

## 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)**<sup>11</sup>, 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

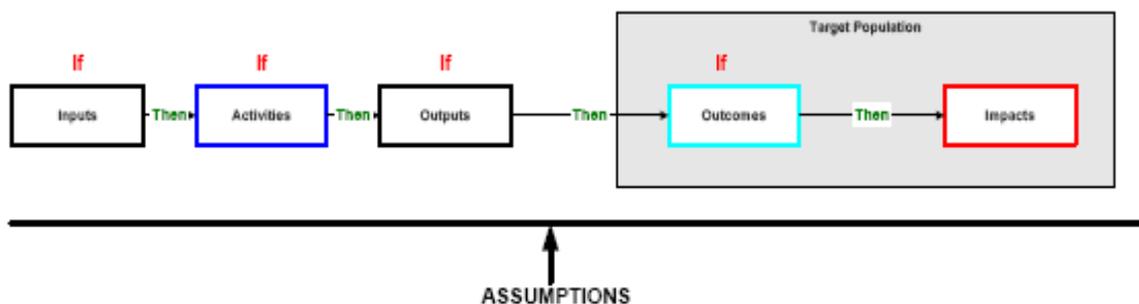
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<sup>11</sup> It is useful to distinguish between the two terms: the Logical Framework Approach (LFA) and Logical Framework (LF or Logframe). They are sometimes confused. The Logical Framework Approach is a project design methodology, the LogFrame 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** <sup>12</sup>



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

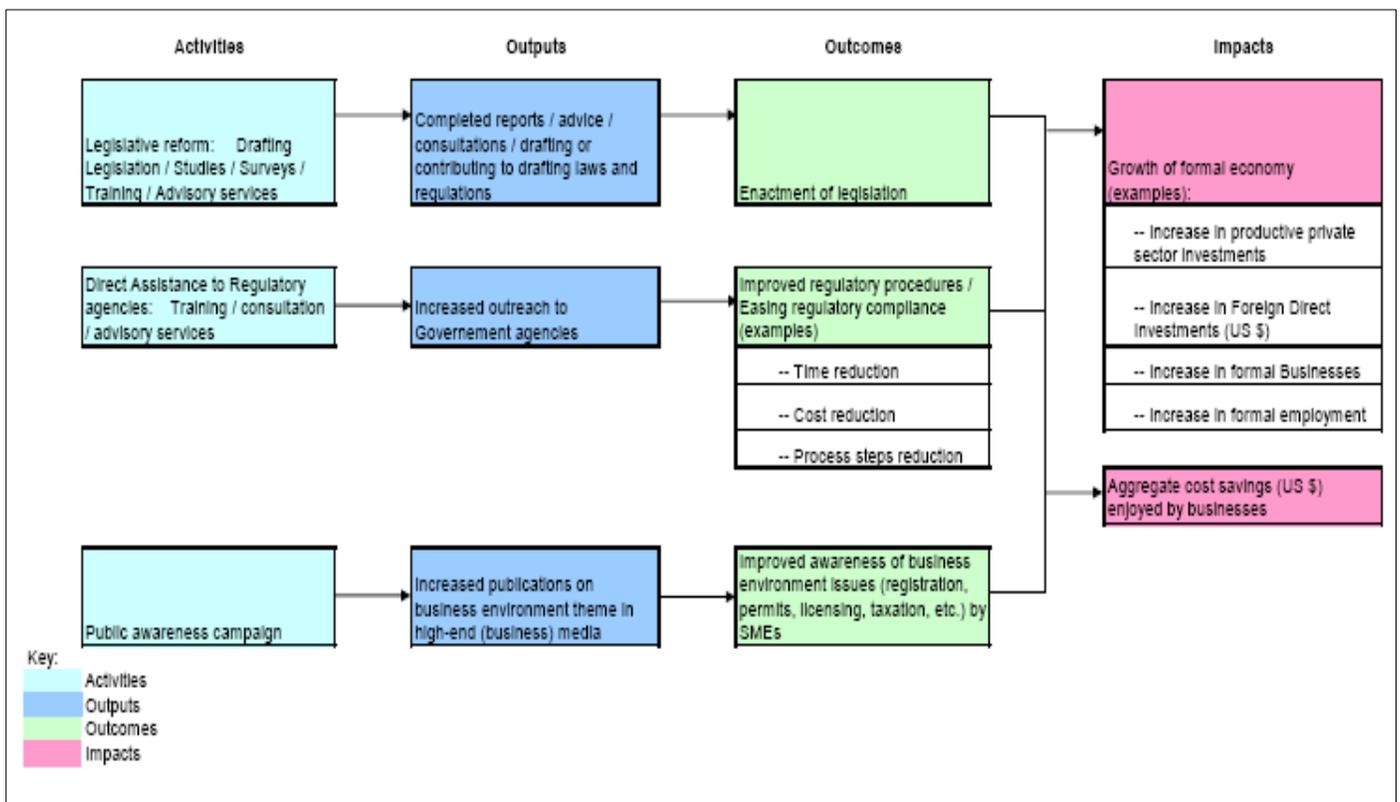
<sup>12</sup> Illustration adapted from “Guide to Core Output and Outcome Indicators for IFC Technical Assistance Programs”, G Batra, Results measurement Unit, SME Department, IFC.

