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ANNEX 1: Case studies

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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.

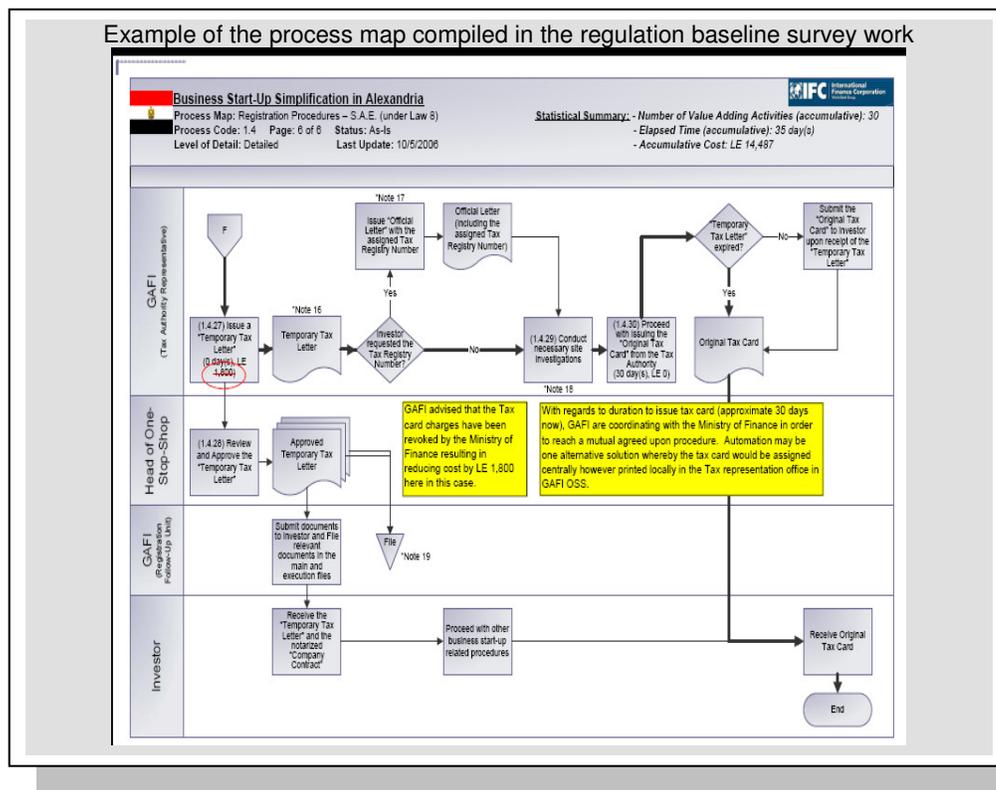
The majority of business simplification projects begin with some form of diagnostic mapping exercise of regulations and systems. Such work can be used to establish a regulative baseline for M&E as well as the ‘route map’ for what technical intervention needs to take place. In this way the M&E costs of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

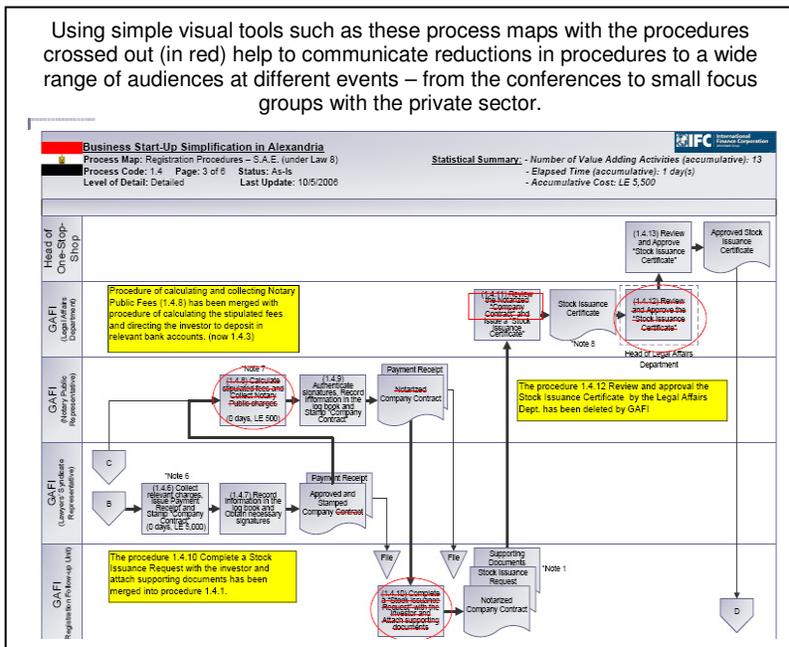
- Project Fact Sheet
- Press releases & conferences
- Two high profile conferences with local and international speakers
- A variety of public private working groups and review meetings with government and private sector partners

