environmental or contextual landscape for BEE and IC changed in Sub Saharan Africa in the last two years?
- iii) What is the Doing Business Ranking of Burkina Faso and to what extent do the Program’s activities address issues relevant to significantly improving the ranking?
- iv) Is the underlying program theory of DBBBF still valid given current developments in Burkina Faso and the CFA sub-region? What opportunities exist for improvement of the program theory?

2. Success / Effectiveness

- i) What is the Doing Business Ranking of Burkina Faso and to what extent were the Program’s activities relevant to improving the ranking?
- ii) To what extent has DBBBF achieved desired results in:
 - a. planned reach?
 - b. targeted outputs?
 - c. immediate outcomes?
- iii) To what extent are the causal links and circular linkages posited in DBBBF’s logic model being realized?
- iv) How has sustainability been incorporated into the design of DBBBF?
- v) To what extent are gender imperatives relevant to DBBBF interventions and to what extent have they been integrated into the Program’s design and activities?

3. Efficiency

- i) How efficiently are DBBBF projects developed and implemented?
- ii) Has DBBBF built a sound infrastructure to manage costs and monitor business processes?
- iii) To what extent has DBBBF taken advantage of lessons learnt from previous similar projects?

4. Alternatives / Improvements

- i) How does the DBBBF business model compare with similar Programs in other IFC AS geographic areas?
- ii) What improvements or adjustments are suggested in the delivery of DBBBF operations, products or target markets?
- iii) What lessons can be drawn from the experience of DBBBF in its inaugural phase to inform future plans and strategies?

APPROACH AND METHODS

This is a mid term, formative evaluation. It is expected that the evaluation will entail a thorough review of background materials relevant to the start up and implementation of DBBBF and its interventions. This should facilitate deeper understanding of the nature and extent of its achievements to date.

Sources: Data and information will need to be collected from internal DBBBF clients (staff and Management), stakeholders in the donor community and in-country project settings, clients or beneficiaries of DBBBF's advisory services. This should include any key partners within IFC.

Methods: Data collection methods are expected to include interviews (in person and by telephone), focus sessions, surveys, secondary data analysis, literature review and field visits. Methods must allow for the collection and analysis of information critical to the assessment of all evaluation issues and probe in greater depth, a selected sample of DBBBF interventions or project.

To address these issues, the evaluation might collect the required information or data principally through interviews, surveys and focus sessions. The target groups should be the major stakeholders of the program (public and private sectors), SECO and other development partners involved in BEE issues in Burkina Faso.

DELIVERABLES

The deliverables of the assignment are as follows:

- (i) A Start-up and detailed Methodology report due within one week of commissioning of the assignment
- (ii) A Progress Report shall be submitted midway through the assignment, but no later than one calendar month after commissioning of the assignment
- (iii) A Draft Evaluation Report shall be submitted no later than 30th September 2007 for IFC;s comments and or approval
- (iv) A Final Report incorporating all revisions and input from all Stakeholders shall be submitted no later than 15th October 2007

EXPERIENCE & QUALIFICATIONS

The selected Consulting Team or **at least one key** Team Member or Consultant shall have fully satisfied each of the following requirements:

1. Knowledge of the Local context and a deep understanding of the underlying socio-politico-economic relationships at play in Burkina Faso and the West African Sub-Region as a whole.
2. Ability to communicate fluently in written and spoken French (the services of a full-time Interpreter and Translator shall be considered)
3. The Lead Consultant must currently be a member-in-good-standing of an Evaluation Society or Association of International Repute.
4. Key involvement/Role in a recent (not more than five years ago) evaluation of a donor-funded Technical Assistance (or Advisory Service) Program/Project and a solid track record of successfully conducting at least three similar evaluations.

5. Competent use of Statistical Analysis and sound Evaluation Techniques, including software tools.
6. Availability for the duration of the assignment and full commitment of time to the assignment

EVALUATION MANAGEMENT

Roles and Responsibilities: The Project Authority for the evaluation is the M&E Specialist in PEP Africa. Management of the evaluation will also be guided by an Advisory Committee, chaired by the M&E Specialist and comprising among others The Program Manager of DBBBF, the BEE Business Line Manager, a Representative of the PEP Africa M&E Unit, a Representative of the SME Department M&E Unit and a colleague from a sister facility.

This committee will provide input to the design and conduct of the evaluation including:

- Validating evaluation issues and scope
- Providing information sources and contacts for data collection
- Providing access to relevant PEP Africa and DBBBF records, files and data
- Receiving and providing input to evaluation findings, such as information collected, by line of inquiry
- Review and provide input into the draft final report

Final acceptance / approval of the evaluation, its conclusions and recommendations shall rest with the Project Authority (the M&E Specialist) and the General Manager of PEP Africa.

