

Enhancing the Use of Evidence and Results Measurement in Business Environment Reform Programming

Goldmark, L., Majumdar, T. & Spur, K.

Background: This note provides concrete guidance based on a technical research report from the DCED’s Business Environment working group, [Enhancing the Use of Evidence and Results Measurement in Business Environment Reform Programming](#). The

DCED Business Environment Working Group produces Guidance Notes and Policy Briefs to provide shorter, relevant guidance on specific topics related to donor and development agency support for BER in developing economies.

Table of Contents

A. Introduction	2
B. Defining our terms.....	3
<i>What is Business Environment Reform (BER)?</i>	<i>3</i>
C. Relationship to prior guidance	6
D. Let’s get going!	8
<i>PHASE I – SETTING UP.....</i>	<i>9</i>
<i>PHASE II – DEVELOPING A THEORY OF CHANGE.....</i>	<i>16</i>
What do we learn from this?	23
<i>PHASE III – IDENTIFYING INDICATORS</i>	<i>24</i>
Enabling better access to finance	24
Simplifying business registration and licensing procedures.....	27
E. Conclusion.....	35

List of Figures

Figure 1 Functional areas of BER re-ordered	6
Figure 2 Things to do as soon as possible	10
Figure 3 Exemplary project milestone map	12
Figure 4 Strategies for developing effective baselines	13
Figure 5 Typology matrix and short description	14
Figure 6 Project Set-up Template*	15
Figure 7 Basic building blocks for a theory of change.....	16
Figure 8 A theory of change tailored for BER.....	18
Figure 9 Mapping evidence at the impact level.....	21
Figure 10 Evidence Map.....	22
Figure 11 Access to finance results chain	25
Figure 12 Access to finance results chain with indicators	26
Figure 13 The administrative burden of procedures	27
Figure 14 Savings for the whole economy	28
Figure 15 Pros and cons of the standard cost model and alternatives	29
Figure 16 Simplifying business registrations and licensing procedures results chain	31
Figure 17 Simplifying business registrations and licensing procedures results chain with indicators .	32
Figure 18 Evaluating indicators through criteria.....	33
Figure 19 List of indicators - simplifying business registrations and licensing procedures	34

A. Introduction

The contents of this note serve as a guidance for conducting evidence-based, rigorous results measurement of business environment reform (BER) projects. The framework and techniques presented below are designed to ensure that:

- results measurement is relevant to the problem the project addresses and adequately tailored to the country context,
- indicators are backed by evidence, quantifiable, and comparable across countries and projects, and
- recommended approaches are simple, cost-effective, and practical.

The reflections and recommendations in this document are drawn from research conducted for the Donor Committee on Enterprise Development (DCED), and supporting documents are accordingly referenced. This document is a shorter practical guidance to implement findings outlined in the adjoining technical report titled – “Enhancing the use of evidence and results measurement in BER programming.” However, this note is purposefully written to be succinct, readable, and informal in tone. In the following sections, “you” refers to the reader (donors and their project teams including project designers, implementers, and evaluators) and “we” refers to a hypothetical project team that has been working on developing, testing, and applying the guidance.

B. Defining our terms

What is Business Environment Reform (BER)?

Business environment is defined by the DCED 2008 Donor Guidance on BER: “as a complex of policy, legal, institutional, and regulatory conditions that govern business activities. It is a subset 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 organizations including businesswomen associations, civil society organizations, trade unions, etc.)”¹

International donors and academics have used a variety of terms for the business environment, including investment climate (e.g., World Bank and International Finance Corporation (IFC)) and business enabling environment (e.g., United States Agency for International Development (USAID)). In this document we will continue to use the DCED’s previously agreed upon definition of business environment, considered a subset of the larger investment climate or “overall context for investment in an economy, namely all the factors which a prospective investor (domestic or foreign) may take into consideration before investing.”²

Perhaps more important than the actual words in the definition is that fact the business environment reform involves changing policies, laws, regulations, procedures and institutions – and therefore requires a close partnership with the government. BER is not the same as private sector development, although it is complementary and private sector development programs often contain a BER component. BER programs may be national and broad in scope,

¹ DCED. “Supporting Business Environment Reforms Supporting Business Environment Reforms Practical Guidance for Development Agencies,” 2008. <https://www.enterprise-development.org/wp-content/uploads/DonorGuidanceEnglish.pdf>

² Further discussion of the definitional differences between donors is included in the following sources:

European Commission. “Business Environment Reform: Guidelines,” February 2020.

<http://www.businessenvironment.org/dyn/be/docs/detail2/309/6>

DCED. “Supporting Business Environment Reforms Supporting Business Environment Reforms Practical Guidance for Development Agencies,” 2008. <https://www.enterprise-development.org/wp-content/uploads/DonorGuidanceEnglish.pdf>

working across multiple functional areas, government agencies, and reform areas – multilateral donors such as the World Bank and IFC tend to operate programs like this, often with support from other DCED member donors such as the Foreign, Commonwealth, and Development Office (FCDO) or State Secretariat for Economic Affairs (SECO). Bilateral donors such as USAID or Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) are more likely to combine their BER work with private sector development activities, such as direct assistance to small and medium enterprises, value chain strengthening, etc.

DCED has previously defined the key functional areas of BER as:

1. Simplifying business registration and licensing procedures
2. Improving tax policies and administration
3. Enabling better access to finance
4. Improving labour laws and administration
5. Improving the overall quality of regulatory governance
6. Improving land titles, registers, and administration
7. Simplifying and speeding up access to commercial courts and to alternative dispute-resolution mechanisms
8. Broadening public-private dialogue processes with a particular focus on including informal operators, especially women
9. Improving access to market information

These functional areas, while an important means of categorization, do not adequately encompass the depth and variety of work conducted in this field. New proposed areas under consideration include: (1) strengthening competition policy, (2) improving accounting, auditing, and business transparency, (3) establishing, implementing, and ensuring compliance with standards (technical, social/labour, environmental), (4) green growth, and (5) the digital economy. There is also general agreement among members of the BER committee that trade facilitation should have been included already, and indeed the DCED indicators do cover trade facilitation.

The nine current functional areas are also not comparable. Some are related to direct business functions where businesses interact with the government or with each other. These are thematic and oriented around the business lifecycle: (1) simplifying business registration and licensing procedures, (2) improving land titles, registers, and administration, (3) enabling access to finance, (4) improving tax policies and administration, (5) improving labour laws and administration, and (6) simplifying and speeding up access to commercial courts and to alternative dispute-resolution mechanisms. These all relate to vital business functions like

starting up a business, acquiring property, accessing start-up, operating, or scaling up capital, paying taxes, employing workers, and accessing contract enforcement mechanisms and managing commercial disputes. It can be argued that these do not adequately address all business functions (as per proposed areas above). Conversely, the remaining areas are not directly related to business functions. These relate to either improving the business environment reform process or improving the process of businesses performing the previously mentioned business functions. These are - broadening public-private dialogue processes with a particular focus on including informal operators, especially women, improving the quality of regulatory governance, and improving access to market information. We consider these as *amplifiers*, that improve the quantity or quality of reforms made to the six business function areas. For instance, public private dialogue can help identify, and build support for, necessary reforms by strengthening the connection between actors in the government and the private sector.³ However, without the implementation of these reforms, PPD does not yield economic outcomes.

For this report, while the functional areas do not provide additional rigor, they have been useful as a definitional tool to categorize BER activities across countries and projects. However, in line with the discussion above we have reordered them into two buckets as shown in Figure 1, and when discussing illustrative project examples, we focus primarily on the six areas related to business functions.

Improving business functions

- simplifying business registration and licensing procedures,
- improving land titles, registers, and administrations,
- enabling better access to finance,
- improving tax policies and administration,
- improving labour laws and administration, and
- simplifying and speeding up access to commercial courts and to alternative dispute-resolution mechanisms

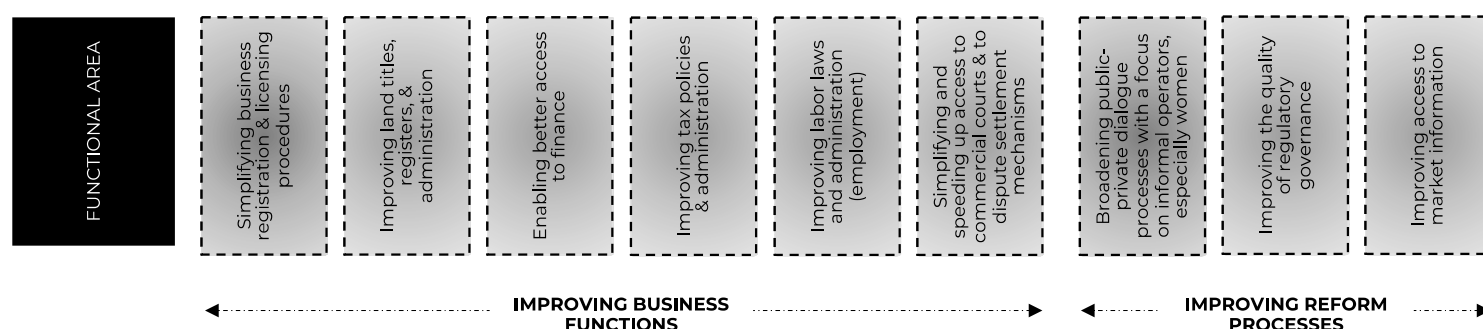
Improving reform processes

- broadening public-private dialogue processes with a particular focus on including informal operators, especially women,
- improving the quality of regulatory governance, and
- improving access to market information.

³ In World Bank-sponsored PPDs in 30 countries over 5 years, “the PPD network could be associated with about 400 reforms and \$400 million in private sector savings.” See World Bank. “Review of World Bank Group Support to Structured Public-Private Dialogue for Private and Financial Sector Development,” April 2009.