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?

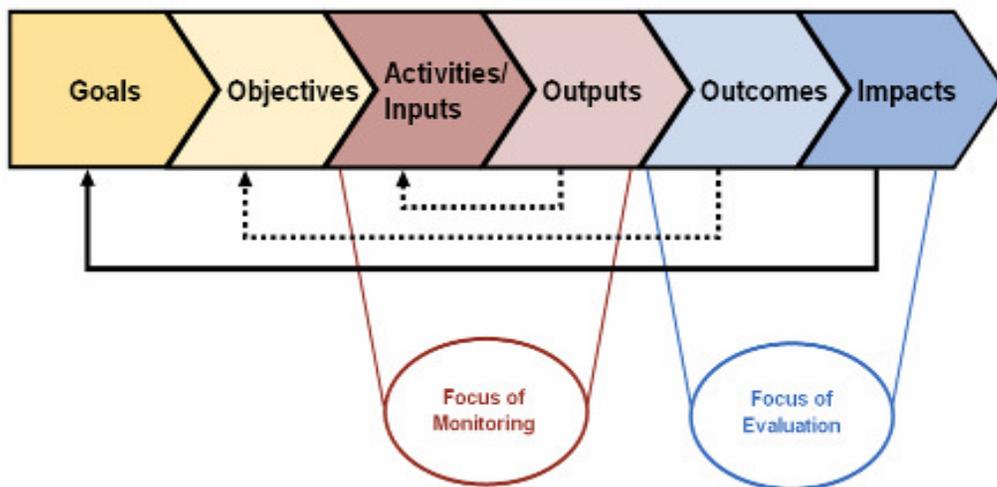
The LF and its PLM can provide useful frameworks and tools for evaluation work. They can be used to demonstrate the role of monitoring, evaluation and impact assessment and the specific points at which M&E should be undertaken in the program or project implementation. Figure 2.2 illustrates the PLM for 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><b>Goal/Overall Project Objectives:</b> 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><b>Purpose/Objective Outcome</b> 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><b>Project Outputs:</b> 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><b>Project Activities:</b> 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 &amp; methods used to collect &amp; 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><b>Project Inputs</b> 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)**<sup>13</sup> for those OVIs, and the **assumptions** and **risks** considered that could work against achieving the objectives.

<sup>13</sup> 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 GTZ<sup>14</sup>. 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 2.4<sup>15</sup> 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**.

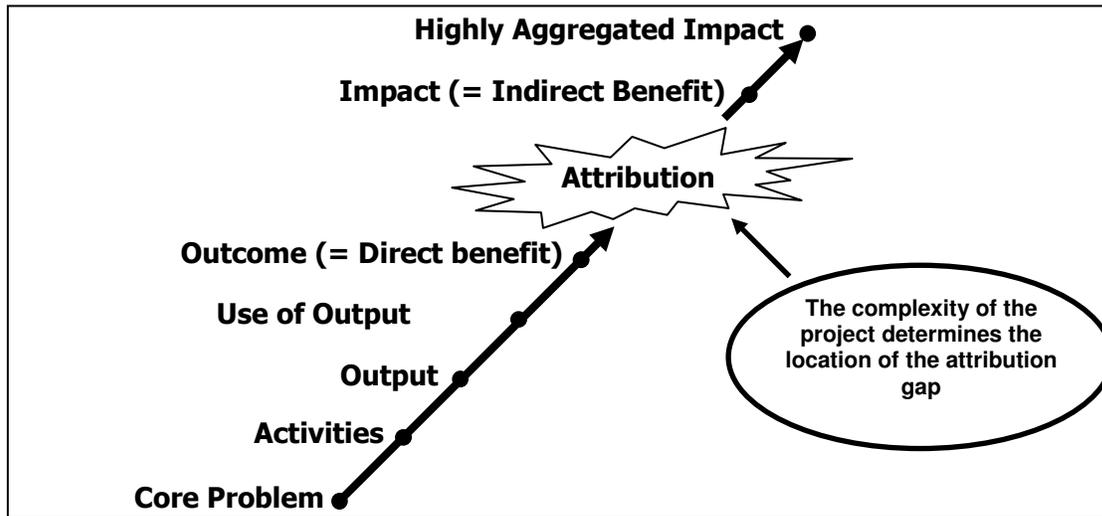
This results-based impact chain model is also translated into a matrix similar to the Log Frame, for project planning and management as is illustrated by the Case Snapshot 2.1 for GTZ’s BEE work in Vietnam.

