A - PUBLIC-PRIVATE DIALOGUE
Backgrounder on the benefits and risks of PPD

B - DIAGNOSTICS
Mapping tool for diagnosing the status and potential of PPD

C - DESIGN AND IMPLEMENTATION
Based on the Charter of Good Practice in Using Public-Private Dialogue for Private Sector Development

D - MONITORING AND EVALUATION
Introducing a new standardized evaluation framework for PPD

RESOURCES AND ANNEXES
D.6. EVALUATION OF REGULATORY AND ECONOMIC OUTCOMES AND IMPACTS OF PPDS

Regulatory and economic outputs, outcomes and impacts of PPDS can be evaluated based on the logical framework approach. As objectives, anticipated results and activities are likely to be different in each PPD, the approach presented here focuses upon providing the general logical framework model. The specific sets of indicators will need to be customized to each PPD.

This framework focuses on “hard,” i.e. objectively verifiable outputs, outcomes, and impacts of PPDP processes. As such it complements the process-oriented framework and the framework for measuring the (often indirect) impact on reform processes, set out in the above two sections.

D.6.1. The structure of the logical framework

The logical framework identifies five basic levels in the evaluation exercise, which are related in a chain. This figure presents the five levels (in the first box, two levels are combined) and gives some examples of generic indicators related to each link in the chain.

As has been mentioned, M&E is not a stand-alone activity that can be designed retrospectively. Rather, it is closely related to the program cycle. The logical framework is a powerful visual tool to illustrate the relation of M&E with planning and it shows that indicators need to be developed in the planning stage of the PPD process.

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24 This section is based upon IFC’s recent work on developing indicators for M&E of its technical assistance and advisory services. This text is an adaptation of the Guide to Core Output and Outcome Indicators for IFC Technical Assistance Programs, Monitoring and Evaluation Unit, Technical Assistance Impact and Enhancement, IFC, The World Bank Group, 2005.
D.6.2. The different stages of the program cycle

Indicators are used at several stages in the project or program cycle (see figure). Since characteristics of these stages differ, the functions of indicators may also differ.

D.6.2.1. The identification stage

During the identification stage, the plan for the project or program is being formulated in general terms and, normally, planning indicators are not yet formulated at this stage. Nevertheless, indicators may already play a crucial role in getting more precise information on the context of the intervention and on the problems to be tackled. During this identification stage, task managers should try to reinforce the quality of the situational analysis of the PPD by using specific indicators.

D.6.2.2. The formulation stage

During the formulation stage, the initial plan needs to be worked out in more detail. Generally, several indicators will now be formulated. At this stage, the indicators are called either planning indicators or Objectively Verifiable Indicators (OVI’s) as different persons will come up with the same information.

If the plan is worked out in a logical framework matrix, the planning indicators or OVI’s are presented in the second column of this matrix.

Indicators are generally formulated for the overall objective(s), the project purpose and the results. This provides sufficient level of detail for the formulation stage.

Together with the indicators, it is also necessary to identify the sources where the information referred to in the indicator can be found. These are called Sources of Verification (SoV) and included in the logical framework matrix in the third column.

Identification of these SoVs at this stage is highly recommended, since discussions on where to find the information or how to collect it often lead to reformulation of the indicator. If the information referred to in the indicator cannot be obtained, the indicator becomes useless and a new one should be formulated.

<table>
<thead>
<tr>
<th>Overall Objective(s)</th>
<th>OVI</th>
<th>SoV</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Purpose</td>
<td>OVI</td>
<td>SoV</td>
<td>Assumptions</td>
</tr>
<tr>
<td>Results</td>
<td>OVI</td>
<td>SoV</td>
<td>Assumptions</td>
</tr>
<tr>
<td>Activities</td>
<td>Inputs</td>
<td></td>
<td>Assumptions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Preconditions</td>
</tr>
</tbody>
</table>
The development of indicators during the formulation stage is crucial. First of all, when objectives are still vague, planning indicators are necessary to obtain information about target groups, timeframe and baseline and target values. Without this information, resource allocation and budgeting as well as operational planning remain almost impossible.

**Example of good planning indicators: the Millennium Development Goals**

Efforts towards achievement of the UN Millennium Development Goals by 2015 are being monitored. The framework for reporting includes eight goals, based on the UN Millennium Declaration. For each goal there is one or more specific targets, along with specific social, economic and environmental indicators used to track progress towards the goals. Over 40 indicators are identified to monitor progress.

