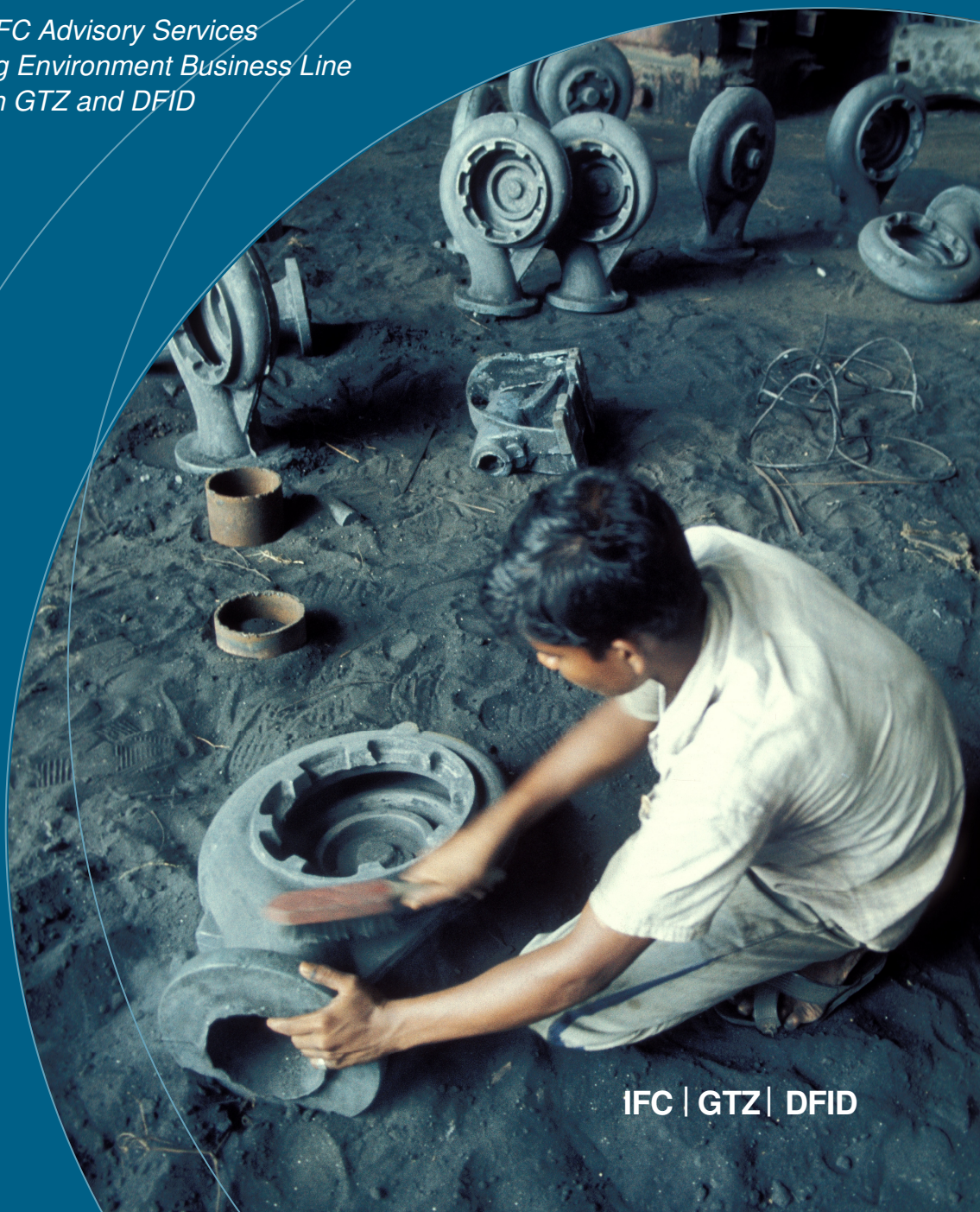


The Monitoring and Evaluation Handbook

For Business Environment Reform

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



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

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

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Top ten tips for M&E

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

Acronyms

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

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

Section 1

Introducing M&E for BEE

1.1. About this Handbook

1.2. The Business Enabling Environment

1.3. The focus on M&E

1.4. The benefits of M&E

1.5. Addressing diversity, inclusion and sustainability

1.6. The challenges of M&E for BEE

1.7. Key terms and concepts in M&E

1.8. Key messages

1.1 About this Handbook

What is the Handbook about?