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<sup>14</sup> More information can be found at: [http://www.gtz.de/de/publikationen/begriffswelt-gtz/en/include.asp?lang=E&file=8\\_26.inc](http://www.gtz.de/de/publikationen/begriffswelt-gtz/en/include.asp?lang=E&file=8_26.inc)

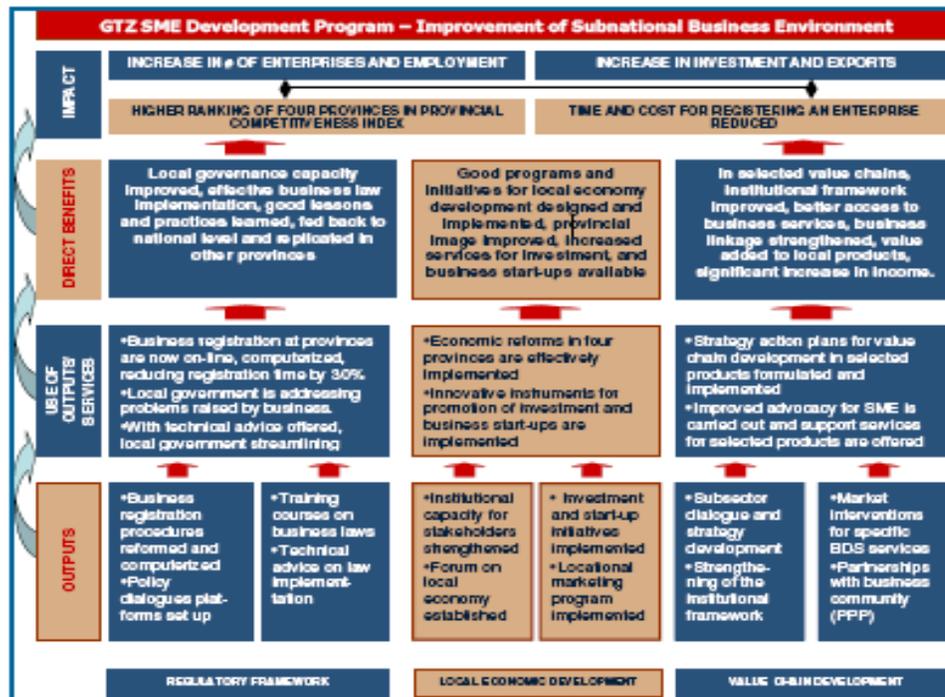
<sup>15</sup> GTZ Results-based Monitoring Guidelines for Technical Cooperation Projects and Programmes May 2004 Unit 04 Corporate Development OU 042 Internal Evaluation

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 Nam<sup>16</sup>. 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:



<sup>16</sup> 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 LF<sup>17</sup> 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

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<sup>17</sup> 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.**

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

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

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.<sup>18</sup>

<sup>18</sup> 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**

<b>Indicator types</b>	<b>Characteristics and use</b>	<b>Observations</b>
<b>Direct</b>	For observable change resulting from activities and outputs	May simply be a more precise and operational restatement of the objective.
<b>Indirect (proxy)</b>	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
<b>Qualitative</b>	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.
<b>Quantitative</b>	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'
<b>Process</b>	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 <sup>19</sup> . Important means of addressing diversity and inclusion.
<b>Cross-cutting</b>	Often used to describe indicators relating to gender, diversity, environment	Will still need to be direct, indirect, quantitative or qualitative.
<b>Formative</b>	Set up within a timeframe to be measure <i>during</i> a phase of intervention.	Sometimes used interchangeably with milestones.
<b>Summative</b>	Used to measure performance at the <i>end</i>	Formative and summative are terms also applied to evaluations.

<sup>19</sup> 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](http://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 PPD<sup>20</sup> 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.

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<sup>20</sup> IFC Business Reform Toolkits: The Public Private Dialogue Hand Book and the Strategic Communications<sup>20</sup>Handbook 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](http://www.publicprivatedialogue.org)

Communication is another area where process indicators are critical to measuring its success<sup>21</sup>. 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.