**Goal 1: Eradicate extreme poverty and hunger.**

**Target 1 for 2015:**
*Halve the proportion of people living on less than a dollar a day and those who suffer from hunger*

**Related indicators:**
1. Proportion of population below $1 per day (PPP-values)
2. Poverty gap ratio [incidence x depth of poverty]
3. Share of poorest quintile in national consumption

See also [www.un.org/milleniumgoals](http://www.un.org/milleniumgoals)

For example, an objective such as "increased worker productivity" means little without specifying the exact nature of productivity, and with how much it is supposed to increase, for how many workers, and within what timeframe.

Second, it is also necessary already at the formulation stage to define how to track progress towards the objectives during implementation.

See, for example, the indicators formulated to track progress towards the achievement of the MDGs. With the formulation of clear targets, the MDGs clearly indicate what is to be achieved in terms of development by 2015. The identified indicators are important signals (direct as well as indirect ones; see also below) indicating changes in relation to MDG 1.

As explained above, a complete plan will include information on target group, timeframe, baseline and target values. This information can be included already in the objectives or is further specified in the indicators. The completed plan, including the indicators, will now provide a solid basis for the management during implementation and thus also for monitoring and evaluation.

**D.6.2.3. The implementation stage**

During the implementation stage, monitoring and evaluation activities provide managers with particular information, for which – again – indicators are used. Obviously, the planning indicators formulated at the level of results, purpose and overall goal will be the starting point for monitoring and evaluation.

However, during implementation, managers will also be interested in other aspects of the intervention, such as depletion of budget or specific bottlenecks caused by external factors. In this context, some
D.6.3. Different indicators and focus of monitoring

Moreover, a manager might want to monitor management aspects that are not even mentioned in the logical framework (such as human resource management issues, reporting frequency, etc.). Based on the specific information needs of managers, a variety of monitoring indicators can be identified.

For evaluation – and, as a consequence, also for indicators for evaluation – the same principle is applicable. Depending on the evaluation criteria – such as relevance, effectiveness, efficiency, sustainability, and impact – the evaluator’s information needs and focus of the evaluation indicators will have to be further defined.

Again, planning and monitoring indicators will be a good basis for evaluation activities. For example, indicators of achievement of goals will facilitate the appreciation of impact, while indicators of results will provide information to evaluate effectiveness.

Monitoring indicators on budget depletion and on use of resources will facilitate the evaluation of efficiency and indicators related to context may well support appreciation of sustainability.

D.6.4. Type of indicators

We can distinguish two types of indicators:
1) Direct indicators, which refer directly to the subject they have been developed for.
2) Indirect indicators, which only refer in an indirect way to the subject.
D.6.4.1. Direct indicators

These indicators directly address the subject of interest, and are often suited to operational and technical subjects. Nonetheless, these might not be easy to measure. A good example of a direct indicator is “the proportion of the population below $1 per day”.

D.6.4.2. Indirect indicators

Indirect indicators, also referred to as proxy indicators, refer in an indirect way to the subject of interest. There can be several reasons to formulate indirect indicators:

- The subject of interest cannot be measured directly. This is particularly the case for more qualitative subjects, like behavioral change, living conditions, good governance, etc.
- The subject of analysis can be measured directly, but it is too sensitive to do so – for example, level of income or, in the context of an HIV/AIDS intervention, “safe sex.”
- The use of an indirect indicator can be more cost-effective than the use of a direct one. As such, indirect indicators are very typical management tools.

Generally, managers are not looking for scientifically reliable data but for management information. An indirect indicator may well represent the right balance between reliability of information and the efforts needed to obtain the data.

Indicators are defined to provide unambiguous information about interventions and their achievements, but are never an end in themselves. In addition to the reasons outlined above for defining indicators, the use of meaningful indicators in the evaluation exercise can lead to management information on the PPD.

D.6.5. Standardized indicators, e.g. Doing Business

In addition to customized indicators (see 6.6 below), a limited number of standardized indicators can help to enable comparison and benchmarking of PPDs in different contexts. We advise evaluators to refer to the list of indicators in the Doing Business reports issued every year by the World Bank (www.doingbusiness.org). The reports present a number of objective measurements of the costs of regulatory frameworks and procedures for entrepreneurs.