The evaluation will be conducted by an External Consultant who shall, upon engagement:

- Validate the evaluation proposal, issues, timing and costs with the Project Authority
- Engage the Advisory Committee at the outset and throughout the conduct of the evaluation
- Design instruments and collect all data and information (aggregated by line of inquiry) for presentation to the Advisory Committee (in original form)
- Synthesize, integrate and analyze all lines of inquiry by evaluation issue in the draft final evaluation report

The evaluation will require strong evaluation expertise and experience, an understanding of the challenges of development evaluation, notably in an African context.

Timing: The evaluation will commence on August 25th and be completed on October 15th 2007 with the following tentative schedule:

PHASE	TIMING / COMPLETION
Proposal submissions	August 17, 2007
Selection of Consultant	August 20, 2007
Start up and detailed Methodology Report	August 28, 2007
Approval of data collection instruments	August 30, 2007
Data Collection and Progress Reporting / Presentations	Up to September 25, 2007
Draft Evaluation Report	September 28, 2007
Revisions and Final Evaluation report	October 10 - 15, 2007

Annex 4.5. Quantification techniques

This section is taken from:

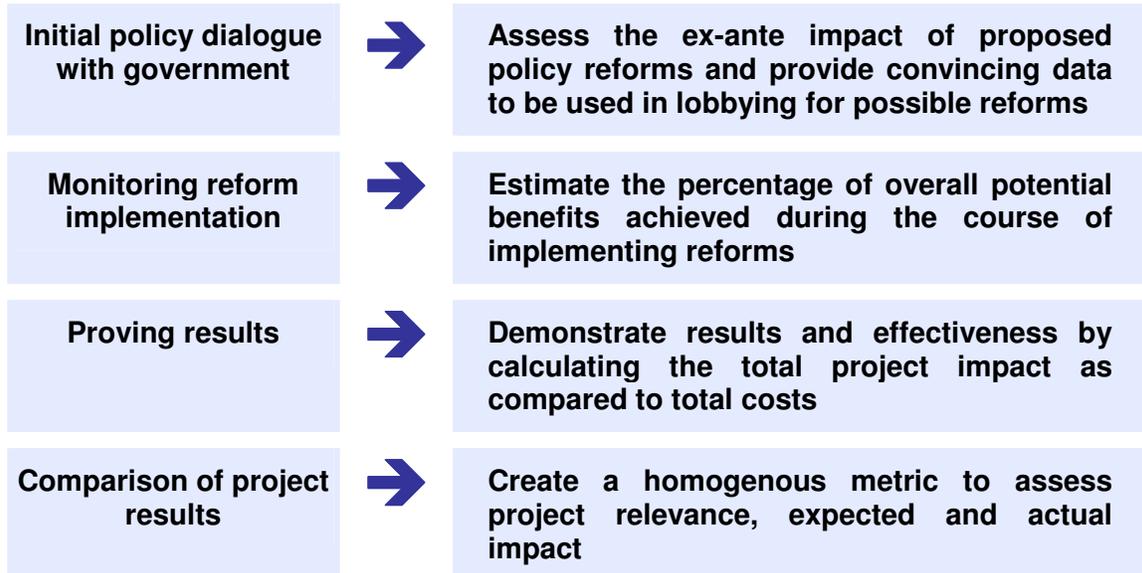
- Liepina, S, Dall'Olio, A & Sethi, S (2007): *Smart Lessons: "Show me the money!" Quantifying the impact of regulatory simplification projects*, IFC Smart Lessons in Advisory Services.

Why do I need an Economic Impact calculation?

An economic impact calculation is typically used for regulatory simplification interventions where the goal is to reduce the administrative burden of compliance with government regulations, while maintaining a necessary level of regulation to protect the public. Regulatory simplification thus benefits businesses by reducing the total cost of the administrative burden arising from government regulations and by freeing up these resources for other pursuits.

In ideal circumstances, impact assessment would involve the use of experimental analysis to compare the counterfactual of an intervention rather than a before and after comparison. However, if the relevant legislation for the business regulation exists at the national level, it is not possible (or advisable) to construct municipal-level comparison for the sake of impact assessment. An alternative is to use the economic impact calculation. This methodology is a sound alternative in cases where the project intervention occurs at national level, i.e. in cases where it is virtually impossible to assess impact using experimental methodology.

This developed methodology is relevant throughout the program cycle and can be a useful tool for engaging and motivating key stakeholders to reform as illustrated in Box X.