<sup>21</sup> [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"> <li>▪ Local and foreign investors</li> <li>▪ Small and medium sized businesses</li> <li>▪ Large corporations</li> <li>▪ Financial institutions</li> <li>▪ Business Associations,</li> <li>▪ Chamber of Commerce</li> <li>▪ Professional organizations</li> <li>▪ Individual business leaders</li> <li>▪ Business women</li> </ul>	<ul style="list-style-type: none"> <li>▪ President’s office</li> <li>▪ National and local public institutions</li> <li>▪ Ministers and advisors</li> <li>▪ Civil servants</li> <li>▪ Parliament</li> <li>▪ Political parties</li> <li>▪ Investment commissions and councils</li> </ul>	<ul style="list-style-type: none"> <li>▪ National and local NGOs</li> <li>▪ Trade unions</li> <li>▪ Academia</li> <li>▪ Citizen advocacy groups</li> <li>▪ General population</li> <li>▪ Consumers</li> <li>▪ Employees</li> <li>▪ National, local and international media</li> </ul>	<ul style="list-style-type: none"> <li>▪ Multilateral development partners</li> <li>▪ Foreign governments</li> <li>▪ International development NGOs</li> <li>▪ International media</li> </ul>

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 aspects<sup>22</sup>. 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**

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

<sup>22</sup> 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

<b>S</b>	<b>Specific:</b> Reflect what the project intends to change and are able to assess performance
<b>M</b>	<b>Measurable:</b> 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.
<b>A</b>	<b>Attainable:</b> Achievable by the project and sensitive to change. Feasible time and money to collect data using chosen indicators. Available at a reasonable cost
<b>R</b>	<b>Relevant:</b> Relevant to the project in question.
<b>T</b>	<b>Time bound:</b> Describes when a certain change is expected.

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

<b>S</b>	<b>Subjective:</b> 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.
<b>P</b>	<b>Participatory:</b> 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.
<b>I</b>	<b>Interpretable:</b> Locally defined indicators may be meaningless to other stakeholders, so they often need to be explained.
<b>C</b>	<b>Cross-checked:</b> The validity of assessment needs to be cross-checked, by comparing different indicators and progress, and by using different informants, methods, and researchers.
<b>E</b>	<b>Empowering:</b> The process of setting and assessing indicators should be empowering in itself and allow groups and individuals to reflect critically on their changing situation
<b>D</b>	<b>Disaggregated:</b> 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 guide<sup>23</sup> which presents *a core set of mandatory output, outcome and impact indicators for the IFC five Business Lines – Access to Finance, Business Enabling*

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<sup>23</sup> “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*<sup>24</sup>. 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 programs**<sup>25</sup>:

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

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

<sup>25</sup> 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		
Sub-national Doing Business	c	c	c	c	c	c	c	c					c							c	c		c			
Doing Business FRR	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)<sup>26</sup>

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

<sup>26</sup> 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"> <li>▪ Change in mandatory VAT threshold</li> <li>▪ Number of firms registering for VAT on voluntary basis</li> <li>▪ Number of tax payments per year</li> <li>▪ Time required for tax compliance</li> <li>▪ Cost required for tax compliance</li> <li>▪ Risk of delay of refund beyond specified time (% of firms)</li> <li>▪ Risk of severe fines/sanctions (% of firms)</li> <li>▪ Reduction in METR</li> </ul>	<ul style="list-style-type: none"> <li>▪ Private fixed gross capital formation (as % of GDP)</li> <li>▪ % increase number of firms registered for tax</li> <li>▪ % increase in number of firms paying tax</li> </ul>

### 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**<sup>27</sup> (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 Indicators**<sup>28</sup>

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<sup>27</sup> <http://www.doingbusiness.org/>

<sup>28</sup> <http://www.doingbusiness.org/>

World Bank Doing Business Indicators	
<b>Starting a business</b>	<b>Protecting investors</b>
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)
<b>Dealing with licenses</b>	<b>Paying taxes</b>
Procedures (number)	Payments (number)
Time (days)	Time (hours per year)
Cost (% of income per capita)	Total tax payable (% of gross profit)
<b>Employing workers</b>	<b>Trading across borders</b>
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)
<b>Registering property</b>	<b>Enforcing contracts</b>
Procedures (number)	Procedures (number)
Time (days)	Time (days)
Cost (% of property value)	Cost (% of debt)
<b>Getting credit</b>	<b>Closing a business</b>
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