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”

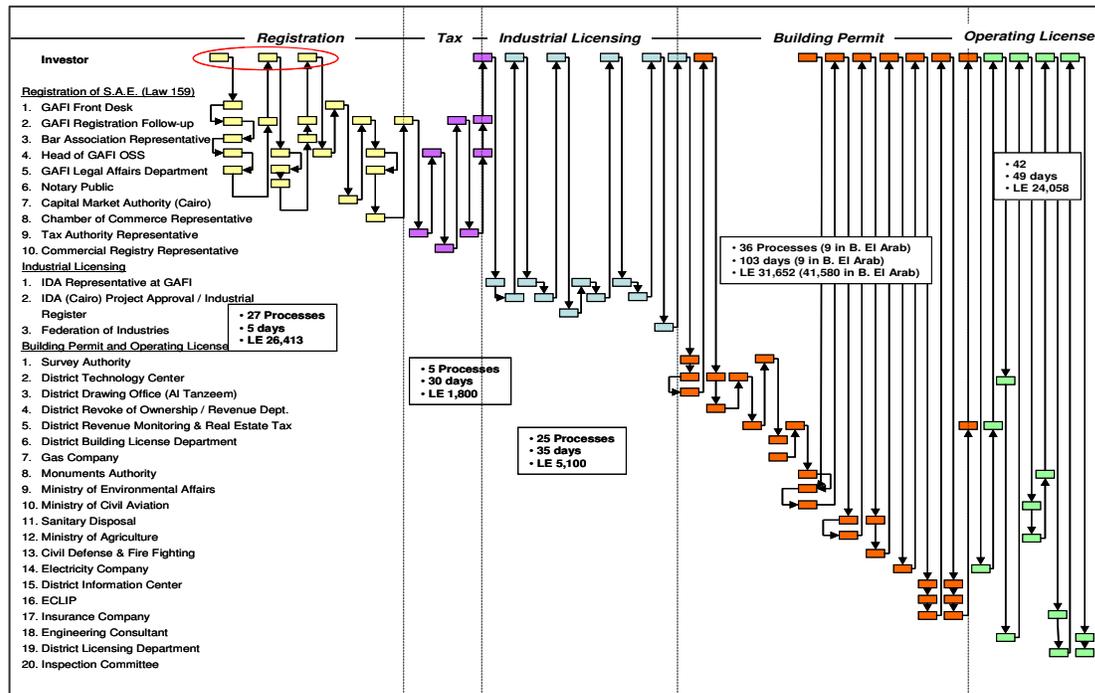
Using simple visual tools such as these process maps with the procedures crossed out (in red) help to communicate reductions in procedures to a wide range of audiences at different events – from the conferences to small focus groups with the private sector.



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

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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 way they have ensured that M&E activities have been centre stage throughout the reform process.

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.