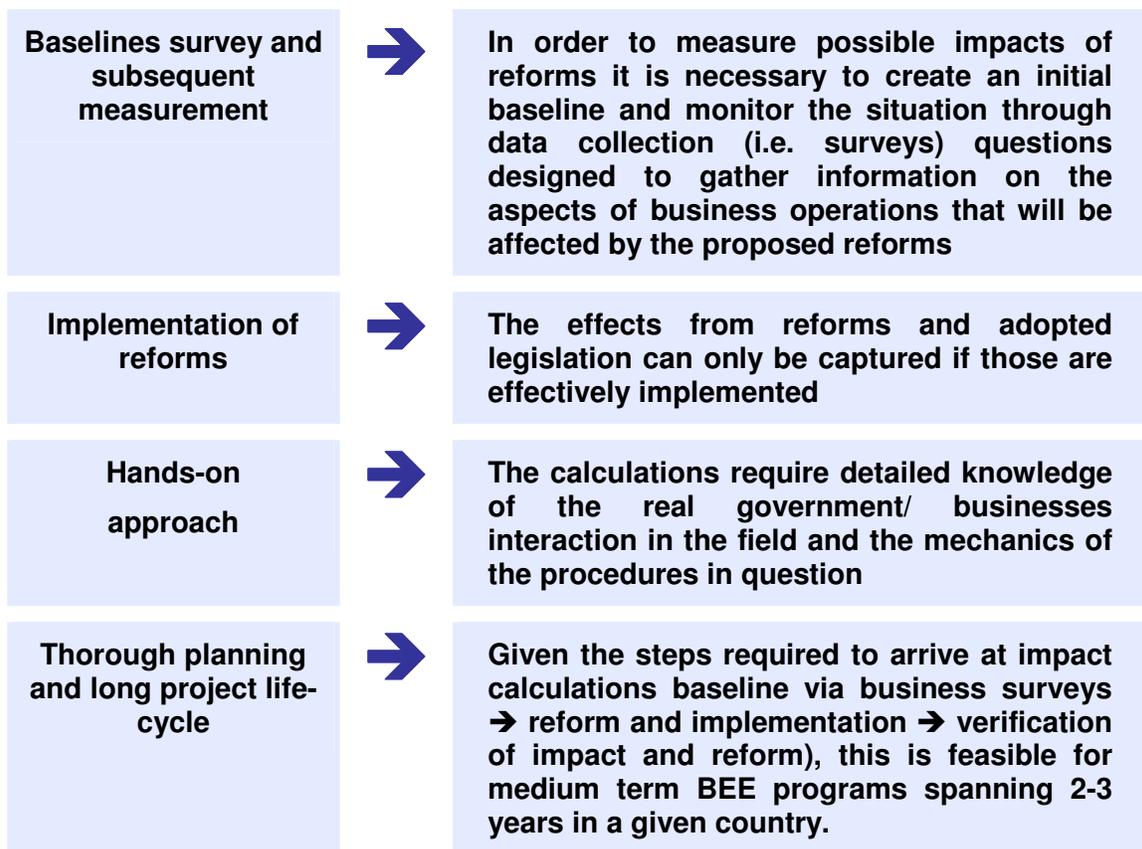
Box X: Uses of the economic impact calculation**How can I calculate economic impact assessment?**

This approach to calculating the economic effect of regulatory improvements for businesses comes from IFC PEP based on experience from Regulatory Simplification projects in Eastern Europe and Central Asia. It is based on an adaptation of methodologies used in a number of OECD countries, specifically those of the Ministry of Finance of the Netherlands, the European Commission and the US Small Business Administration and Office of Management and Budget.

The key challenge is to have an approach that is reliable, simple and applicable in an environment characterized by scarce data. This approach therefore leverages the data commonly available within regulatory simplification interventions as part of the M&E framework. It advocates the basic standardization of SME enterprise surveys in order to consistently capture data needed to produce and verify the estimates of economic impact.

Ensuring standardization and consistency in calculations over the span of a few years from pre to post reforms is the critical challenge. This requires certain operational and project design features as illustrated in Box X.

Box X: operational and design features for conducting economic impact assessment



Undertaking an enterprise survey

An economic impact quantification is dependent on data which can be collected through an enterprise survey. The enterprise survey, introduced in section 2.4, is a core monitoring and evaluation tool based on a 'Before and After' methodology that can be used to assess the effectiveness and outcomes of a regulatory simplification reform. Key to this is the fact that the surveys track regulatory time and cost as experienced by entrepreneurs who actually go through the procedures in a given year. Given the representative sample, the surveys are also able to track the share of entrepreneurs subject to any particular regulatory procedures both nationwide, and subdivided by region and sector of activity.