<http://www.publicprivatedialogue.org/workshop%202009/Review%20of%20World%20Bank%20Group%20Support%20to%20PPD%20-%20April%202009.pdf>

Figure 1 Functional areas of BER re-ordered



C. Relationship to prior guidance

This note is meant to update, accompany and supplement prior DCED guidance.⁴ These resources establish a set of minimum standards for articulating the logic of change, and acknowledge the special challenges associated with measuring the results of business environment reform programs. In all fields, there are difficulties in measurement. There are some challenges that are endemic to results measurement in economic growth programming. At the core of these challenges is the interconnectedness of economies. This means that the effects of interventions are likely to bleed into different markets, communities, sectors, etc. In addition to this, economies are diverse in their characteristics, not only at the global and national level, but at the local level too. Does BER mean the same thing in a developed country context, a fragile country context, or a middle or lower-income country context? Does it mean the same for a trade-driven or investment-driven economy? An extractive, industrial, or service-based economy? Some specific challenges associated with measuring results in business environment reform are:

- Many (though not all) BER programs are explicitly designed to achieve economy-wide transformation, however numerous factors (including external shocks and global trends) play a major role in determining whether such a transformation can occur.
- Not all business environment practices are clearly laid out.⁵

⁴ See the DCED Standard for Results measurement. <https://www.enterprise-development.org/measuring-results-the-dced-standard> and DCED (2013). Supporting Business Environment Reforms: Practical Guide for Development Agencies. Annex: Measuring Donor Supported Business Environment Reform. <https://www.enterprise-development.org/wp-content/uploads/DonorGuidanceAnnexMeasuringResults.pdf>

⁵ This challenge is further detailed in the 2013 DCED guidance as follows: "For example, there can be significant differences in what the law says and how it is implemented. Thus, outcomes are not always clearly observable or measurable. There are also qualitative aspects in BER that are not always easy to capture. The effects of improvements in the quality of regulation on business behaviour can be difficult to track and measure. Similarly, improvement in government services to business, while at the heart of business environment transactions, opens different analytical challenges and heightens the importance of tracking results among local systems."

- It is not always clear what “success” in BER entails.⁶ While there is general agreement about the benefits of reducing administrative burden, there are instances where regulatory burden is justified. Situations where regulations ensure safety like obtaining construction permits or starting businesses that involve hazardous materials.
- BER programs typically involve very long results chains that contain many elements (e.g., policy, legal and regulatory frameworks, administration, and governance systems).
- The development and implementation of policy is often not linear. There may be political influences that resist change or retard progress, just as there can be influences that trigger change and create a more cohesive demand for reform.
- Control groups, and even comparison groups, are next to impossible to establish for BER interventions. This creates the challenge of attribution.

A deeper discussion of the challenges of attribution of results to interventions is provided in the technical report.⁷ Due to these challenges, some stakeholders believe that “it may not be realistic that evaluations of donor interventions should be able to measure the extent to which observed changes in firm behaviour could be attributed to [a] specific [BER] intervention”.⁸ There are even some who say we should abandon the quest for attribution entirely, and instead try to calculate the degree to which BER interventions *contribute* to the observed changes.

While both points of view have some validity, we argue that the attribution vs. contribution debate is not the best way to focus energy and resources, at least not yet. The first necessary task is far simpler and more practical. It is to address the more easily solved of the issues mentioned above, such as the long results chains, lack of clarity in how BER practices are defined and described, and non-linear nature of the change process.

To do this, we take a bottom-up approach to measurement, starting with the question, “What is worth measuring?” which begs the related question “Which BER activities are the most likely to lead to the higher-level impacts we seek?” There is a scientific way to answer these questions: by gathering extensive data and running a series of economic models where we take gross domestic product (GDP) growth, employment, or investment, as a proxy for an improved business environment. This could be done in one country, or in many, and a robust model applied in a standardized way would tell us what the driving factors are for successful business environment reform and enable us to quantify and rank them. We can imagine that while the driving factors might differ from one country to another, a global model would reveal a set of recurring factors that could then be organized into a global index for BER. We

⁶ International Finance Corporation in collaboration with GTZ and DFID. 2008. Monitoring and Evaluation for Business Environment Reform: A Handbook for Practitioners. *IFC Advisory Services BEE Business Line*.

⁷ DCED. 2022. Enhancing the use of evidence and results measurement in BER programming. DCED Business Environment Reform Working Group. Prepared by Just Results.

⁸ Lindahl, et. al., (2011, p. 12)

believe this exercise would be extremely worthwhile and provide more details on how it could be done in the concluding chapter of the supporting research (literature review and case studies⁹).

Given the resources available to this guidance note, however, we have chosen first to pursue the practical way, and this is what we outline below. The assumption is that if we agree on a few things that are worthy of better tracking and measurement, and link these to standard definitions across donor agencies, we are laying the foundation to subsequently conduct a modelling exercise that supports individual and collective priority-setting for BER programming, and even address the thornier issues of attribution and contribution.

In the next section, we walk you through a typical BER project cycle, highlighting practices that will contribute to robust measurement. You will see that we have adapted a generic, broadly accepted logical framework into a slightly more customized BER theory of change (presented below), but still one that can be used across all nine functional areas (and more, or different functional areas if those were to undergo revision).

Since this is not a dynamic systems model, we make do with linear relationships in the drawing, although we identify and name the patterns of change that emerged repeatedly during the literature review, as well as highlighting “amplification” effects that can be seen when certain types of activities are combined.

The most tedious, yet critically important, thing we do is to use standardized definitional units to deconstruct the elements of the theory of change (activities, outputs, outcomes, and impacts). This, in association with a review of the evidence, gives us a basis to trace “change pathways” for typical BER interventions all the way from the activity to the impact level. Therefore, although imperfect, the theory of change framework below when fully applied will allow donors to know what to expect, how to measure whether it is achieved, and to compare results across programs and countries.

D. Let’s get going!

Good measurement begins with good project design, right? Everybody knows that. This note does not claim to provide comprehensive or even robust guidance on project design; there are vast resources available on the topic. What we do, however, is emphasize four key elements that emerged from the literature review and case study exercises – decisions and actions that contribute to successful BER programming if they are accomplished early. Conversely, without them, it becomes almost impossible to track and measure change.

⁹ “Enhancing the use of results measurement in BER programming – summary of evidence and case studies,” (forthcoming). Just Results for the DCED Business Environment Reform Working Group.

PHASE I – SETTING UP

To set up our BER project (or component of a project) for success, we will want to identify priorities, stakeholders, structures, and reforms. How we do that, and how early, affects our ability to articulate progress. These four early success elements are outlined below and listed in Figure 2 along with their corresponding implications for results measurement. A comprehensive project set-up template is provided at the end of this section (Figure 6).

a. Identify priorities

This is the first stage of project set-up. It includes determining what project priorities will be through several filters – what are the needs (of the country/region, of the government, of businesses, etc.), what are the larger goals (poverty reduction, economic growth, investment, inclusion, employment, etc.), where is the political will to reform (will of the current administration, will of ministries or agencies), and what are the reform areas¹⁰ that must be prioritized and correspond with the “needs”, “goals”, and “political will” of the project area. By identifying the priorities, you will be able to ascertain the most effective path to reach the goals of the project. This will guide the development of a results chain based on evidence-based links between activities and outputs, outcomes, and impacts, and allow you to design specific activities within the most “outcome-rich” areas of BER.

b. Identify stakeholders

Having identified the priorities, the next step is to identify stakeholders. Here, stakeholders can be categorized in two ways – stakeholders who implement the reform process, and stakeholders who are impacted by the reform. Stakeholders may both implement and be impacted by reforms. Examples of stakeholders include the public sector (ministries/agencies/quasi-government bodies, etc.), private sector (firms, business associations, unions, private advocacy groups, etc.), financial institutions (commercial banks, microfinance institutes, etc.), others (cooperatives). Identifying stakeholders will allow the project team to locate the most viable entry point for the project’s identified reform area. This will also inform how much and what kind of data may be collected during the project and from whom.

¹⁰ Reform areas could broadly relate to the nine functional areas of DCED. For instance, a project that identifies investment as a goal may then identify access to finance as the most appropriate reform area for the project.

Figure 2 Things to do as soon as possible

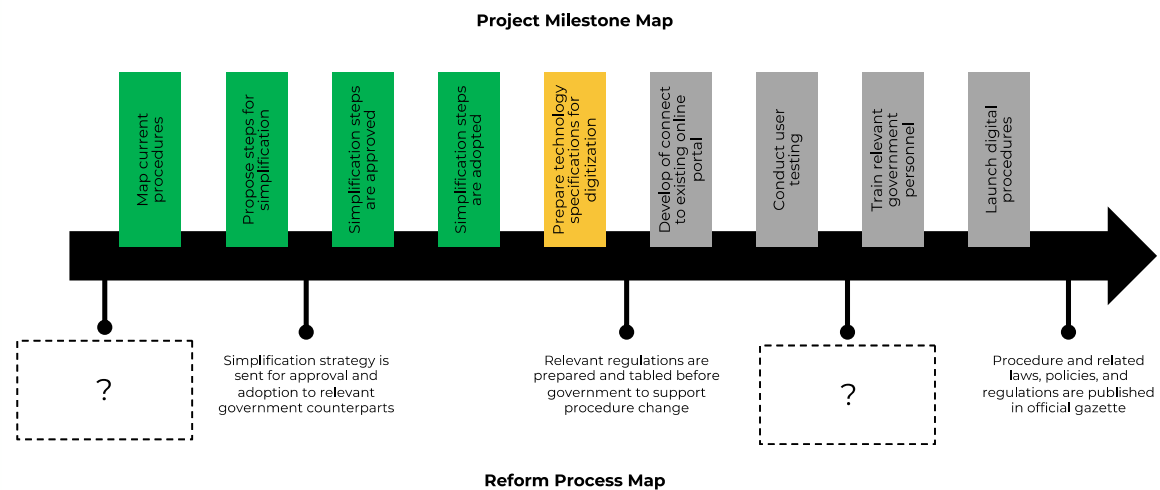
	PROJECT SET-UP STAGE	PROJECT DESIGN PRACTICES	CORRESPONDING MONITORING AND EVALUATION PRACTICES
1	Identify priorities	<p>Clarify the high-level impact goal as well as identifying priorities through the following filters:</p> <ul style="list-style-type: none"> • Needs • Goals • Political will • Reform area 	<p>Conduct scoping activities to gauge the needs and goals of the economy, where there is buy-in from relevant partners, and what broad reform areas to address (i.e., needs assessments, political economy analysis, economic modelling.)</p>
2	Identify stakeholders	<p>Identify stakeholders in four categories:</p> <ul style="list-style-type: none"> • Public sector (ministries/agencies/quasi-government bodies, etc.) • Private sector (firms, business associations, trade unions, etc.) • Financial institutions (public and private banks, etc.) • Others (cooperatives) 	<p>Interview stakeholders to gauge what kind of data will be feasibly available for results measurement and what challenges may arise in collecting robust but practical data. Ask them how they track progress. Requires stakeholder mapping.</p>

3	Identify structures	<p>Identify whether specific structures exist to organize and accelerate the implementation of reforms.</p> <ul style="list-style-type: none"> • If yes, can they be strengthened and/or re-energized? • If not, what new structures are needed? 	Identify structures to understand the reform architecture. Activities include assessing the current capacity of reform structures and developing a timeline with milestones (See Figure 3).
4	Identify reforms	<p>Once the priority reform area or areas (above in stage 1) have been selected, you'll want to clearly define how you're going to go about supporting change in this area. Reform types are:</p> <ul style="list-style-type: none"> • Policy • Law • Regulation • Procedure • Organizational change 	Depending on the type of reform, you will use different tools to measure outputs, outcomes, and impacts. This stage includes developing a baseline (see Figure 4) and preparing to trace the change pathway through the results chain.

c. Identify structures

This step involves identifying the structures within the reform process in the project area. It allows the project to identify if there are pre-existing structures (i.e., national reform committees, inter-ministerial councils, etc.) and whether these are “fit for purpose” for the reform areas the project will cover. If yes, can these structures be strengthened or re-energized? If not, should new structures be created and how can they be organized to be most effective? The project team will want to understand the country or local government’s overall reform architecture, i.e., what are the typical steps from the inception of a reform activity to implementation and beyond; and consequently, the implications for measuring progress. Reenergizing existing structures or supporting the creation of new structures may require capacity building, and consequently the establishment of clear goals for these activities. This stage can be strengthened through mapping the project milestones and reform architecture with commonly accepted and understood phases of reform in a country (See example in Figure 3). This map can be revised over the project period.