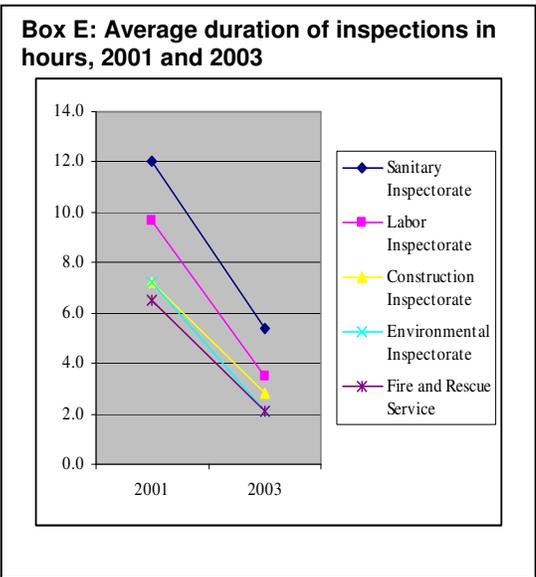
Box D: Average number of inspections a year from inspected companies			
Inspectorates	2001	2003	2005
Sanitary	4.3	2.6	2.1
Municipal Police	2.9	3.1	3.4
Construction	2.7	1.7	1.55
Environmental	2.3	2.1	1.6
State Revenue	2.2	1.9	1.9
Fire and Rescue	1.6	1.5	1.2
Labor	1.4	1.4	1.5
Inspections per year	17.3	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.

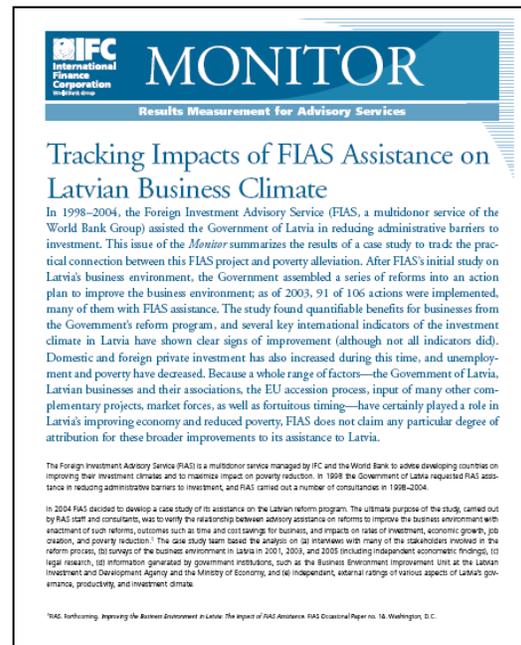
These impact calculations are essentially based on “after vs. before” calculations rather than the more accurate “with reform” vs. “without reform,” for which we lack a counterfactual. As a matter of fact, policy reforms at the national level do not lend themselves to such an analysis, as no firms can 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

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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

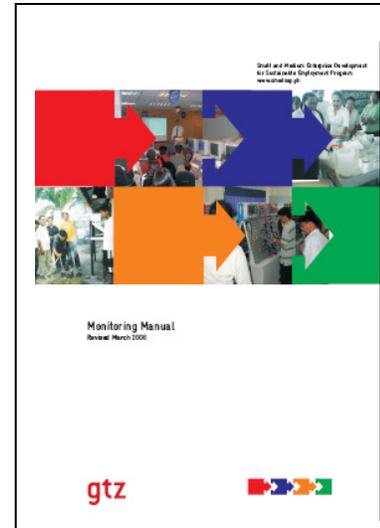
<p>Government</p> <ul style="list-style-type: none"> - Department of Trade and Industry (DTI) - Technical Education and Skills Development Authority (TESDA) - Local Government Units (LGUs) 	<p>Private Sector</p> <ul style="list-style-type: none"> - Local Business Development Service (BDS) Providers - Private Banks - Associations and Chambers - Human Resource Development (HRD) Providers
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- 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:

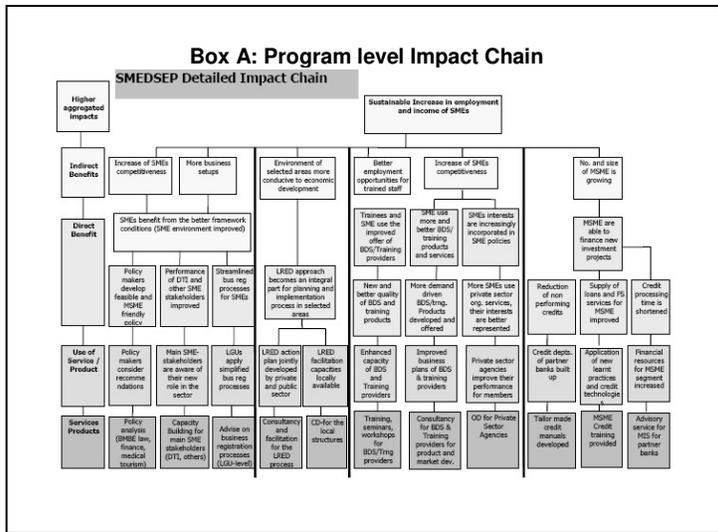
- Dissemination of City Competitiveness Survey
- Annual presentations of strategic and operational monitoring reports
- Partners participate in quarterly monitoring meetings

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.