Typically, an initial survey carried out at the point of entry into a country creates a baseline. As a policy program moves forwards, changes to the issues that the intervention is addressing are tracked against the baseline. Additional issues that come to the surface as the program progresses can similarly be tracked (the questionnaire can incorporate new questions as they arise, and issues can be removed if they are clearly not applicable or useful for measurement). Importantly, surveying enterprises allows the program team to track new laws on the books, and also how and whether the improvements embedded in these new laws are actually reaching entrepreneurs on the ground at national (or subnational) level.

The surveys bring to light changes in time, cost and reach of each regulatory procedure. They can also directly track business investment and revenue data. These are typical outcome and impact indicators for BEE programs. This data can collectively be used as the basis for a quantification of the overall economic impact of the reform – which is described in more detail in Annex X.

For further details about using enterprise surveys:

- Liepina, S, Nicholas, D & Novoseletsky, E (2007): *Smart Lessons: Key benefits of enterprise surveys for improving the Business Enabling Environment*, Smart Lessons in Advisory Services, IFC

What are the compliance costs for businesses?

The methodology distinguishes between two types of costs on businesses:

1. **Direct costs:** direct impact on economic cost (e.g. administrative costs, including official and unofficial payments and labor costs) of an enterprise resulting from the reform of regulatory procedure
2. **Indirect (or opportunity) costs:** impact on revenue or costs, due to the different use of time formerly dedicated to administrative procedures.

1. Direct costs

Direct costs can be estimated at the firm level, at specific economic sector level, or for the SME level as a whole. Direct cost calculation makes use of basic indicators. Direct costs are differentiated between administrative costs and labor costs.

D_1 Administrative costs		
(n)	The number of times a procedure (e.g. licensing) is undertaken by a representative firm on a yearly basis	Data publicly available
	The individual cost of each procedures which is distinguished between:	
P_O	<ul style="list-style-type: none"> Official payments 	Data available from official sources
P_U	<ul style="list-style-type: none"> Unofficial payments 	Data collected through SME enterprise survey
$D_1 = n * (P_O + P_U)$		

D_2 Labor costs. Costs of employees directly dedicated (in full-time equivalent terms) to administrative procedures		
(d)	The amount of full-time employee time (in working days) dedicated to a specific administrative procedure	Data collected through SME enterprise survey
(w)	The daily average employee salary	Data collected through SME enterprise survey
$D_2 = w * d$		

2. Indirect costs:

The impact on revenue and costs, due to alternative uses of time formerly dedicated to administrative procedures (e.g. delayed entry and temporary closure of business). Indirect costs require a more detailed approach to calculations and use a higher number of assumptions.

I_1 Costs related to **delay the entry** of a new firm into the market, i.e. by deferring the launch of profit-generating activities (in the case of procedures such as business registration, licensing, permits and other entry controls). The cost of this delay can be measured as the proportion of profits 'lost'.

Π_s	Average annual net profit for start-up companies, for each industry, or average per sector	Data collected through SME enterprise survey
(d)	Average time spent in each administrative procedure (number of working days)	Data collected through SME enterprise survey
(dt)	Average number of working days per calendar year in the economy/sector	Data available from official sources

$$I_1 = \Pi_s * \frac{(d)}{(dt)}$$

I_2 Procedures which results in **temporary closures of a firm's activity**, i.e., that imply loss of productive activities for existing companies. Typical examples of procedures stopping economic activity are inspections, repeated licenses, repeated permits, as well as the suspension of activity due to the absence of licenses/permits. These costs are typically faced by existing companies.

L	Average annual losses for an active company whose activity is stopped but which remains active i.e. which retains all its production factors	Data collected through SME enterprise survey
-----	--	--

(s)	Average time, in working days, a company is stopped due to procedure(s)	Data collected through SME enterprise survey
(dt)	Average profit tax rate	Data collected through SME enterprise survey
$I_2 = L * (1 - t) * \frac{s}{dt}$		

Why is net profit the indicator for cost savings?

In this model, net profits (i.e. profit after taxes) expressed in U.S. dollars is the indicator of cost savings for businesses.

Understanding the impact of policy changes in terms of profits has two advantages: (1) businesses operate to generate profit, and this measure best reflect the benefit companies receive as a result of better regulation, (2) expressing the economic benefit of reform in profits allows aggregation of overall impact of cost reduction measures.

The alternative option is to use sales as an indicator. Businesses are more likely to report precise revenue data in business surveys, though concerns of underreporting do apply. At the same time, not all regulatory simplification measures have an impact on sales, whereas reduction in costs is always a relevant indicator. As a result, the sales indicator would not accurately represent the resources freed up for other business pursuits

How do I calculate the economic impact?

The economic impact can be calculated based on a summation of the aggregated costs before and after the intervention.

Total costs for an average business

$$C_1 = D_1 + D_2 + I_1 + I_2$$

If this calculation is made before the intervention (C1) and then again after the intervention (C2), the reduction in costs is indicative of the average savings to the 'average' business as a result of the reform.