Figure 3 Exemplary project milestone map



d. Identify reforms

Here, we move beyond further from identifying the priority reform area, and specifying how change will happen, specifically to defining what types of activities the reform work will entail. Will the project team work with counterparts to change policies, laws, or regulations? Will the team work on optimizing administrative procedures? Will the team seek to change the capacity, structure, or mandates of line ministries and other agencies that regulate business? Measurement tools will vary depending on the type of reform activity. For instance, for an activity that relates to the development of a policy, stages like drafting and adoption of the policy might be the appropriate means of measuring the output of the activity. However, for an activity that simplifies licensing procedures, the project set-up period is likely to require a

baseline assessment of the administrative burden of such procedures. Figure 4 outlines basic strategies for effective baseline development. At this stage, the project team will also want to determine the ideal sequencing or coupling of reform types to best address the reform goals. Figure 5 shows a typology of projects employing different combinations of reform types, and a corresponding ‘Reform Typologies’ explanation.

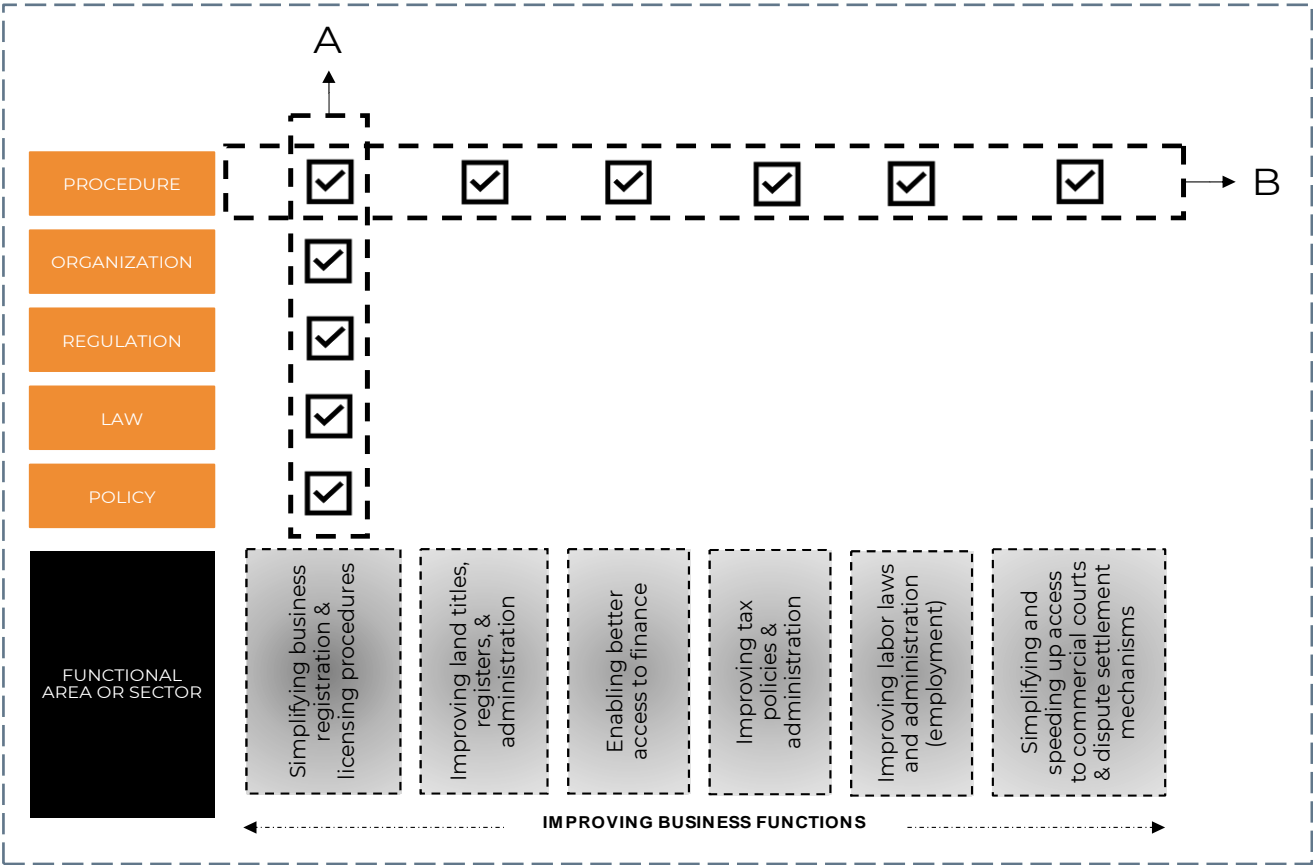
Figure 4 Strategies for developing effective baselines

Baseline Development

A common way of quantifying what a BER program or project component will achieve is “Number of reforms,” followed then by a target (such as 6 or 9) and a baseline value: zero. The question is, “Zero what?” At what point is a reform counted as complete? Do legal reforms weigh equally with regulatory and procedural reforms, and are they to be counted separately?

- One good practice is that the “zero” baseline statement be accompanied by a documentation of the current situation (in the absence of the reform, what is current practice?).
- Another useful tool is a timeline showing key milestones achieved, that places the typical steps followed in a country along a horizontal axis, and lists expected “events” along with their target date (an illustration is provided below in the section on business registration and licensing).
- Last, for baseline data that is costly to collect (i.e., perception surveys or time and cost data to calculate administrative burden) donors may want to join forces and conduct one larger baseline study, or regular surveys, that can provide the underpinning for robust measurement of multiple donor and government-led programs.

Figure 5 Typology matrix and short description

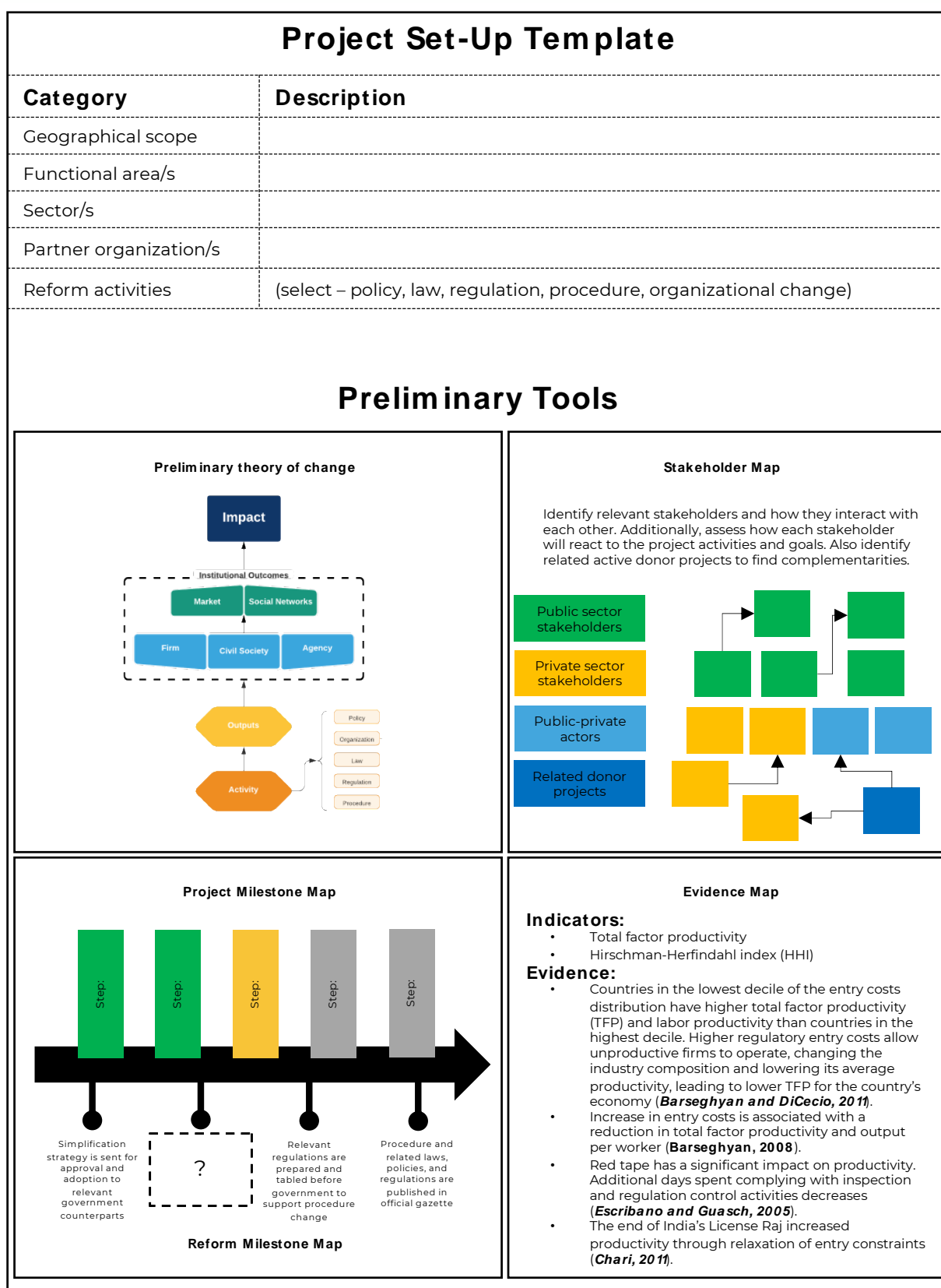


Reform Typologies

Each project type has a different pathway to impact. The figure above displays two possible approaches – A and B. Approach A (sector- or function-focused programs) can have a deeper impact on one issue by addressing that same issue (tourism competitiveness for example) at multiple intervention levels. Projects with approach B focus instead on a type of reform intervention, such as procedural simplification and digitization and work across sectors or functions.