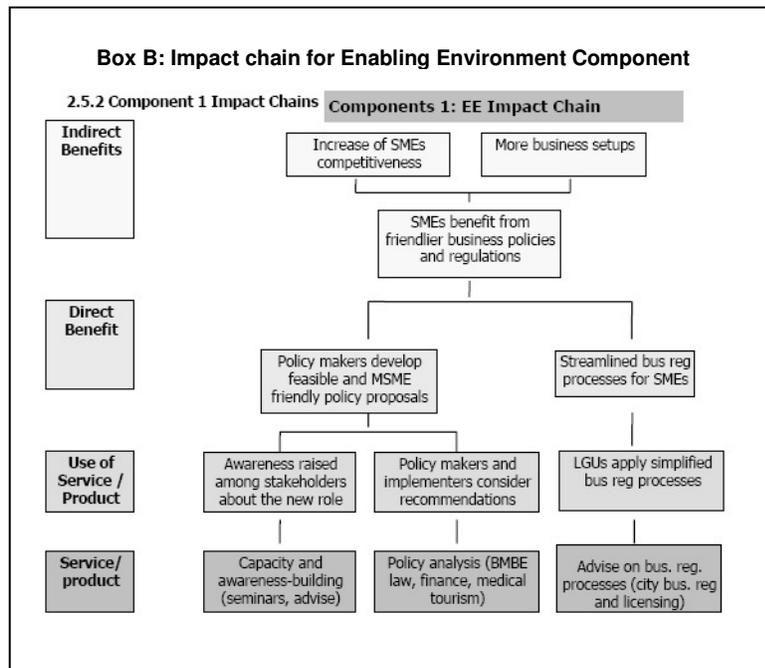
During operational planning workshops held with the three phase 1 pilot regions in early 2006, the roles and responsibilities for monitoring were clarified. Department of Trade and Industry (DTI) plays the lead role in monitoring program operations. In addition, care has been taken to integrate the GTZ 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

- 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

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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 laws 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

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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

Based on these results and consultations with private sector representatives, the team worked with the municipal government to simplify the procedures, train civil servants, and upgrade the systems used to process licensing requests. As part of the program,

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.

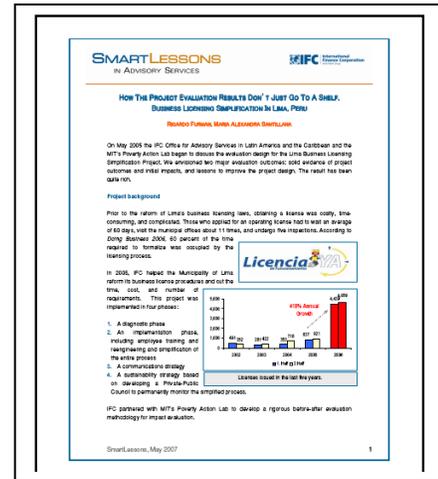
During the analysis phase of the evaluation, changes in the types of licenses being applied for were noted. Further qualitative investigation is needed to understand this dynamic.

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.

