Section 3
Conducting Baselines and Collecting Data

3.1. Establishing baselines

3.2. Accessing and using secondary data

3.3. Collecting and using primary data

3.4. Key messages

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

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

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

3.1 Establishing baselines

Why should I do a baseline survey?

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

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

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

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

It is worth noting that many performance indicators may display a "J-curve" effect (showing a decrease prior to an increase) where for example the number of companies registered initially decreases (because of the weeding out of "dead" companies) or financial performance deteriorates before improving. Careful tracking of indicators from the early stages of the reform intervention will allow the capture of the real baseline data[29]. Project teams will therefore need to ensure that performance is measured from the very inception of the reform initiative to guarantee that performance targets are met. In order to determine whether a reform process has been successful, it is necessary to conduct an evaluation by essentially taking a 'before' and 'after' snapshot of performance. This aspect of evaluation is discussed in more detail in Section 4.

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

Box 3.1 looks at the need for a robust baseline.

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

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

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

What are the key features of a good baseline?

It is important to get baseline data in place as soon as possible, although sometimes indicators can only be agreed after some initial stakeholder consultation work has been concluded (as discussed in section 2). This can delay getting a baseline established. One way to mitigate is to maximize the use of existing data, including the Doing Business indicators[30], previous research studies by academics, previous donor's interventions, records of partner institutions, and enterprise surveys.

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

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

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[30] http://www.doingbusiness.org/

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

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

Case Snapshot 3.1: The City Competitiveness Survey in the Philippines

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

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

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

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

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

Case Snapshot 3.2: Presenting the enterprise baseline survey in Laos

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

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

Case Snapshot 3.3: Extending the enterprise survey in Lima.

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

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

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

What type of baselines do I need?

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

Regulatory baselines

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

Box 3.2: Key components of the regulatory baseline

- A legal assessment of official regulations and procedure to compile an inventory of current relevant laws and regulations.

- A detailed integrated analysis or mapping of the current official framework and processes for regulatory procedures, including the official cost of the procedures and the number of steps, based on information and observation from the implementing regulatory agencies