Total costs savings for an average business as a result of reforms:

$$C_1 - C_2 = \text{Average Savings}$$

In order to extrapolate this to the level of the economy, the average savings is multiplied by the estimated number of businesses in the economy.

What are the limitations of this methodology?

- **The results of the calculation are only as good as the data used in the calculation:** It is important to note that the extrapolation to the level of the economic impact for the economy is a rough 'back of an envelope' calculation. It is very important therefore to be open and transparent on the data used and assumptions made when reporting results. This will allow for true debate, scepticism and verification of the impact assessment.
- **Aggregate cost savings are best expressed as ranges accounting for uncertainty:** These calculations are typically built on historical data to estimate the impact in the future. By their very nature, they are best presented as a range of impact recognizing the uncertainty involved. However, do note that ranges and implied uncertainty may not be easily understood by recipient audiences who may be used to precise figures. Governments and stakeholders may also be keen for a 'headline' figure on which to build support for the reform. The IFC recommends that the best option is to use the lowest value in the range and thus be very conservative in the estimates publicized.
- **Be aware of diversity within the private sector and how this may affect the results:** It is important to note that compliance costs can be very different for firms of different sizes, and also sectors and that the composition of the private sector will vary from country to country. In order to increase the accuracy of the

calculation, it may be prudent to calculate the average costs for firms of different sizes. When extrapolating the economic impact to the economy, these average costs should then be weighted according to the size and/or sectoral distribution within the private sector. Being able to do this depends on the accuracy of existing national data sources on the composition of the private sector. Data on micro (and informal) firms can be inaccurate.

- **Scarcity and inaccuracy of available data do impose limits on what can be calculated:** It is therefore prudent to use conservative data which leads the lower range of the true impact of regulatory simplification efforts.
- **The available data and timeframe of donor-funded projects mean that we are evaluating only short-term (static) economic effect accruing to businesses using these methods:** We measure the impact of regulatory changes on existing companies, i.e. on firms that have already taken the decision to enter the market. These estimates are typically short term – for one year post reform. They are therefore very conservative in that they do not account for subsequent effects of these regulatory changes over the future years.

A sample TOR for an economic impact assessment is given in Annex 4.6.

Annex 4.6. Sample TOR for applying quantification techniques

Development Impact Measurement Terms of Reference

About the IFC: The International Finance Corporation (IFC), a member of the World Bank Group, promotes sustainable private sector investment in developing countries as a way to reduce poverty and improve people’s lives. In addition to its investment work, IFC, through the Private Enterprise Partnership (PEP), executes a major donor-funded program of private sector technical assistance and advisory services in the Middle-East and North Africa (MENA) region. The objectives of the program are to promote direct investment in the private sector, build local businesses and financial intermediaries, and help improve the business enabling environment.

PEP-MENA is organized into four thematic areas or pillars, each consisting of a number of core programs and projects:

PEP-MENA, the technical assistance arm of IFC in the MENA region, is an integral part of IFC’s operations and works closely with governments in the region as well as other bilateral and multilateral development partners. IFC’s technical assistance activity in the MENA region directly complements the World Bank’s activity in many countries. PEP MENA is a major donor-funded program of private sector technical assistance in the Middle East region, covering 19 countries, managed from IFC’s regional office in Cairo.

Improving the Business Enabling Environment Strengthening Financial Markets Supporting SME Development Promoting Privatizations and Public-Private Partnerships

About the Pillar: In most countries in the MENA region, firms tend to be small – and often informal – with low productivity, limiting their regional and international competitiveness. One of the main reasons for this sub-optimal performance of the private sector is an overly complex and unfriendly business environment, characterized by cumbersome laws, regulations and administrative procedures that lack transparency. Investors are forced to spend substantial human and financial resources during the start-up and operation of their businesses, while settling commercial disputes is a lengthy and unpredictable process in many countries. All these factors let investors hesitate to commit their capital or to fully formalize their enterprises, limiting the creation of job and income opportunities through the private sector.

To address these policy shortcomings, the BEE Pillar focuses on the following **programs** and activities:

- The “Doing Business Better” Program:

Public awareness raising events to motivate targeted policy reform

– The Business Regulatory Reform Program:

Simplification of regulatory and operational procedures and reporting requirements

– The Alternative Dispute Resolution Program:

Mediation as an alternative tool to settle commercial disputes

– The Industry-Specific Policy Reform Program:

Targeted interventions to remove regulatory constraints specific to individual industries

The primary client in BEE interventions typically is senior government, including ministries and regulatory authorities. PEP-MENA works closely with private sector organizations and representatives of the business community to guide any reform efforts.