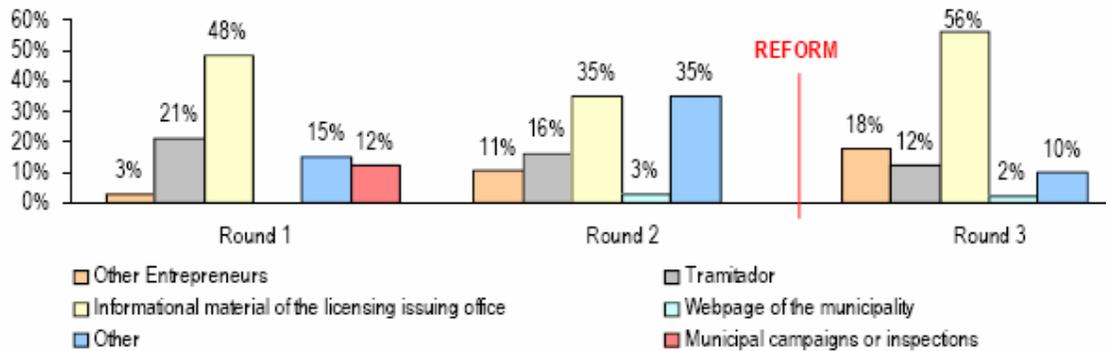


Figure 14: Percentage of people who mentioned other sources of information besides the officials employed at the municipality.

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

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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

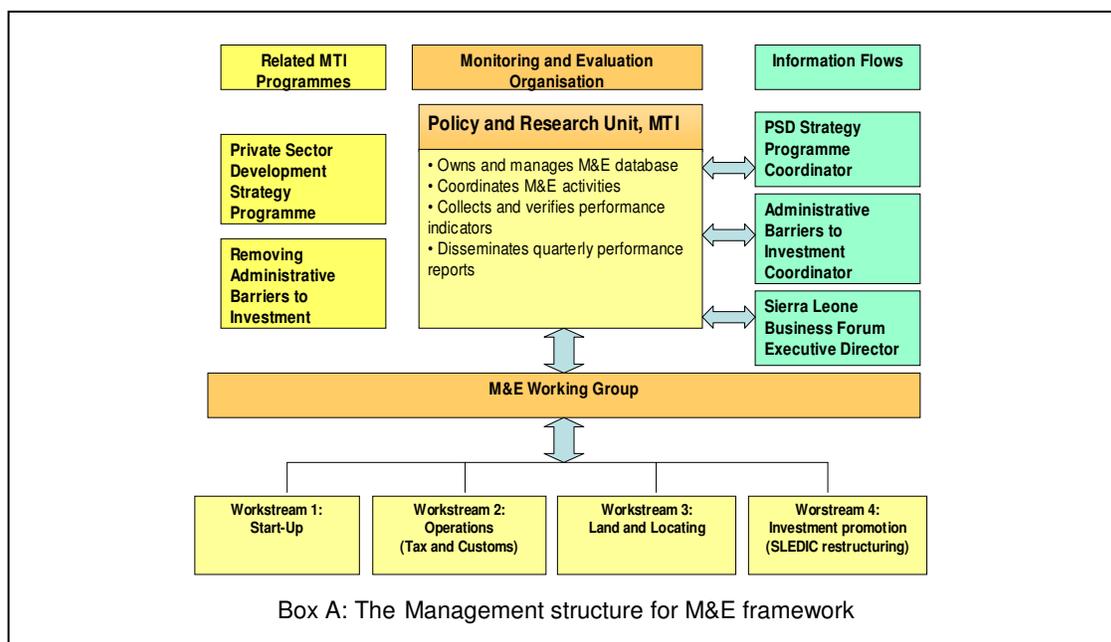
Communication:

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

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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%.