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

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

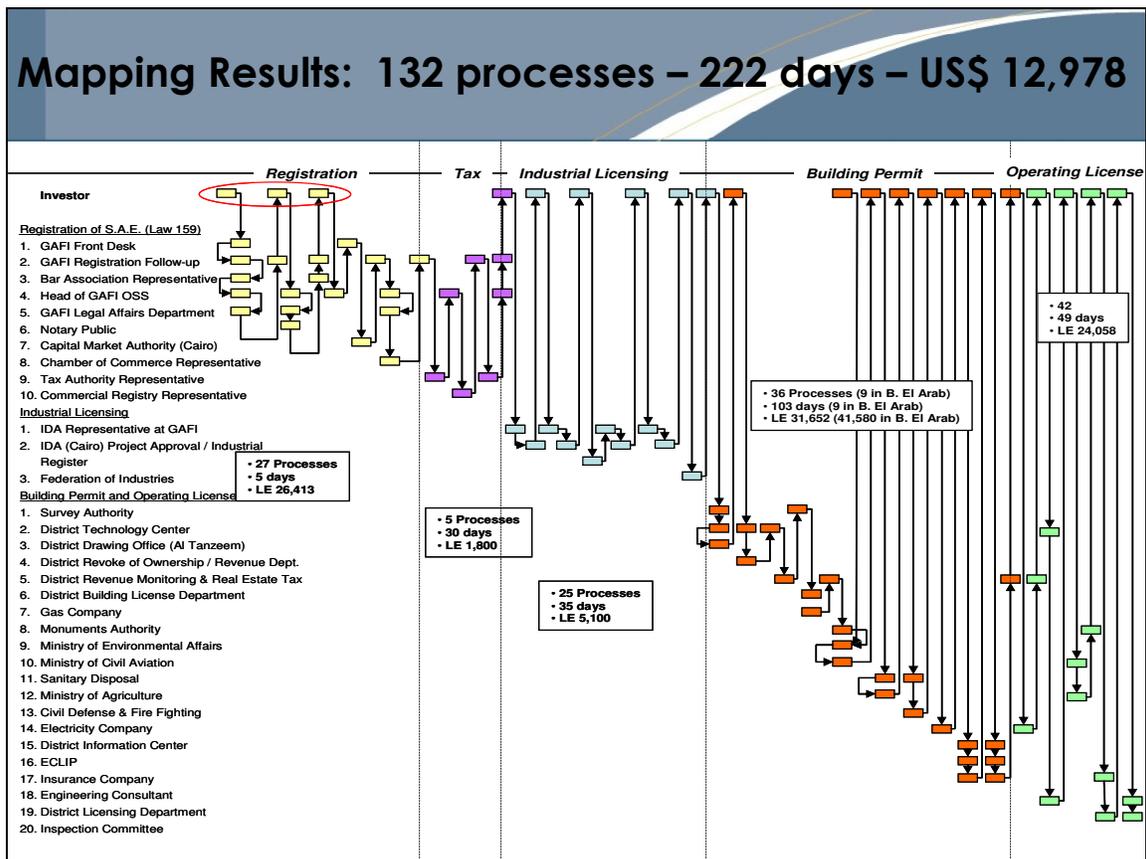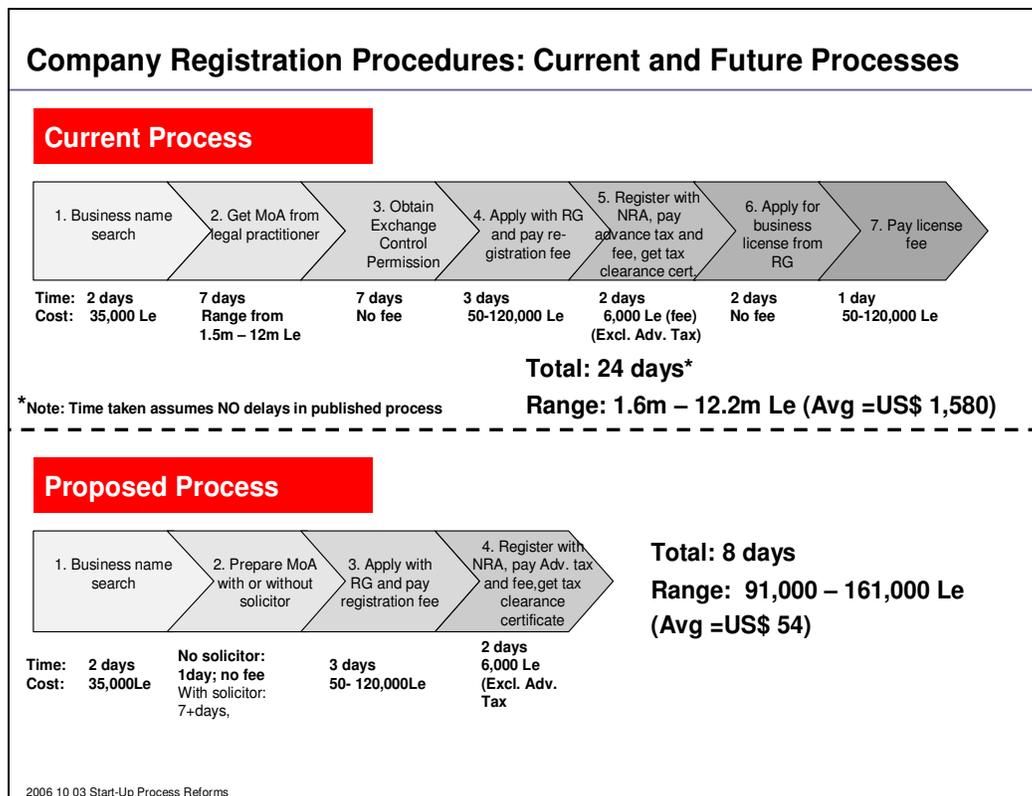**Fig 3.1: Mapping for Business Regulation Simplification in Egypt**

Mapping Results: 132 processes – 222 days – US$ 12,978

Fig 3.2: Company registration in Sierra Leone

Company Registration Procedures: Current and Future Processes

Current Process

1. Business name search	2. Get MoA from legal practitioner	3. Obtain Exchange Control Permission	4. Apply with RG and pay re- gistration fee	5. Register with NRA, pay advance tax and fee, get tax clearance cert.	6. Apply for business license from RG	7. Pay license fee
Time: 2 days	7 days	7 days	3 days	2 days	2 days	1 day
Cost: 35,000 Le	Range from 1.5m – 12m Le	No fee	50-120,000 Le	6,000 Le (fee) (Excl. Adv. Tax)	No fee	50-120,000 Le