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

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

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

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

Who is the Handbook for?

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

What does it include?

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

How should I use the Handbook?

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

Structure of the Handbook:

Section 1: Introducing the BEE M&E Handbook

Section 2: Frameworks and Indicators for M&E

Section 3: Conducting Baselines and Collecting Data

Section 4: Evaluation and Impact Assessment

Section 5: The Project Cycle of M&E

Annexes (including Case Studies)

Will there be more information?

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

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

1.2 The Business Enabling Environment (BEE)

What is the BE and BEE?

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

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

www.enterprise-development.net

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

BEE interventions are intended to:

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

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

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

What is a typical BEE intervention?

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

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

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

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

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

Box 1.1: Comprehensive business regulatory reforms in Sierra Leone

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

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

Box 1.2: Sub-national business registration reforms in Egypt

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

> See the full case study on Egypt in Annex 1

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

Box 1.3: Industry reform projects in Egypt and the Yemen

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

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

Source: F. Sader, IFC PEP-MENA

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

Box 1.4: What is trade logistics?

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

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

Source: Uma Subramanian and Natalia Cubillos, IFC

Box 1.5: What are tax administration reforms?

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

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

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

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

Box 1.6: What is ADR?

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

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

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

Box 1.7: What is PPD?

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

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

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

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

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

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

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

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

IFC Business Reform Toolkits:

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

Other resources:

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

⁴ See Annex 3 - Bibliography

⁵ www.ifc.org/ifcext/sme.nsf/content/BEE+toolkits

1.3 The focus on M&E

Who is driving the agenda on M&E?

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

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

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

What is the purpose of M&E?

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

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

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

⁷ <http://www.mfdr.org/index.html>

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

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

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

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

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

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

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

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

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

1.4 The benefits of M&E

Why should we undertake M&E?

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

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

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

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

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

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

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

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

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

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

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

1.5 Understanding diversity, inclusion & sustainability

How does BEE relate to poverty reduction and the MDGs?

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

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

What are the relevant elements of diversity?

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

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

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

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

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

Box 1.8 : Dimensions of Diversity

Recognition and consideration of diversity issues means explicitly considering:

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

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

What are the relevant elements of inclusion?

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

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

Box 1.9: Ensuring inclusion

Recognition of inclusion means explicitly considering:

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

What are the relevant elements of sustainability?

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

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

Box 1.10: Building sustainability

Recognizing the importance of developing sustainable reforms means explicitly considering:

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

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

1.6 The challenges of M&E for BEE

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

What makes the evaluation of BEE interventions difficult?

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

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

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

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

Table 1.4: The Challenges of M&E for BEE

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

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

How can these challenges be addressed?

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

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

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

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

1.7 Key terms and concepts in M&E

What are the key terms for M&E?

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

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

Table 1.5: Key M&E Terminology

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

	and investment levels, and economic growth.
Impact Assessment¹⁰	<p>Seek to capture impacts that have occurred and ideally to differentiate those changes that are attributable to the project/intervention from other external factors.</p> <p>It can take place throughout the project program but usually towards or after the end of a project/program and is undertaken by those not involved in the project implementation.</p>
Baselines	<p>A set of factors or indicators used to describe the situation prior to a development intervention and act as a reference point against which progress can be assessed or comparisons made. These are sometimes referred to as benchmarks.</p>
Indicators or performance indicators or key performance indicators (KPIs)	<p>A quantitative and/or qualitative variable that allows the measurement and verification of changes produced by a development intervention relative to what was planned.</p> <p>A typical outcome indicator for business simplification is the 'change in the number of procedures needed to register a business'.</p>
Targets	<p>Indicators are a means by which change will be measured; targets are definite ends or amounts which will be measured.</p> <p>A target is an explicit statement of the desired and measurable results expected for an indicator at a specified point in time. Targets should be expressed in terms of quantity, quality and time</p>
Milestones	<p>Significant points in the lifetime of a project. A particular point in the project by which specified progress should have been made.</p>

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

1.8 Key messages

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

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