The **main objective** of all interventions under the BEE Pillar is to initiate and carry through targeted policy reforms designed to remove obstacles stifling private sector growth and to generate more private investment opportunities.

The **expected outcome** is to engage governments and the private sector in constructive reform efforts to improve laws, regulations, public institutions and their administrative practices. Simplified, business-friendly regulatory processes should reduce cost and time requirements for firms. Clear, transparent regulations should reduce business risks, making it easier for entrepreneurs to seize market opportunities.

The **expected impact** of these reform projects is to contribute to larger private investment flows that generate more jobs and income in the MENA countries.

Purpose of the Assignment

IFC is currently requesting consulting services to assist in reviewing the model it has developed for the measurement of the development impact of its interventions (i.e. job creation, investment and income). Specifically, the IFC PEP MENA's Business Enabling Environment Pillar seeks to use its programs and projects as the pilot for this model that would then be feasible for adjustment to the specifics of other pillars and programs within the IFC PEP MENA Facility. It is envisioned that this model would complement the results frameworks in place for the various projects and programs under BEE, in that it would help us in quantitatively projecting the development impact of our current interventions, even though the actual development impact should happen beyond the life of the programs.

The BEE Pillar has developed an initial development impact measurement model that it has customized to the needs of its programs and which is based on a number of assumptions (please see Annex 1). **For the purpose of this assignment, a consultant is needed to work with the BEE Pillar in reviewing this model and developing it further in order to ensure its accuracy.** This would entail a review of the assumptions on which this model is based and the appropriate sources of country data that should be used. This assignment shall only focus on applying this model to Egypt.

This assignment is a phased assignment whereby subsequent to this particular phase, IFC PEP MENA's BEE Pillar shall seek to apply this model in other countries in MENA wherein which it has operational projects.

In addition to the above-mentioned phases, IFC PEP MENA shall seek to develop similar models for all other remaining programs and projects for the entire IFC PEP MENA Facility.

The consultant who will be selected to carry out the present assignment will be eligible to bid for subsequent phases.

Scope of Work – Phase I

The consultant shall be expected to work with the BEE Pillar and IFC's Monitoring & Evaluation Team on:

1. Reviewing and developing the measurement model created by the BEE Pillar
2. Validate the assumptions used and identify any additional assumptions and variables that need to be made
3. Identify sources of information for Egypt country data; industry averages, etc. (i.e. data mining)
4. Ensure the measurability and accuracy of the final model developed
5. Identify the adequate frequency of measurement based on the specific design of each program/project.
6. Apply the final model and its assumptions and variables to existing projects and programs using results achieved to date in order to demonstrate the model.
7. Produce a brief final report describing the models as well as the estimation technique for each variable/assumption with results.

For the purpose of this assignment, the consultant will need to familiarize his/herself with the programs and projects under the BEE Pillar, their design and intended results.

In addition to the BEE Pillar, IFC PEP MENA may wish to engage the consultant in adapting the model to four additional programs from other pillars for interventions based in Egypt.

Staffing, Roles and Reporting

Throughout the duration of this assignment, the consultant shall report to Frank Sader, BEE Senior Operations Manager & Chief Strategist for IFC PEP MENA.

The consultant shall also work closely with the BEE Operations Team and IFC's Monitoring & Evaluation Team.

Profile of Consultants

The consulting team should ideally comprise individuals with:

- An advanced degree in economics with a strong background in econometrics and statistics.
- Around 8 years of comprehensive experience in developing econometric models and statistics preferably within the field of development.
- Demonstrated ability to manage complex activities effectively, and to work independently with minimal supervision.
- Excellent communication and writing skills in English.

Duration of the Assignment

The assignment should commence on June 19th 2007 and should conclude no later than July 31st 2007.

Schedule of Deliverables

<i>Report / Deliverable</i>	<i>Time Schedule</i>
1. Review, validation and development of initial model and assumptions	June 19 th
2. Data mining for Egypt	July 19 th
3. Final report	July 31 st

Annex

BEE Development Impact Model

Gains	Investment	Employment	Income
Direct	Capital in \$(I^d)	$\frac{\text{Jobs}}{\$1} \times I^d = \# \text{ of Jobs Created } (J^d)$	$\text{Avg. Salary} \times (J^d) = \text{Income Created } (Y^d)$
Efficiency	$(\text{Savings}) \left(1 - \frac{\text{Dividends}}{\text{Net Profit}}\right) = I^e$	$\frac{\text{Jobs}}{\$1} \times I^e = \# \text{ of Jobs Created } (J^e)$	$\text{Avg. Salary} \times (J^e) = \text{Income Created } (Y^e)$
Total	$I^d + I^e = I$	$J^d + J^e = J$	$Y^d + Y^e = Y$