Total: 24 days*

*Note: Time taken assumes NO delays in published process

Range: 1.6m – 12.2m Le (Avg =US$ 1,580)

Proposed Process

1. Business name search	2. Prepare MoA with or without solicitor	3. Apply with RG and pay registration fee	4. Register with NRA, pay Adv. tax and fee,get tax clearance certificate
Time: 2 days	No solicitor: 1day; no fee With solicitor: 7+days,	3 days	2 days
Cost: 35,000Le		50- 120,000Le	6,000 Le (Excl. Adv. Tax

Total: 8 days

Range: 91,000 – 161,000 Le (Avg =US$ 54)

2006 10 03 Start-Up Process Reforms

Performance baselines

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

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

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

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

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

Enterprise baselines

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

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

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

Box 3.3 : Benefits of an enterprise survey.

- Provides official cost of the procedures and the number of steps involved in the process.

- Monitors not only progress of the project with regard to its impact on the business climates, but can be made available for the public and the use of other development partners;

- Produces facts for a private-public dialogue and media briefings and feeds them into the political and civic process;

- Help prioritize facts through empirical cross-checks which can be used for project steering and political discussions;

- Builds visibility for the donor;

- Build capacity for a new local team;

- Motivates government and stakeholders to reform.

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

Annex 4.1 provides some guidance on the five key steps of undertaking an enterprise survey, namely: plan, design, administer, interpret and disseminate[31].

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

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

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

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

The monitoring of program effects is based on a biennial enterprise survey, the first of which in 2005 generated benchmarks of chosen indicators. The Enterprise Baseline survey in 2005 was designed to serve four principle purposes: Quantitative benchmarking of indicators; Collection and analysis of structural and performance data of sampled enterprises; Analysis and ranking of actual and perceived business constraints; and Laying the foundations for: targeted private sector/SME development interventions; and an impact monitoring system for Lao partner organizations.
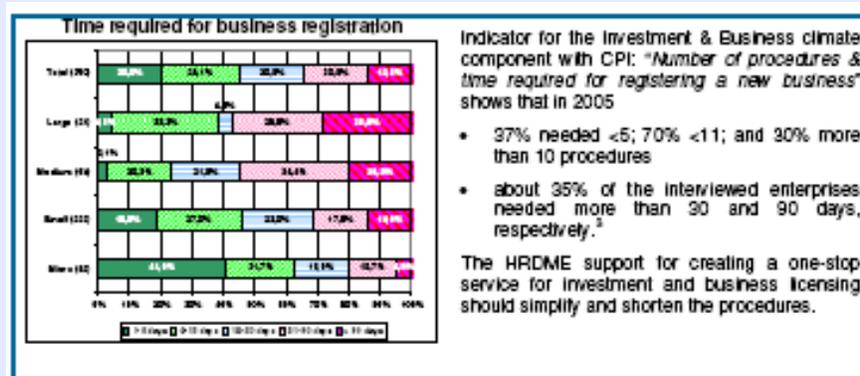
The concept for the follow up survey in 2007 is to maintain – as much as possible – the questionnaire and the sample in order to track changes in business and investment performance of sampled enterprises during the past two years. It should trace the influence of economic policy and regulatory reform as well as the impact of specific support activities of the HRDME. It will also facilitate the drawing of conclusions for effective promotional or regulatory reform efforts.

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

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

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

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

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

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

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

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

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

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

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

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

Case Snapshot 3.7: The IFO Export Climate Survey in Mongolia

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

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

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

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

Case Snapshot 3.8: The South Africa Small Business Taxation Survey

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

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

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

The survey was structured in three parts:

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

▪ A direct survey of small formal businesses

▪ A direct survey of informal businesses.

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

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

Source: www.fias.net

Case Snapshot 3.9: The Tajikistan SME Business Environment Survey

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

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

Baseline conducted in 2003 found that:

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

These inspections cumulatively lasted an average of 17 days

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

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

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

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

Is it possible to reconstruct a baseline?