Additional configurations might combine elements of A and B. An example would be an agriculture export project that focuses on barriers to competitiveness for key exports at more than one level, but with special focus on the streamlining of import and export procedures relevant to the key export sectors. Similarly, a large-scale trade facilitation project might cut across several sectors and reform levels, including policy work related to compliance with trade agreement and associated legal and regulatory reform, as well as streamlining procedures to reduce the time and cost of getting goods across borders. Using this matrix to specify the scope of reform projects can help evaluators compare apples-to-apples across projects and allows project teams to trace the pathway more accurately from one or more activities to broader economic impact.

Figure 6 Project Set-up Template*



*These are exemplary tools, which can be developed and utilized during the project set-up stage.

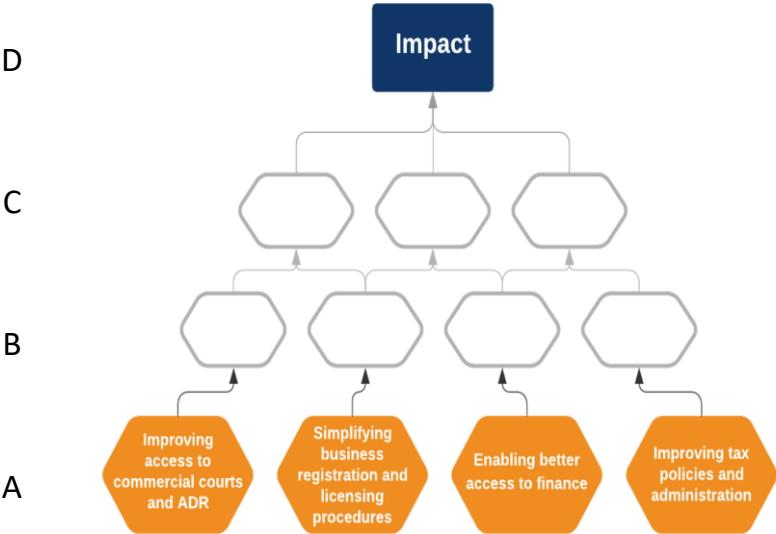
PHASE II – DEVELOPING A THEORY OF CHANGE

Having set up the project for success, the next step is to develop a theory of change. While BER work is often multidimensional, here we deconstruct the process to map it on a theory of change. Think of it like diagramming sentences in sixth grade in order to become a better writer. Once all levels are understood in separation, they can be “put back together” to create a complete picture of a project.

Normally, we expect that the process of developing - and refining - the theory of change would be done in collaboration with the project’s government and private sector counterparts. Time pressures may lead project teams to quickly mock-up a theory of change on their own in order to get the necessary approvals, and to focus on what can be done quickly. This begs the old saying of “if you want to go fast, go alone. If you want to go far, go together.” BER programs have to go far. That’s why our strongest recommendation is this: develop your theory of change like you have all the time in the world. Iterate it. Adapt it. Share it with counterparts and let them rip it apart. Never stop refining it. It’s easier to iterate and adjust a robust theory of change than it is to try to achieve anything with one that doesn’t clearly articulate what the project is trying to do.

In this narrative, we first guide you through a generic results chain for any development project, which contains widely accepted components and definitions. Then we show a second, BER-specific results chain, highlighting the some of the nuances unique to programs that are supporting reforms. Figure 7 shows the basic building blocks you will find in any results chain: activities, outputs, outcomes, and impact. If you read the figure from bottom up, you will see that the lowermost orange boxes display “activities,” which in this diagram are general reform areas for BER.

Figure 7 Basic building blocks for a theory of change



Generic results chain:*a) ACTIVITIES*

An activity can be described as a specific, discrete piece of work that is conducted by the project personnel¹¹. Examples include conducting workshops, writing recommendations, conducting a baseline survey, etc. This is different from an intervention. An intervention exists when several activities add up to something, such as: introducing a public credit registry, improving land titling procedures, etc. For simplicity's sake and to conserve space, we have shown intervention names at the "activity" level of these first few diagrams. Later, you will see that we deconstruct interventions, pulling them apart into different reform activities and types.

b) OUTPUTS

Directly above the orange activity boxes, are blank boxes to depict where outputs would be described. These are the products, capital goods, and services which result from a development intervention (combination of activities)¹². These are a direct result of activities and should be measurable. These include the outputs produced by the project team itself as well as any joint outputs produced with or by project partners.

c) OUTCOMES

At level C, above outputs, are outcomes. These are likely or achieved short-term and medium-term effects of the output¹³. Differently from outputs, the project team has little control over outcomes. We believe they are supposed to happen, according to theory, evidence from the literature, and best practice examples. But they might not! Outcomes are also harder to attribute to the project's activities.

d) IMPACTS

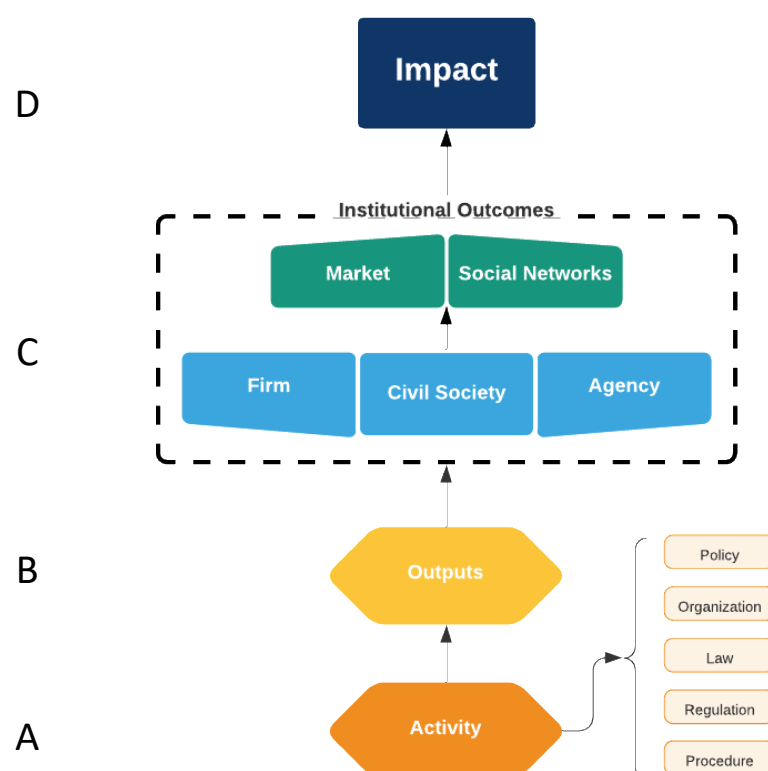
Impacts are the overarching long-term effects of reform activities. In BER programs, these include increased economic growth, employment, investment, etc.

While the basic building blocks remain the same, in the BER-specific results chain below, we have slightly modified the structure, to better illustrate the dynamics of change at the outcome level, as shown below in Figure 8.

¹¹ DCED. 2017. DCED Standard for Measuring Results in Private Sector Development, Version VIII. Retrieved from: https://www.enterprise-development.org/wp-content/uploads/DCED_Standard_VersionVIII_Apr17.pdf

¹² OECD Development Assistance committee. Measuring and Managing Results in Development Cooperation. Retrieved from: <https://www.oecd.org/development/peer-reviews/Measuring-and-managing-results.pdf>

¹³ OECD Development Assistance committee. Measuring and Managing Results in Development Cooperation. Retrieved from: <https://www.oecd.org/development/peer-reviews/Measuring-and-managing-results.pdf>

BER-specific results chain:*Figure 8 A theory of change tailored for BER***a) ACTIVITIES**

At the activity level, business environment reform takes place in several ways. These include making changes in policies, laws, regulations, procedures, and organizational structure or practices. Reform efforts can also be categorized into one of the nine DCED functional areas (1) business registration and licensing procedures, (2) tax policies and administration, (3) labour laws and administration, (4) quality of regulation and compliance enforcement, (5) land title registers and land-market administration, (6) access to commercial courts and to alternative dispute resolution mechanisms for commercial disputes, (7) public–private dialogue processes with a particular focus on including informal operators, especially women, (8) business access to market information, and (9) enabling better access to finance. Depending on what areas are addressed and how reform activities are structured, monitoring and evaluation methods require adjustments.

b) OUTPUT

Outputs are direct and measurable results arising from reforms at the activity level. In a BER framework, we find it useful to categorize outputs into project outputs and joint outputs. Project outputs are controlled wholly by the project such as trainings delivered, assessment

conducted, recommendations made. In some cases, these outputs are not visible to the public. When BER project teams work closely with counterparts and produce joint outputs, these become more visible – such as guidance for ministry employees to follow, websites providing greater availability of information, or process re-engineering that yields reduced time and cost for administrative procedures.

c) OUTCOME

As noted above, these are likely or achieved short-term and medium-term effects of the output. A central finding from the literature review, supported by an analysis of several case studies¹⁴, was that BER outcomes occur in the context of institutional change. Institutions can be defined broadly as the intangible interactions, rules, and customs that govern the business environment. However, institutions entail not just the “rules of the game” but also the entities or the “players of the game”¹⁵. In the figure above, these two levels of outcomes are separated for clarity, but bound together by the dotted lines forming a perimeter around them. Therefore, a key modification of the results framework to accommodate BER change dynamics is the separation of outcomes into two levels, as further detailed below:

- **“Firms, Civil Society, Agency” – the players of the game:** These are the physical organizations (both public and private) that are operate in the market and are affected by business environment reform. These include firms, financial institutions, civil society, agencies, public-private bodies, business associations, etc. Examples of outcomes for the players of the game could include increased access to loans by firms, increased firm level productivity, improved customer service by specific government agencies, etc. These can be tracked at the firm or agency level through project indicators, surveys, or pre-existing indicators and indexes.
- **“Markets, Social Networks” – the rules of the game–:** These are the intangible norms,

¹⁴ Five sets of case study interviews were conducted, and four case studies were documented as part of the supporting research for this note. Additionally, the Just Results team was contracted by ILO to develop case studies of successful experiences in BER in Africa over the past ten years. These five additional case studies are documented in the forthcoming ILO report, *Enabling Environment for Sustainable Enterprises in the African Union*.