Assumptions and Example from Business Regulatory Reform Program

Actual Results to Date from Alexandria Business Start-Up Simplification Project:

		Before (October 2005)	Target	After (March 2007)
Registration	Cost (LE)	26,413	-6603.25	19,809.75
	Time (days)	5	-2	3
	Number of companies registered	2000	1000	3000
Building Permits	Cost	31,652	-3165.2	28486.8
	Time	103	-25.75	77.25
	# Permits issued	100	20	120
Industrial Licensing	Cost	5,100	510	4,590
	Time	35	12.25	22.75
	# Licenses issued	200	50	250

Jobs created = 5.9×8500000

Income = $100 \times 85000 = 8,500,000$

Refer to SME definition for number of workers and capital related per size of enterprise
Need info from GAFI re typical distribution of firms registered by size of enterprise (SME)

For Business Registration:

Givens:

- Amount of capital registered from 2005-2007; assumption average firm capital is equivalent to USD 85,000
- Based on the SME definition:
 - For businesses with capital up-to \$ 85,000 the average investment per unit of labor is \$ 1,565
 - Therefore, jobs per \$1 invested = $1/1565 = 0.00063$

Direct Gains

- Capital: $1000 \times 85,000 = \underline{\$ 8,500,000}$
- Jobs created: $0.00063 \times \$8,500,000 = \underline{5355 \text{ jobs}}$
- Income generated: 5355×238 (average monthly income for Egypt based on the World Bank development indicators for 2006) = $\underline{\$1,274,490}$ per month = $\underline{\$22,940,820}$ for 18 month period (October 2005 – March 2007)

Givens

- Based on the targeted reduction in duration days (-2) and the average monthly income for Egypt (\$238)
- Average daily wage is $\$238/22 = \10.8
- Days saved translated to money: $2 \times \$10.8 = \21.6 per firm, that is $\$21.6 \times 1000 = \underline{\$21,600}$ for the targeted 1000 firms
- Based on the targeted reduction in cost (\$1148)
- Total savings in cost for 1000 firms: $1000 \times \$1148 = \underline{\$1,148,000}$

- Total savings for 1000 firms: $\$1,148,000 + \$21,600 = \$1,169,600$
- Dividends payout ratio 12%, that is 88% of the savings gets reinvested again:
 $\$1,169,600 \times 0.88 = \$1,029,248$

Efficiency Gains

- Capital = $\$1,029,248$
- Jobs created: $0.00063 \times \$1,029,248 = \underline{648 \text{ jobs}}$
- Income generated: 648×238 (average monthly income for Egypt based on the World Bank development indicators for 2006) = $\$154,224$ per month = $\$2,776,032$ for 18 month period (October 2005 – March 2007)

Totals

- Capital: $\$8,500,000 + \$1,029,248 = \underline{\$9,529,248}$, (EGP 54,793,176)
- Jobs created: $5355 + 648 = 6003$
- Income generated for one month: $\underline{\$1,274,490} + \$154,224 = \$1,428,714$ (EGP 8,215,105)
- Income generated for 18 months: $\$1,428,714 \times 18 = \$25,716,852$ (EGP 147,871,899)

For Building Permits:

Givens

- Based on the targeted reduction in duration days (-26) and the average monthly income for Egypt ($\$238$)
- Average daily wage is $\$238/22 = \10.8
- Days saved translated to money: $26 \times \$10.8 = \280.8 per firm, that is $\$280.8 \times 20 = \underline{\$5,616 \text{ for the targeted 20 firms}}$
- Based on the targeted reduction in cost ($\$550.4$)
- Total savings in cost for 20 firms: $20 \times \$550.4 = \underline{\$11,008}$
- Total savings for 20 firms: $\$5,616 + \$11,008 = \$16,624$
- Dividends payout ratio 12%, that is 88% of the savings gets reinvested again: $\$16,624 \times 0.88 = \$14,629$

Efficiency Gains

- Capital = $\$14,629$ (EGP 84,116.75)
- Jobs created: $0.00063 \times \$14,629 = 10 \text{ jobs}$
- Income generated: 10×238 (average monthly income for Egypt based on the World Bank development indicators for 2006) = $\$2,380$ per month = $\$42,840$ for 18 month period (October 2005 – March 2007)

For Industrial Licensing:

Givens

- Based on the targeted reduction in duration days (-12) and the average monthly income for Egypt ($\$238$)
- Average daily wage is $\$238/22 = \10.8
- Days saved translated to money: $12 \times \$10.8 = \129.6 per firm, that is $\$129.6 \times 50 = \underline{\$6,480 \text{ for the targeted 50 firms}}$
- Based on the targeted reduction in cost ($\$89$)
- Total savings in cost for 50 firms: $50 \times \$89 = \underline{\$4,450}$
- Total savings for 50 firms: $\$6,480 + \$4,450 = \$10,930$