Example of an indirect indicator

In a credit scheme in Ghana, women’s bank-savings set aside for reinvestment appeared to be a good indirect or proxy indicator for the earnings of the women.
### World Bank Doing Business Indicators

<table>
<thead>
<tr>
<th>Starting a business</th>
<th>Protecting investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedures (number)</td>
<td>Extent of disclosure index (0-10)</td>
</tr>
<tr>
<td>Time (days)</td>
<td>Extent of director liability index (0-10)</td>
</tr>
<tr>
<td>Cost (% of income per capita)</td>
<td>Ease of shareholder suits index (0-10)</td>
</tr>
<tr>
<td>Minimum capital (% of income per capita)</td>
<td>Strength of investor protection index (0-10)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dealing with licenses</th>
<th>Paying taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedures (number)</td>
<td>Payments (number)</td>
</tr>
<tr>
<td>Time (days)</td>
<td>Time (hours per year)</td>
</tr>
<tr>
<td>Cost (% of income per capita)</td>
<td>Total tax payable (% of gross profit)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employing workers</th>
<th>Trading across borders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulty of hiring index (0-100)</td>
<td>Documents for export (number)</td>
</tr>
<tr>
<td>Rigidity of hours index (0-100)</td>
<td>Signatures for export (number)</td>
</tr>
<tr>
<td>Difficulty of firing index (0-100)</td>
<td>Time for export (days)</td>
</tr>
<tr>
<td>Rigidity of employment index (0-100)</td>
<td>Documents for import (number)</td>
</tr>
<tr>
<td>Hiring cost (% of salary)</td>
<td>Signatures for import (number)</td>
</tr>
<tr>
<td>Firing cost (weeks of salary)</td>
<td>Time for import (days)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Registering property</th>
<th>Enforcing contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedures (number)</td>
<td>Procedures (number)</td>
</tr>
<tr>
<td>Time (days)</td>
<td>Time (days)</td>
</tr>
<tr>
<td>Cost (% of property value)</td>
<td>Cost (% of debt)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Getting credit</th>
<th>Closing a business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strength of legal rights index (0-10)</td>
<td>Time (years) no practice</td>
</tr>
<tr>
<td>Depth of credit information index (0-6)</td>
<td>Cost (% of estate) no practice</td>
</tr>
<tr>
<td>Public registry coverage (% of adults)</td>
<td>Recovery rate (cents on the dollar)</td>
</tr>
<tr>
<td>Private bureau coverage (% of adults)</td>
<td></td>
</tr>
</tbody>
</table>

From the table with Doing Business Indicators above, the evaluators should pick those aspects on which the PPD to be evaluated claimed to have had an impact. The related indicators under the relevant aspects should be added to other customized indicators that have been identified in the design of the logical framework of the PPD process.

The list of Doing Business indicators is also relevant as a reference for the set-up of new PPD processes. During the planning stage, Doing Business indicators can already be included in the project design and the development of the logical framework.

### D.6.6. Developing customized indicators

Considerable efforts to formulate standardized indicators are being undertaken, such as the Doing Business Indicators. Nonetheless it will usually be necessary to develop some customized indicators. This section offers some suggestions.

#### D.6.6.1. Formulation of indicators

Because indicators for planning, monitoring or evaluation serve slightly different purposes, clarity on the status of the project or program in the life cycle is useful before starting to formulate the indicators.

**Examples of existing performance indicators for governance**

- “Quality of Budgetary & Financial Management”
- “Corruption Perceptions Index”
- “Quality of Government Services”

See also:

- [www.worldbank.org/publicsector/indicators](http://www.worldbank.org/publicsector/indicators)
- [www.doingbusiness.org](http://www.doingbusiness.org)
Formulation of good indicators cannot be hurried. It is good practice to go step-by-step and worry about the precise formulation of the indicator at a later stage. The following steps may be of help:

1. **What**
   Brainstorm on the variables – what are the objectives, in terms of numbers of standards.

2. **How much**
   Define the magnitude of the desired change.

3. **Who**
   Clarify the target group. Often specific information on who belongs to the target group is necessary, for example in cases when gender specificity is required.

4. **Where**
   Specify information on the intervention area, if this does not yet become clear from step 3.

5. **When**
   Define the timeframe.

The brainstorm on variables (step 1) may lead to a number of different options. Especially when indirect variables are identified, consider the likely validity, accuracy, sensitivity and cost-effectiveness of identifying these variables when deciding which will best serve the information needs of the involved managers.

Cost-effectiveness, of course, also needs to be considered for direct indicators and may be a reason to prefer indirect indicators.

In defining the indicators, emphasis should be placed on trying to ensure that indicators:

- are relevant to the types of technical assistance and facilitation most frequently undertaken in PPDs;
- are valid with respect to reflecting the underlying concept that is meant to be measured,
- are reliable in terms of minimizing potential measurement error, and
- are practical for facilities and regional offices to use given the effort required to collect necessary data.