¹⁵ Formal institutions are the “written rules” of the game, shaping the structure and the legal framework of an economy that govern the transactions by defining rules and regulations (Williamson, 1975; North, 2008; Morgan *et al.*, 2010). Some scholars, such as North (1990), have excluded governmental organizations from being considered as formal institutions because he defines institutions as the rules of the game and the organizations as the players of the game. However, in general, the formal institution is defined in a broader sense because an *institution* may be viewed as a particular type of *organization* (Hodgson, 1998, 2006). One which does not use negotiation or contract in its relations with agents, but in one way or another, relies on control and coercion. Thus, both rules and the so-called players are equated as institutions. See also: Hodgson, G. M. (1998) ‘The approach of institutional economics’, *Journal of economic literature*, 36(1), pp. 166–192; Hodgson, G. M. (2006) ‘What are institutions?’, *Journal of economic issues*, 40(1), pp. 1–25. doi: 10.1080/00213624.2006.11506879; Morgan, G. *et al.* (eds) (2010) *The oxford handbook of comparative institutional analysis*. Oxford University Press. doi: 10.1093/oxfordhb/9780199233762.001.0001; North, D. C. (1990) *Institutions, institutional change, and economic performance*. Cambridge: Cambridge University Press; North, D. C. (1991) ‘Institutions’, *Journal of Economic Perspectives*, 5(1), pp. 97–112. doi: 10.1257/jep.5.1.97; North, D. C. (2008) ‘Institutions and the Performance of Economies over Time’, in Ménard, C. and Shirley, M. M. (eds) *Handbook of New Institutional Economics*. Springer Berlin Heidelberg, pp. 21–30; Williamson, O. E. (1975) *Markets and hierarchies, analysis and antitrust implications: A study in the economics of internal organization*. New York: Free Press, and Williamson, O. E. (2000) ‘The new institutional economics: taking stock, looking ahead’, *Journal of economic literature*, 38(3), pp. 595–613. doi: 10.1257/jel.38.3.595.

rules, and customs that govern the operating environment for the “players” of the game. Essentially this represents a system-wide change; for the purposes of the BER results framework two relevant configurations are highlighted, markets and social networks. The “rules” represent a higher level of outcomes, relating to (i) aggregate outcomes, such as “investment” in the market as opposed to “investment on the part of one or a specific number of firms; (ii) the way firms and agencies interact with each other, and (iii) mindsets, going beyond the specific perceptions of one or a specific number of business owners, investors, civil servants, policymakers, etc. Examples of outcomes for “rules” include increased competition in the market, increased level of private investment in the market, increased transparency in government activities, reduced corruption, etc. These outcomes are harder to attribute directly to project activities, however, if the outcome is sufficiently clearly defined, data can be systematically gathered on these aspects using custom indicators, external indicators and indexes, or a combination.

d) IMPACT

As noted above, impacts are the overarching long-term effects of reform activities. Here an important particularity of BER results measurement is to be noted. Almost always, BER programs will be seeking economy-wide impacts such as increased economic growth and employment¹⁶ and BER reforms typically produce economic impacts. However, they may also have social outcomes like improved governance, inclusion of marginalized groups, and poverty reduction. In the interest of clarity, this report focuses on economic impacts, however, it is possible in some cases to trace BER outcomes to social impacts. Based on the literature review, interviews conducted with donor committee members, and analysis of the case studies, the impacts we were able to investigate for the revised DCED framework are economic growth, employment, investment, productivity.

The BER-specific theory of change presented in Figure 7 above was developed in consultation with donor committee members and is supported by an extensive literature review that traced the outputs, outcomes, and impacts of BER activities in the nine DCED functional areas.

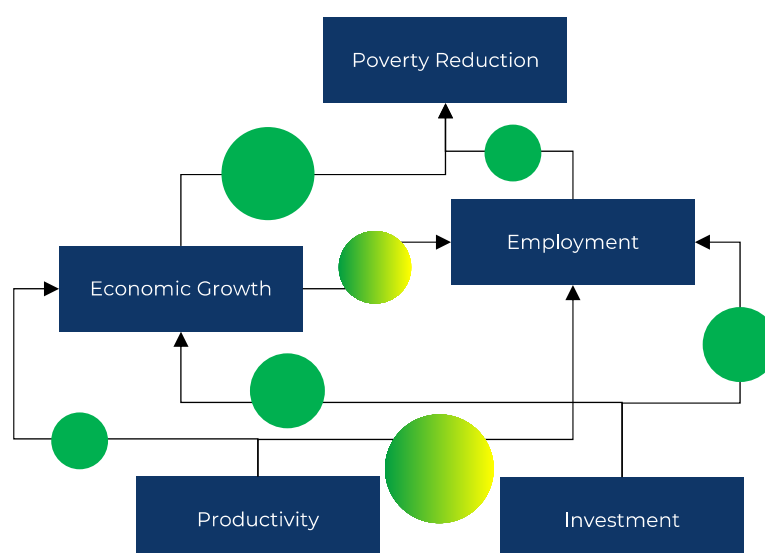
Mapping the evidence

¹⁶ Usually at the national level but may be sub-national or local.

The summary of evidence¹⁷ represents a new compilation of topical evidence related to the interaction of larger economy-level outcomes like investment, employment, economic growth, productivity, and poverty reduction and the main functional areas of business environment reform as defined by the DCED.

At the impact level, the evidence points to a complex series of interactions between different types of economy-wide impacts (Figure 9). Each green circle depicts a link between two outcomes. Through careful examination, the team has found the following to be true: investment leads to employment and economic growth, productivity leads to growth but has mixed impacts on employment, economic growth is positively associated with employment, and employment means poverty reduction.

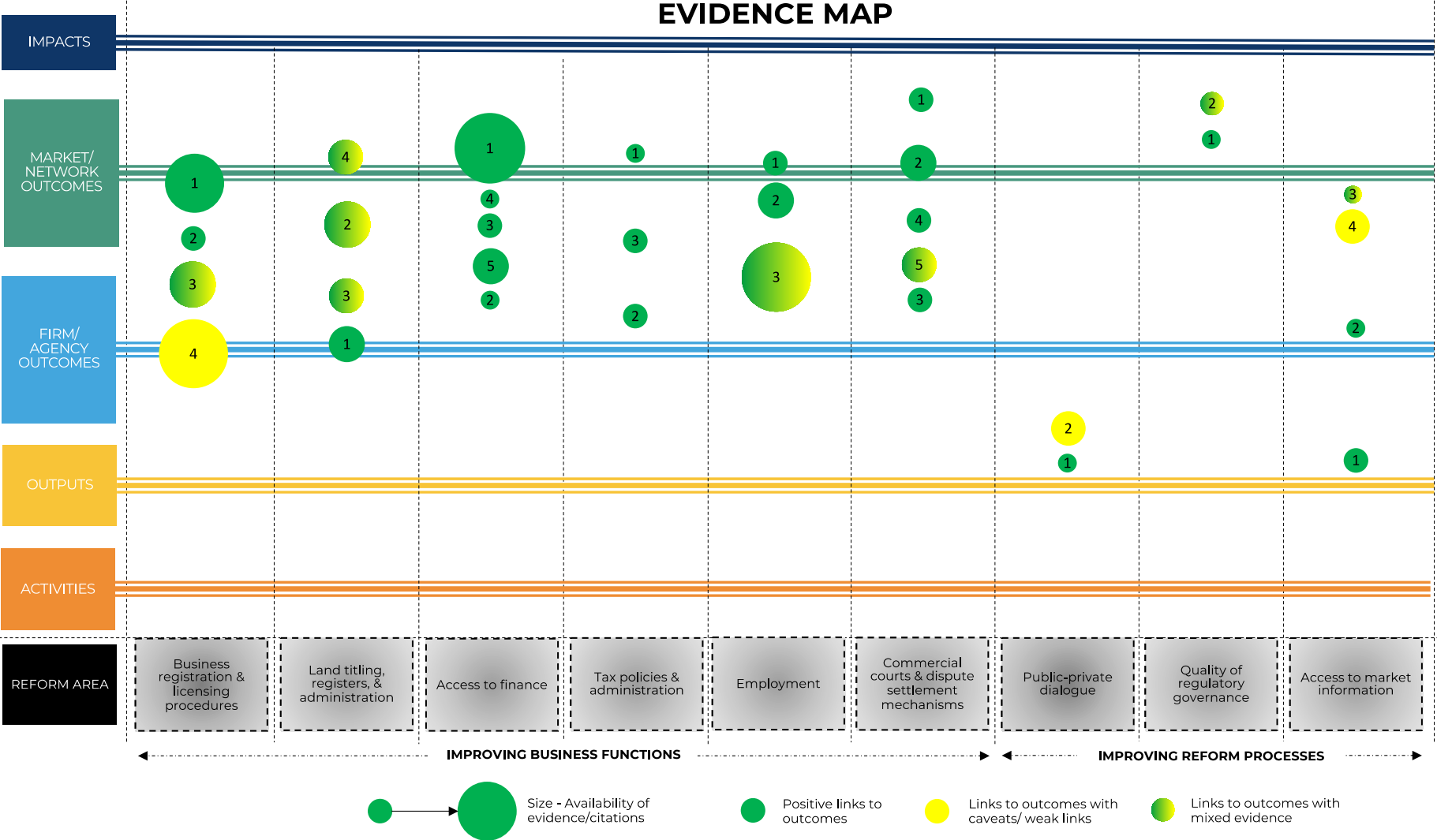
Figure 9 Mapping evidence at the impact level



The following evidence map (Figure 10 below) organizes the evidence along the BER results chain. Each circle mapped in the figure below refers to a specific link from BER activities and outputs to outcomes. Clusters of circles represent “outcome rich” areas of BER.

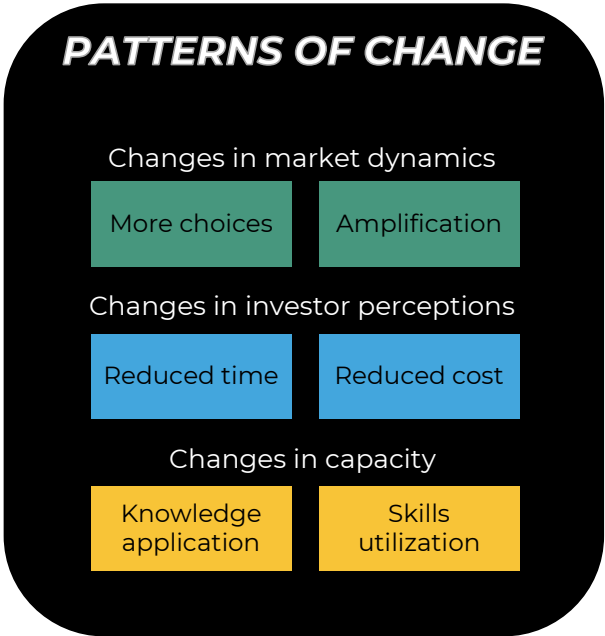
¹⁷ Can be found in adjoining technical report

Figure 10 Evidence Map



What do we learn from this?

There are so many potential BER activities, functional areas, outputs and outcomes, that it can be overwhelming to think about mapping them all. While developing the initial version of the theory of change for presentation to the DCED working group, we kept asking ourselves what patterns we were seeing. How do successful change pathways manifest themselves? What changes do we see across multiple functional areas and types of reform? We noted these down as we went through the literature, while developing the theory of change, and in discussions with the donor committee. Eventually we came up with a list of six things, in three categories that we call “patterns of change.” They are – changes in capacity (demonstrated by knowledge application and skills utilization), changes in investor perception (based, among other things on reduced time and costs of compliance) and the third are changes in market dynamics (more choices, and amplification).