The absence of a baseline is a common problem, and evaluators of programs that have been running for some time may need to reconstruct a baseline. One way of doing this is by reviewing and analyzing historical data and secondary data. For BEE, there may be limitations in this method. There may be no secondary data available or the secondary data (e.g. DB indicators[32]) may not sufficiently measure program variables and potential impacts if the reform is targeted to issues or beneficiaries not covered by DB or at local level.

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

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[32] http://www.doingbusiness.org/

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

3.2   Accessing and using secondary data

What is secondary data and should I use it?

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

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

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

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

What are the main sources of international business environment data?

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

WB Enterprise surveys and Investment Climate Surveys Database

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

www.enterprisesurvey.org//Custom/

The World Bank Investment Climate Surveys Database provides both quantitative and qualitative information on a wide range of investment climate conditions and links them to their impact on firm productivity, investment and employment. The ICS - including the Business Environment and Enterprise Surveys (BEEPS) joint with the EBRD - report results from surveys of over 30,000 entrepreneurs in over 50 countries. The surveys are business establishment surveys aimed at generating statistical information for formal assessments of investment climates in international and regional perspectives. The surveys report on some BE indicators and can provide useful baseline and background data[33].

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

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[33] http://iresearch.worldbank.org/InvestmentClimate/

WB Doing Business

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

A high ranking on the ease of doing business index means the regulatory environment is conducive to the operation of business. The economic index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. Further information about the methodology is available on the doing business website[34].

http://www.doingbusiness.org/
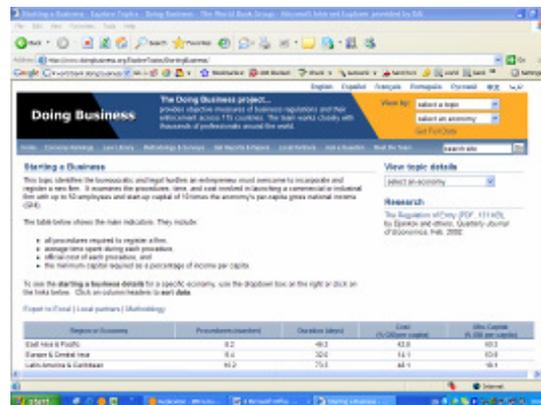
Recently DB have teamed up with Google[35] to create an interactive DB global map with the key DB characteristics for countries. DB data can provide good baselines but is less useful for comparisons as it is based on very specific profile of a firm (see Section 2) which may not fit the profile of the beneficiary group.
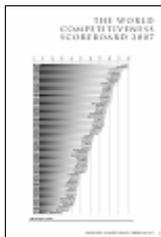
www.doingbusiness.org/map/

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[34] http://www.doingbusiness.org/documents/DB08Easeofdoingbusinessrankmethod.pdf
[35] www.doingbusiness.org/map/

Other general studies on the investment climate

World Economic Forum Global Competitiveness index

http://www.weforum.org

International Institute for Management Development (IMD) World Competitiveness Scoreboard

http://www.imd.ch

Commonwealth Business Council's Business Environment Surveys (BES)

http://www.cbcglobelink.org

National and sub-national Business Environment data

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

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

Case Snapshot 3.10: **Unpicking informality in Sierra Leone**

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

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

Sources of Informal Economic Activity in Sierra Leone

Part I: Survey Report

June 2006

FIAS
Leaders in Investment Climate Solutions
A multi-donor service managed by the
International Finance Corporation and The
World Bank
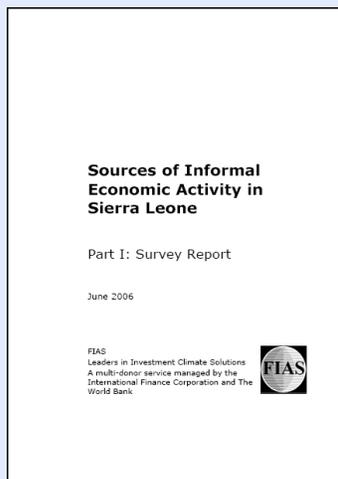
The survey established some important data about the nature of informality and how it is affected by the regulatory system. Key findings included:

- Over 56% of businesses believe formal businesses are in a better or much better situation than their informal counterparts.
- Relatively more businesses that are completely informal find that both lack of access to the broader market and access/price of utilities are amongst the key disadvantages compared to their more formal counterparts.
- The most important perceived disadvantage of informality again includes limited access to finance (45% of businesses), or bribes (16%), or limited access to raw materials (7%), or fear of government retribution (7%).
- the main perceived advantages of informality are the avoidance of licensing problems, labor taxes and contributions, and income/profit tax.
- One-fifth of businesses surveyed incurred some payment over the previous year to sustain their informal status.
- As much as 60% of businesses also incurred 'other' non-monetary burdens.
- The cost of maintaining informal businesses was on average about 20% of sales over the last year.
- The average payment incurred was SL 1,062,224 (US$450), while the median payment was SL 80,000 (US$35). This is very high for a country where GNI per capita is about US$200.

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

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

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

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

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

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

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

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

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

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

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

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

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

- ***Specific national surveys.*** Some national governments have undertaken a series of surveys to looking at various aspects of conditions in enterprise and households. How representative the sampling and the 'currency' of the data is from these surveys varies greatly from county to country. However they can be a very useful source of baseline data.

- ***Academic research studies and consultancy studies.*** Development partners and research councils throughout the world support specific studies related to the conditions of the business sector and the BE. These studies tend be very specific one-off studies. However, if a recent study has been undertaken on the target groups then they can provide very rich sources of data for baselines and the identification of key indicators.

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

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

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

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Case Snapshot 3.13: Using a local partner in Egypt

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

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

WB Business environment snapshots

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

- Global country rankings (drawn from 7 different indicators/sources (corruption, Doing Business, freedom, credit risk etc)

- Business environment data drawn from Investment Climate Assessments and also Doing Business

- Time series data on economic indicators and performance for each country, including BEE impact data such as FDI, gross private fixed capital formulation etc.

http://www.besnapshots.org

- Relevant legislation that has been passed

- All country level analysis reports on each country done by WBG over last 5 years

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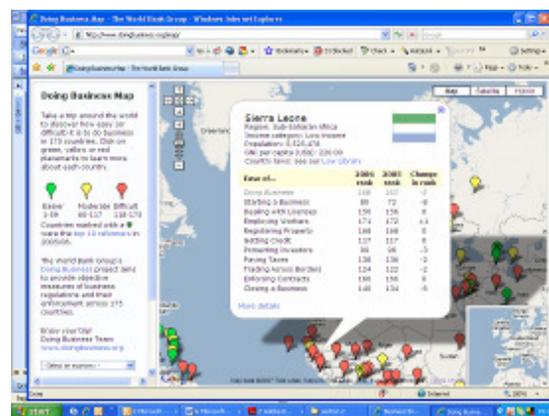
This initiative is about bringing all data together in one place and making it easily accessible, highlighting trends and issues. Using the website, it is possibly to extract in one place information about changes in score and changes in rank for different indicators. However, it is important to understand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

3.3   Collecting and using primary data

What is primary data?

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

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

Box 3.4: Measuring formalization

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

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

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

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

The World Bank Group Entrepreneurship database is an important source for measuring entrepreneurial activity[36]:

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

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

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[36] http://www.ifc.org/ifcext/sme.nsf/Content/Entrepreneurship+Database

What tools are available for data collection?

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

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

Table 3.1: Key Tools for Data Collection

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

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

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

3.4   Key messages

- Preparing baselines for a BEE intervention and reform is a significant task that should be started as early as possible

- Developing a baseline is an investment in good quality M&E and potentially the sustainability of a reform

- All BEE reforms need a regulatory and enterprise baseline to enable measurement of change in the BE and the behavior of those in the BE

- A good baseline maximizes the use of secondary data in the interest of cost, neutrality and the potential for comparison

- A good baseline recognizes that the challenges of collecting primary data can be better managed if there is clarity about what indicators need to be measured and how this will improve the quality of M&E and IA

- Good baselines can be put to multiple use – for engaging stakeholders, communicating with a variety of audiences and building donor co-operation and/or harmonization

- There are multiple sources of data – each with their own strengths and limitations. On-line sources are likely to be more current

- Many BEE projects are now building up survey instruments, templates and capturing experience e.g., through the IFC Smart Lessons series and communicating learning through expert groups, Toolkits and conferences.