### D.6.6.2. From inputs to impacts

When customizing indicators, clarity is needed about different terms:

- **Inputs** refer to the resources used in program activities.
- **Activities** are the actions taken or work performed in particular projects using specified inputs. These include assessments, advisory services, training, and public awareness campaigns.
- These activities are intended to result in **outputs** such as reports, advice, 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 programs will generate development **impacts** including higher productivity, greater income, and economic growth.

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**Example of formulating an indicator**

*MDG 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015*

One of the indicators for this goal is the ratio of literate females to males of 15-24 years old.
D.6.6.3. Choose only indicators relevant to the specific PPD

The design of the PPD process will dictate which indicators are relevant and which are not. From the relevant indicators, select those for which data are available at a reasonable cost.

Examples of PPD-specific indicators

A working group concerned with improving infrastructure conditions to boost the export market might consider as an impact indicator the time it takes for a truck with standard container to cross the country to the nearest port.

A working group concerned with improving ICT skills among the workforce might consider an indicator such as the average scoring of ICT students on final examinations of higher education institutes.

A PPD focused on cutting red tape will need impact indicators such as the % increase of the number of newly registered companies.

A PPD that is working on improvement of the investment climate for international enterprises might want to measure the percent increase of foreign investments of international companies in a country.

D.6.6.4. Consider carefully the target groups for indicators

Outcome and impact indicators are used to measure different characteristics of PPDs and the results they anticipate for relevant stakeholders. These could be, for example, individuals, financial institutions, BMOs, or private enterprises, and they can be either direct or indirect beneficiaries of the PPD.

Examples of defining target groups for indicators

A working group aiming to improve conditions for micro, small and medium enterprises (MSMEs) might want an indicator such as a percent increase in sales of MSME’s with a maximum total turn-over of 10,000 USD per year. It will not be useful to know what is the percent increase in sales of the private sector as a whole.

A PPD working on improving the access of agricultural producers to foreign inputs might want to know the percent increase of importation of fertilizers. It will not be interested in the percent increase of the value of total imports in the country.

The indicator of increased business registration would be too general for a PPD that is working on promoting the enabling environment for tourism companies. It will need to know the percent increase in registration of tourism companies.
D.6.7. The limitations of indicators

It is necessary to bear in mind that changes in indicators do not necessarily prove that it is the PPD which has led to the change. The main use of indicators is for monitoring purposes, to provide a sense of whether members of the target population have been reached and have improved performance on various dimensions.

To be able to attribute observed changes specifically to the PPD requires more rigorous studies that involve comparison with a counterfactual – the hypothetical situation that would have occurred in the absence of the program.

Good impact assessments use random assignment, constructed controls, and/or other approaches to isolate the impact of the program from other extraneous factors affecting outcomes.

D.6.8. Multiple measures are needed to calculate changes over time

The outcome and impact indicators included in this handbook are expressed as a measurement taken at a specific time. The intention is for programs to establish a baseline and be able to assess changes in the level of particular indicators over time. Changes can be calculated on an absolute or percentage basis.

The budget for data collection and analysis should be commensurate with the scale and importance of the project. As a general rule of thumb, M&E budgets should be in the order of three to five percent of the total program budget.

D.6.9. Indicators for comparative use and evaluative benchmarking of PPDs

This table suggests a limited number of indicators for comparative use and benchmarking of PPDs at the level of outcomes and impacts, which is the focus in the evaluation exercise.

<table>
<thead>
<tr>
<th>Anticipated Result</th>
<th>Outcome indicator (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in laws and regulations related to business enabling environment</td>
<td>Number of laws and regulations promulgated (new or amended) during the period under review.</td>
</tr>
<tr>
<td>Changes in relevant administrative procedures</td>
<td>Number of administrative procedures during the period of review.</td>
</tr>
<tr>
<td>Transaction costs for administrative procedures</td>
<td>Official cost of starting a business.</td>
</tr>
<tr>
<td></td>
<td>Official cost of registering property.</td>
</tr>
<tr>
<td></td>
<td>Official cost of enforcing contracts.</td>
</tr>
<tr>
<td>Days required to complete administrative procedures</td>
<td>Average time to complete each procedure in calendar days.</td>
</tr>
<tr>
<td><strong>Objective</strong></td>
<td><strong>Impact indicator</strong></td>
</tr>
<tr>
<td>Increase the rate of business registration</td>
<td>Number of businesses registered during the year.</td>
</tr>
<tr>
<td>Increase private sector productivity and growth</td>
<td>Percentage of enterprises reporting that the business enabling environment is conducive to their productivity and growth. Number of new jobs created. Amount of FDI registered during the year.</td>
</tr>
</tbody>
</table>