While these change patterns can appear anywhere along the theory of change, they tend to show up as listed, from bottom to top. The flow goes like this: activities designed to strengthen the capacity of public organizations, if they are successful, result in the application and use of the knowledge and skills that are shared. As policymakers and the staff of public agencies apply their knowledge with BER goals in mind, whether through changes in policies, laws, regulations, or procedures, these changes lead to more favorable conditions for businesses, most typically reflected in lower administrative burden (time and cost) though there may also be other, harder-to-measure effects like greater transparency or reduced uncertainty.

When investor perceptions change, we see other effects at the market level – for example, changes in financial indicators like share prices and interest rates. These market changes may produce self-reinforcing effects, and in turn further amplify the phenomenon. Other amplifiers are, as discussed earlier, activities like public private dialogue, that can help accelerate reform processes (this is an example of an amplifier that appears at a lower level of the theory of change and can be stimulated by projects directly). Finally, greater choice can manifest itself in several ways –through increased competition, greater inclusion, or the introduction of new models (such as green growth).

PHASE III – IDENTIFYING INDICATORS

The last phase of developing the theory of change is to select indicators to track and measure outputs, outcomes, and impacts. In this section we present criteria and a process that can be used to identify and evaluate indicators. To do this, we use two exemplary results chains, one related to access to finance and the other to business registrations and licensing procedures. These results chains were developed by tracing the evidence related to these BER functional areas compiled in the literature review.

Enabling better access to finance

The results chain shown in Figure 11 depicts a project to set up a credit and collateral registry. The activities that comprise this intervention are - developing a government strategy regarding access to finance (policy, law), developing regulations regarding the set up and use of the registry (regulations), and the activity of setting up the organization and designing the procedures to collect credit and collateral information. The project outputs are recommendations and training events, while the joint outputs are the policies, laws, regulations, and procedures developed by the counterpart (for example, the central bank) responsible for setting up the new entity in collaboration with the project. The institutional outcomes at the first level relate to firms, banks, and the registry itself. This leads to the second level of outcomes which represent market level changes like increased availability of finance and increased aggregate employment.

Tracing an activity onto the theory of change ladder allows the project team to identify specific outputs and outcomes that need to be measured (Figure 12 displays possible indicators for this activity). Parsing the activity level by type of reform depicts how the introduction of a credit and collateral registry is a culmination of many activities, all of which are differently measured. For instance, for the activity of introducing related regulations, indicators for the project output level are reports with recommendations and for the joint output level are regulation documents written by the government counterpart. However, it is also clear that in this example, policies, laws, and regulations alone do not lead to the creation of the registry and thus do not directly link to the outcome level. At the same time, these appear to be necessary steps in the reform architecture that create the conditions for setting up the credit registry and related procedures.

Finally, identifying the higher-level impacts of investment and employment also allow the team to see what other possible impacts may emerge because of this work in the long-term, such as in this case – economic growth and poverty reduction.

Figure 11 Access to finance results chain

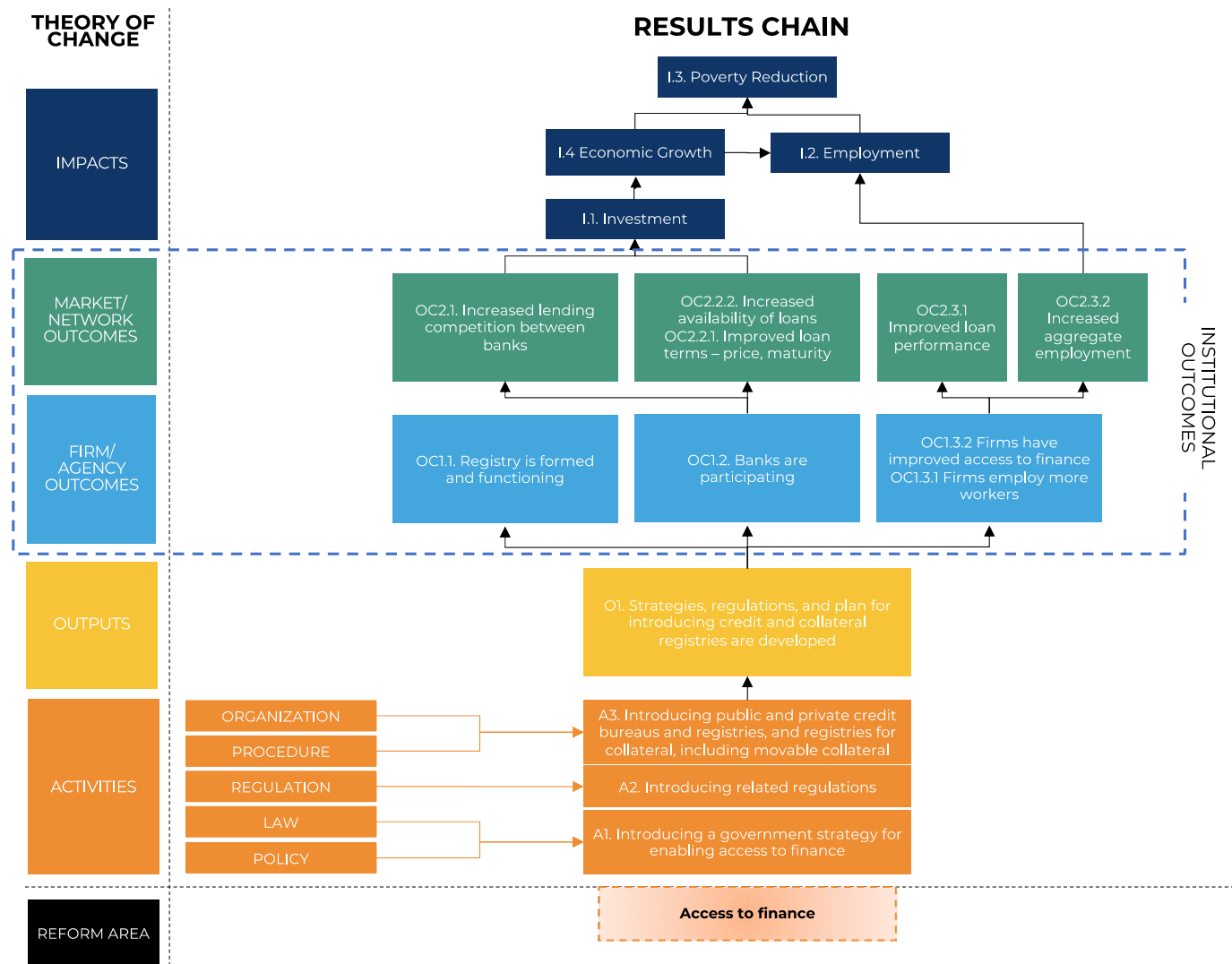
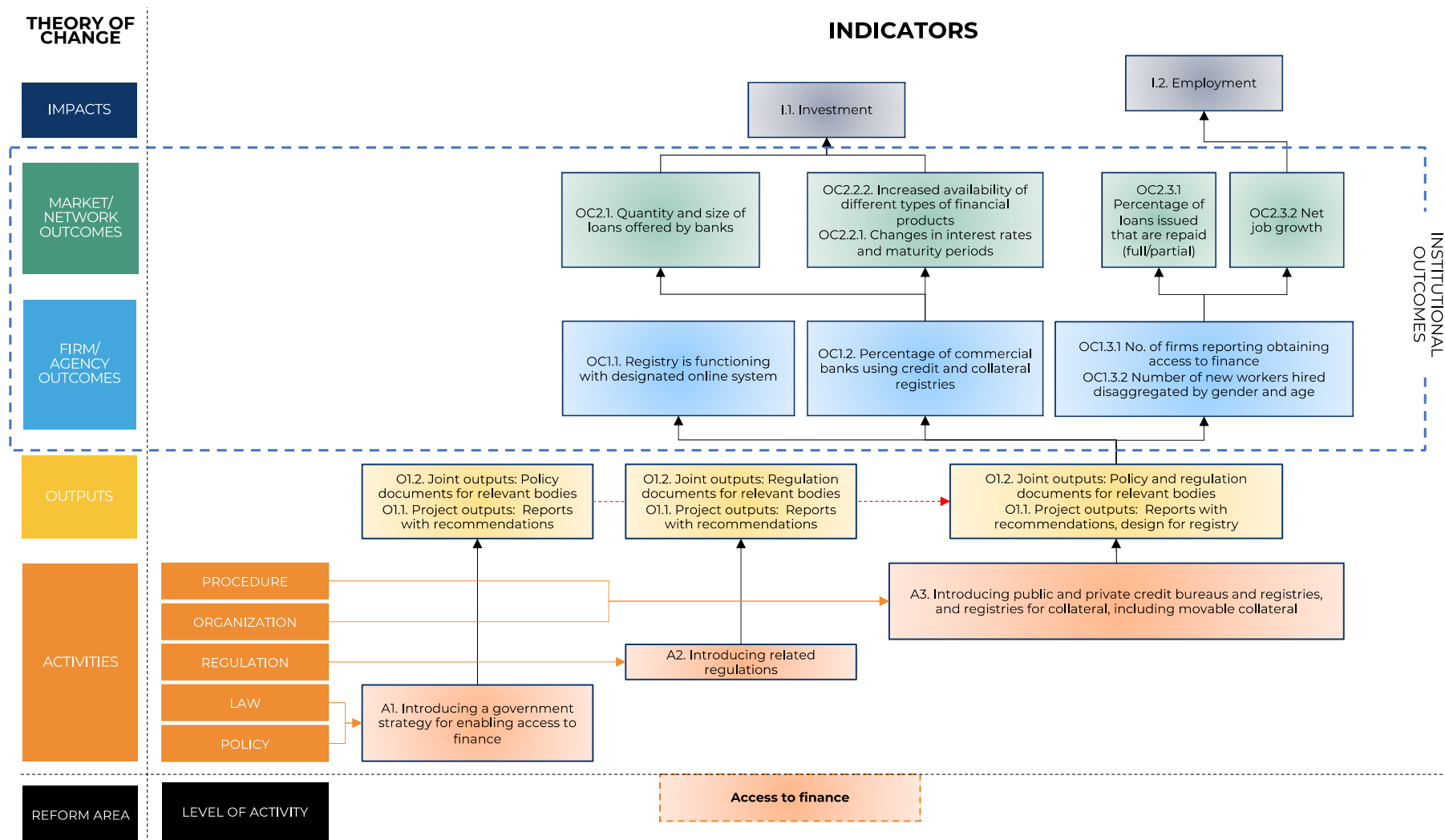