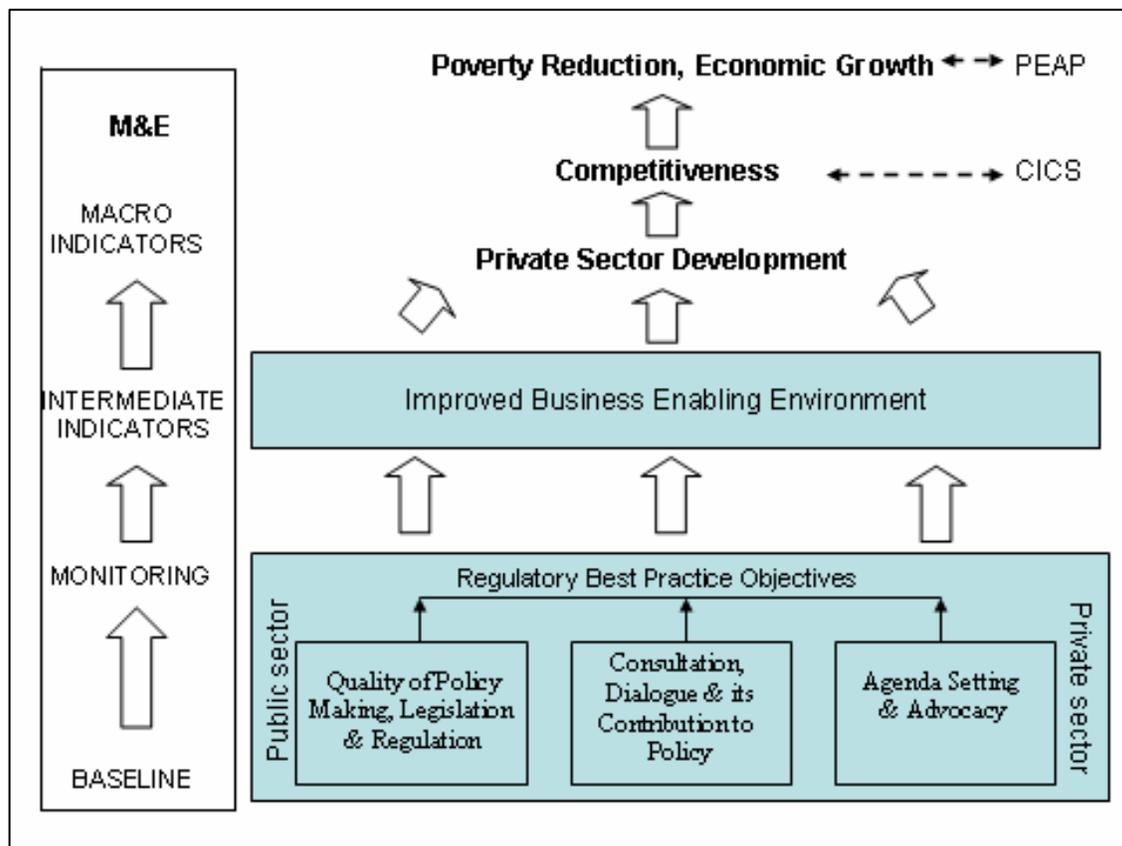
The Entebbe pilot was well publicized, it won the Africa Investor Award 2004 for Smart Regulation and subsequently an additional 10 councils signed up for the rollout.

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	1	2	3	4	5	6	7	8	9	10	Score	
1 Purpose and intended effect of the proposal												
11												
12												
2 The policy problem												
21												
22												
23												
3 Options Analysis												
31												
32												
33												
4 Assessment of impacts												
41												

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

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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

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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

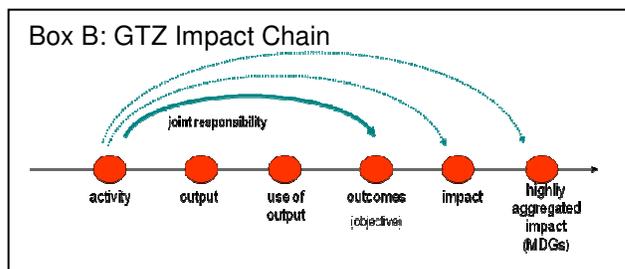
improvements in the general policy environment in which SMEs operate. For this reason the T-G PEC works with a wide range of intermediaries or facilitators and service providers through its implementation including:

- *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

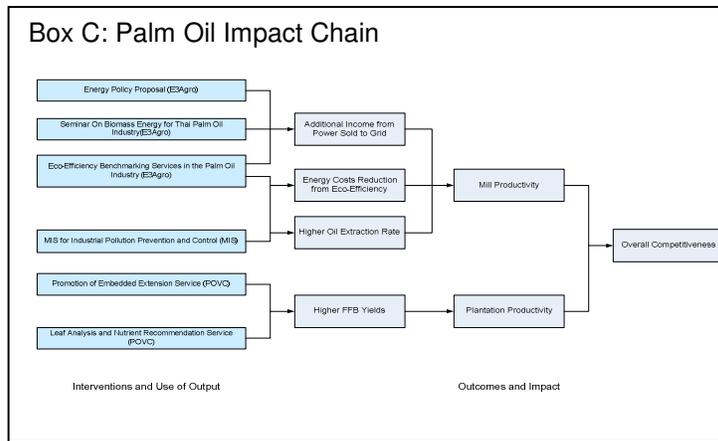


GTZ uses a 'results based approach' to assess all of their development interventions. Underpinning this work is the 'impact chain'(see Box B) which utilises a variation of the 'logic model' or logframe used by other development partners⁵⁸.

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.).

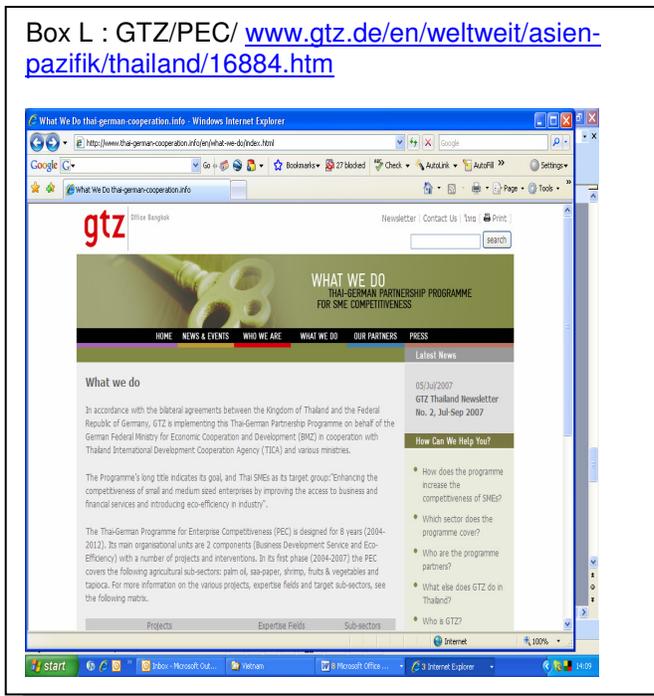
In this case, the changed framework condition being promoted is related to an increase in the feed-in tariff for crushing mills that recycle bio-mass into methane gas and feed-in this power to the electricity grid. The feed-in tariff change occurred in February 2007 from 2.8ThB pkw/hr to 3.1ThB pkw/hr. 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

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Phitcha Wanitphon Deputy Director Business and Financial Services T-G Programme for Enterprise Competitiveness

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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.)

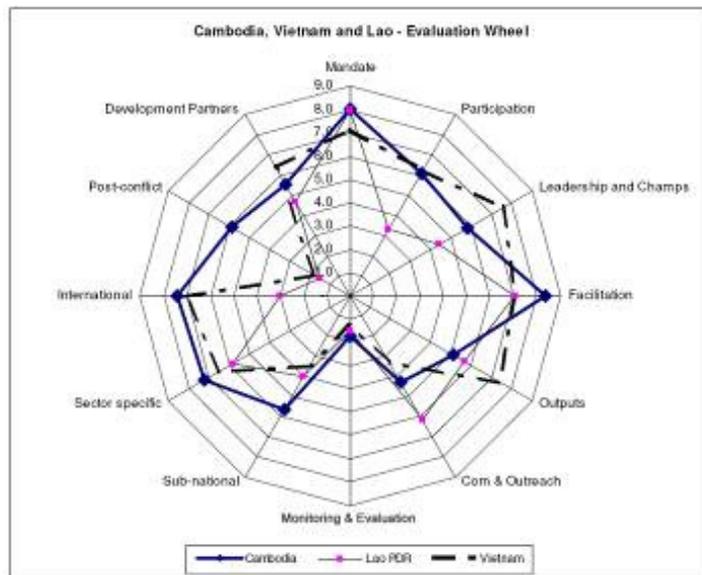
⁵⁹ See section 5 for a fuller explanation

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.
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- Lili Sisombat, MPDF Cambodia, IFC

References and resources

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