- Dividends payout ratio 12%, that is 88% of the savings gets reinvested again: \$10,930 x 0.88 = \$9,618

Efficiency Gains

- Capital = \$9,618 (EGP 55,303.5)
- Jobs created: $0.00063 \times \$9,618 = 6$ jobs

Income generated: 6×238 (average monthly income for Egypt based on the World Bank development indicators for 2006) = \$1,428 (EGP 8,211) per month = \$25,704 (EGP 147,798) for 18 month period (October 2005 – March 2007)

Gains	Investment	Employment	Income
Direct	BR = \$8,500,000	BR = 5355 jobs	BR = \$1,274,490 (1 month) \$22,940,820 (18 months)
Efficiency	BR = \$1,029,248 BP = \$14,629 IL = \$9,618	BR = 648 jobs BP = 10 jobs IL = 6 jobs	BR = \$154,224 (1 month) \$2,776,032 (18 months) BP = \$2,380 (1 month) \$42,840 (18 months) IL = \$1,428 (1 month) \$25,704 (18 months)
Total	\$ 9,553,495 (EGP 54,932,596)	6019	\$ 1,432,522 (1 month) (EGP 8,237,002) \$ 25,785,396 (18 months) (EGP 148,266,027)

Annex 4.7: 20 Key questions for evaluation design



20 Questions For Evaluation Design

Project Long Name:		Transaction Leader:	
Project ID:		Region:	
Primary (Originating) Dept/Division:		Country:	
Implementing Dept/Division:		Business Line:	
M & E (Field, HQ)		Business Line Area:	
Project Start Date (mm/yyyy):		Evaluation Start Date (mm/yyyy):	
Project End Date (mm/yyyy):		Evaluation End Date (mm/yyyy):	

INSTRUCTIONS:

This checklist was developed to help design experimental and/or quasi-experimental evaluations. Unless otherwise specified, your answers to the questions below should be focused per the experimental/quasi-experimental study; extraneous details are not helpful. Please be concrete and specific, and use facts and evidence whenever possible.

I. FUNDAMENTALS
1. List all project goal(s) associated with outcomes and impacts, <i>including those beyond the scope of this (quasi)experimental study.</i>
2. Briefly define the activity to be evaluated (the “treatment”). Define the alternative to treatment (ie, “control”).
3. What market gap is this project trying to address? Is there a market failure? What is the root cause of the market failure, and why is not being addressed? Is there any evidence at all that some (eg., firms, business owners, etc.) have succeeded without our help? If so, what can we know and do we know about the market failure from their experience?

4. Precisely who are we trying to help and how many are there that will actually be assisted by this technical assistance? How many more may benefit via subsequent replication, demonstration effects, etc?
5. Would they pay for our assistance? Why or why not?
6. Why do we expect our activities to achieve project goals? What sort of scoping has been done?
7. How generalizable and replicable is this advisory service project?

II. METHODOLOGY FOR EVALUATING TA VALUE-ADDED			
Pose your question carefully: <i>What is the effect of (to be completed by project manager)...</i>			
8. Does this question address the project goal(s) specified on page 1 above?			
<input type="checkbox"/>	Yes		
<input type="checkbox"/>	No		
9. Which evaluation strategy will be used? (indicate all that apply)			
<input type="checkbox"/>	Randomization	<input type="checkbox"/>	Differences-in-differences
<input type="checkbox"/>	Before & After	<input type="checkbox"/>	Encouragement Design/Instrumental Variables
<input type="checkbox"/>	Matching	<input type="checkbox"/>	Discontinuity
<input type="checkbox"/>	Other (Please specify)		
10. Briefly describe how this evaluation strategy will be used to answer the question specified above.			
11. Briefly describe the assumption(s) of the strategy selected above. What is the implicit argument that you are making about the unobserved outcomes for the treated units?			
12. Can you think of any specific threats to the validity of this evaluation strategy?			
13. What type of evidence would bolster this argument's credibility?			

14. What specific (pre-treatment) baseline information is to be collected?
15. What specific results-indicators are to be measured, and when will they be measured? When will we have some preliminary results and what will they be?

III. BUDGET & TIMELINE
16. What is the total cost of this advisory services project? If this is an evaluation of only a part of the advisory services, what is the cost of the component of the project directly relevant to this evaluation? What is the approximate cost per direct beneficiary receiving assistance?
17. What is the total estimated cost of this evaluation?
18. Why is this evaluation worth the cost?
19. What are the steps and dates for implementation of this design?
20. Is this timeline consistent with the evaluation and data-collection requirements specified above?