Figure 12 Access to finance results chain with indicators



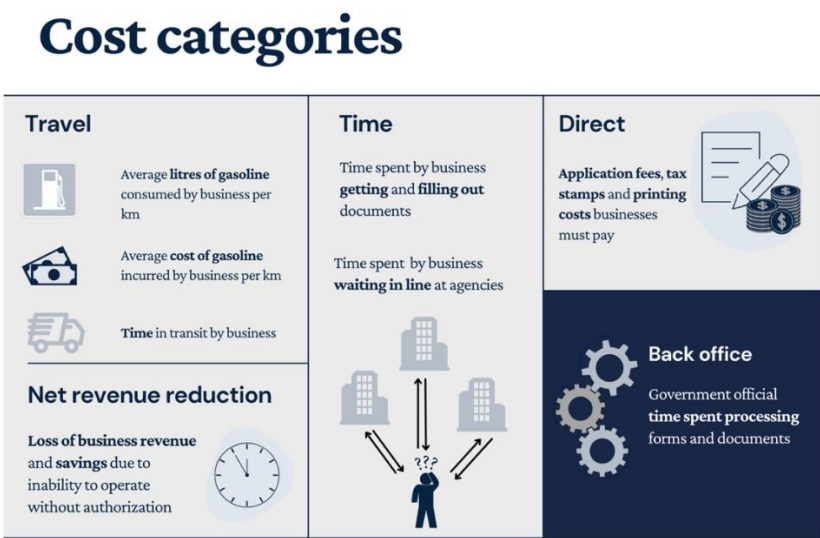
Simplifying business registration and licensing procedures

This results chain pertains to a project that simplifies business registration and licensing procedures. The project begins by establishing a reform committee to identify burdensome regulations and licenses. This is then followed by either elimination of regulations/licenses or optimizing existing licensing procedures through simplification or digitization.

For projects like this with multiple steps, it can be useful to develop a milestone map, such as the one shown earlier (Figure 3). Such a map will also contain a timeline with steps linked to commonly accepted and understood phases of reforms as they normally occur in country. This map can be revised over the project period. Connecting it to the country’s reform architecture can help ground milestones with realistic expectations around getting necessary approvals and support.

Simplifying registration and licensing are activities that lend themselves well to a baseline measurement of administrative burden, using well-accepted indicators of BER: reduced time and cost. The infographic below displays an exemplary breakdown of costs which can be used to measure a single administrative procedure or scaled to measure that of tens or hundreds of procedures (Figure 13). This method is called “Monetizing Benefits” (more detail is provided in the technical report). Monetizing benefits (MB), essentially a simplified version of the standard cost model. While these different ways of computation exist, administrative burden (in the form of time and cost) itself is an indicator that is widely accepted and thus, a standard indicator that allows fair comparison of reform success across projects and interventions¹⁸.

Figure 13 The administrative burden of procedures



¹⁸ The terms “regulatory burden” and “administrative burden” are often used interchangeably, however the measurements for each do differ. In the case of this illustrative exercise, MB was deployed specifically to measure the transactional burden of government administrative procedures.

COSTS

Calculations are as follows:

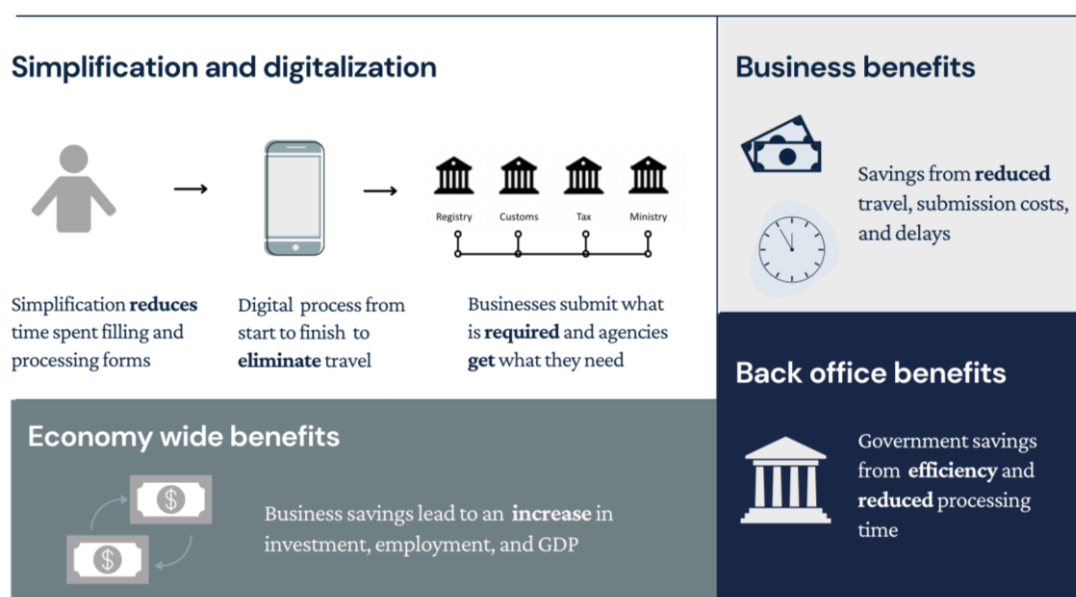
1. **Travel costs** = *Average time taken to commute to government offices (hours) x average hourly wage of a mid-level employee in the private sector*
2. **Procedure time costs** = *Number of employee/contractor hours per step x hourly wages for mid-level employees*
3. **Direct procedure costs** = *Current fees for each step of each procedure*
4. **Net revenue reduction costs** = *A loss each day for not having an authorization or permission needed to operate (i.e., inability to export) + Additional operating costs due to delays (i.e., fees because goods are stuck at port) + Lower return on investments (i.e., forgone savings from not having a solar installation)*
5. **Back-office costs** = *Number of hours spent per government employee per step x hourly wages of employee*

SAVINGS

Saving estimates are based on assumptions about whether procedures will be eliminated, simplified, digitized, or some combination of these. Figure 14 below illustrates the savings that can be achieved from digitalization of procedures.

Figure 14 Savings for the whole economy

Savings



Unlike other simplified versions of the standard cost model, MB relies primarily on firm consultations, focus groups, and expert interviews (as opposed to surveys), and factors in contextual information about the difficulties investors face. This allows for granular data and relative precision in measuring the costs of administrative burden. In addition, MB is designed to combine a bottom-up approach to data gathering with an economy wide model considering the effects of administrative and/or regulatory burden on investment, jobs, and growth. In other words, the full model allows governments to estimate the macroeconomic effects of microeconomic reforms.

Figure 15, below, discusses the merits of similar models for the calculation of administrative burden.

Figure 15 Pros and cons of the standard cost model and alternatives

PROS AND CONS OF SCM AND ALTERNATIVES		
METHOD AND ORIGIN	PROS	CONS
Standard cost model (Developed in Holland)	<ul style="list-style-type: none"> The original “gold standard” method, SCM is widely known and has been adopted by most OECD countries. Thorough and robust, observes standard conventions prevailing among economists (i.e., standard component costing). <p>Data can be collected in conjunction with mapping of procedures and licenses.</p>	<ul style="list-style-type: none"> Focuses only on administrative costs, not the broader economic benefits of reform. <p>If done in its fullest form can be time consuming and costly, though simple adaptations of SCM avoid this problem.</p>
Compliance cost savings (World Bank Group/IFC*)	<ul style="list-style-type: none"> Based on standard cost modeling. Can be used to engage key stakeholders. <p>Includes estimates of additional revenue that will accrue to government.</p>	<p>For some of the data, relies on average values from enterprise surveys; costly and may not be accurate.</p>

<p>Competitiveness impacts of business environment reform – CIBER</p> <p>(Developed and used on USAID projects)</p>	<ul style="list-style-type: none"> • Provides a checklist for mapping regulatory constraints to competitiveness. • Detailed analysis of costs within a value chain. • Includes private sector participation <p>Can be linked to economic benefits of sector growth.</p>	<ul style="list-style-type: none"> • Works better in a narrow sector specific context given its value chain focus. <p>Is best adapted to be implemented over several years (could replace regulatory impact analysis).</p>
<p>Monetizing benefits</p> <p>(Developed and used on USAID projects)</p>	<ul style="list-style-type: none"> • Is a simple adaptation of SCM. • Disaggregates impact of assistance on a specific reform. • Useful order of magnitude estimates of impacts. • Good for prioritization of reforms. <p>Focus on benefits gained vs regulatory costs; good for gaining political will.</p>	<ul style="list-style-type: none"> • Only monetizes specific benefits to specific beneficiaries of specific reforms. <p>Does not observe standard conventions prevailing among economists. For example, adds “apples and oranges” to calculate benefits.</p>

*IFC. 2007. “Show me the money!” Quantifying the impact of regulatory simplification projects. Smart Lessons.

When we break out the specific activities for this project, as shown below in the results chain (Figure 16) it becomes apparent that in order to achieve the desired outcomes, the central priority is that reforms are identified, and progress is made to advance them. Meanwhile, the establishment of the reform committee is observed to serve a supporting function and the organization of public private dialogue as an amplifier. This means that in conjunction with the reforms, it improves the quality and quantity of the outputs of the other activities. This is important to note, because at times there have been projects designed as if outcomes can be achieved solely through public-private dialogue. Certainly, reforms can be private sector-led and there may be techniques to work outside of government structures or to affect them indirectly, but a theory of change would need to show exactly how that process is working and acknowledge that amplifiers alone do not lead directly to higher-level economic outcomes and impacts.

Figure 16 Simplifying business registrations and licensing procedures results chain

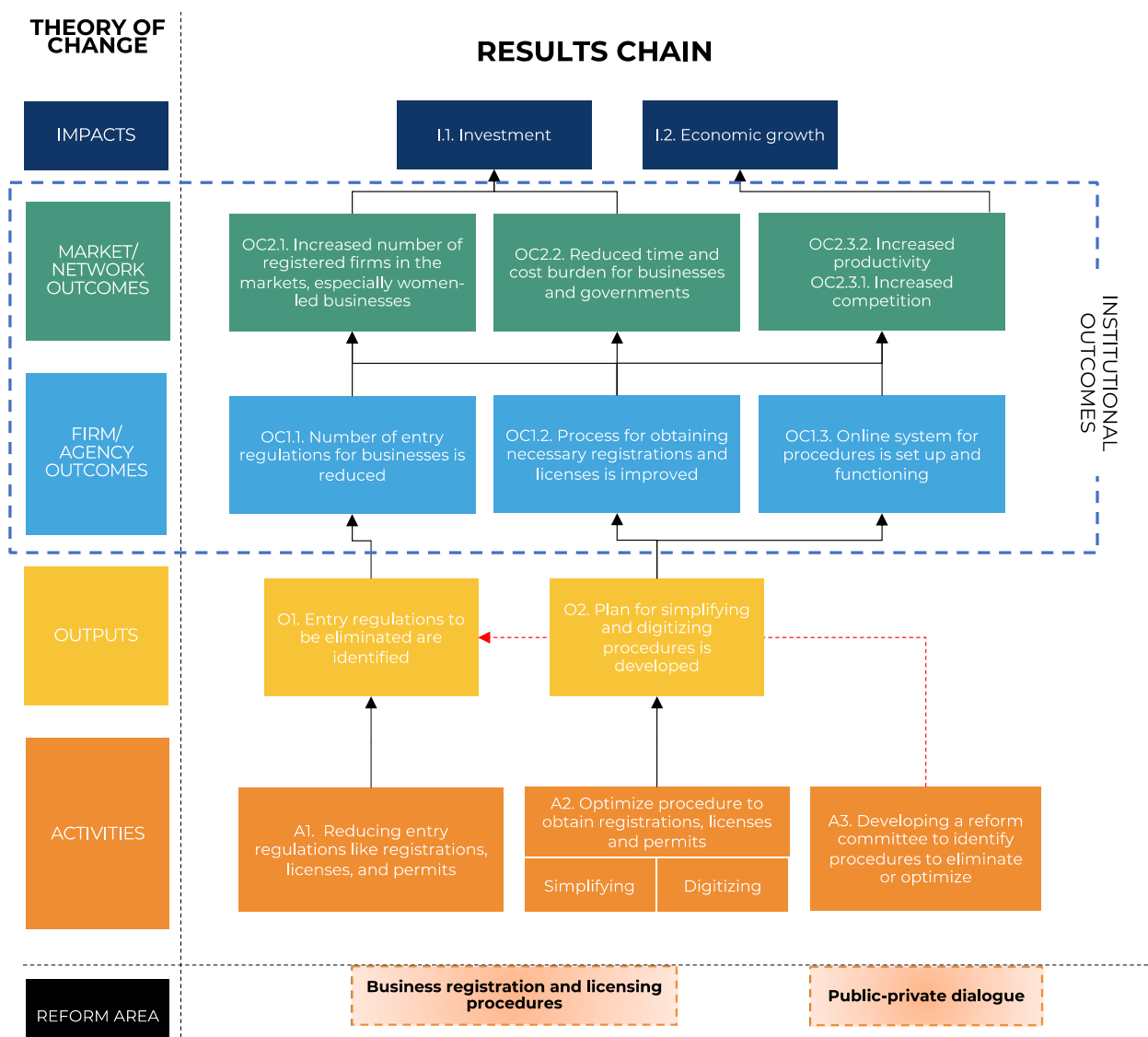


Figure 17 Simplifying business registrations and licensing procedures results chain with indicators

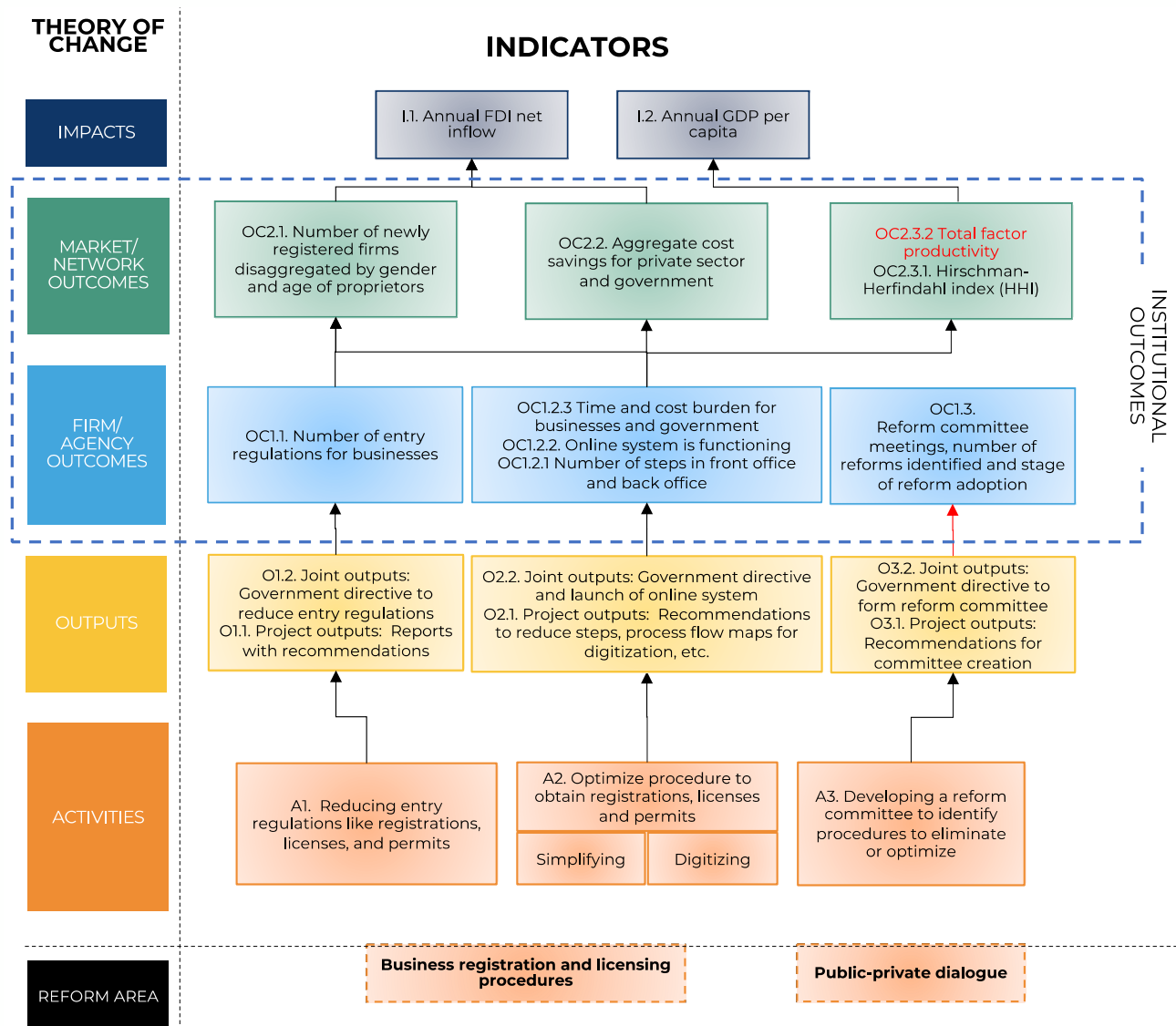


Figure 18 Evaluating indicators through criteria

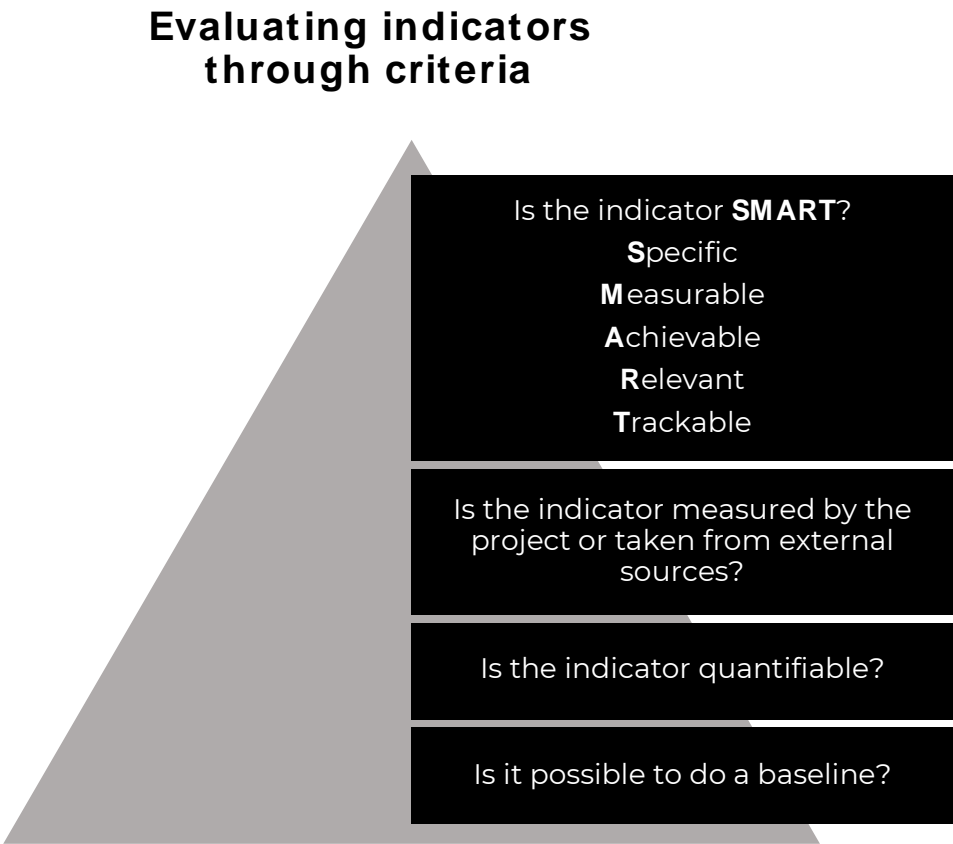


Figure 17 depicts possible indicators to measure all the outputs, outcomes, and impacts of this set of activities. These indicators have been compiled from many different sources including USAID standard indicators, DCED BER Sample Measurement Indicators, and indicators from projects examined in the case studies which can be found in the report accompanying this guidance note¹⁹. This table also analyses the indicators according to minimum quality criteria that are depicted in the above diagram. These criteria have been considered for the indicators listed in Figure 19, and classified as robust, needing clarification, or candidates for replacement

¹⁹ “Enhancing the use of results measurement in BER programming – summary of evidence and case studies,” (forthcoming). Just Results for the DCED Business Environment Reform Working Group.

Figure 19 List of indicators - simplifying business registrations and licensing procedures

BUSINESS REGISTRATION AND LICENSING PROCEDURES INDICATORS

Level	Output/Outcome Name	Indicator	
Impact	Investment	Investment generated, disaggregated by recipient and source of investment	
	Economic Growth	Gross domestic product per capita	
	Poverty Reduction	Changes in poverty indicators (nutrition, empowerment, etc.)	
		value of household incomes	
		Net additional income for micro, small and medium enterprise workers and owners	
Market/ Network Outcomes	Firm Entry	Number of newly registered firms	
	Employment	Number of full-time employees (male and female) in private enterprises	
	Competition	Changes in market structure as reflected by concentration index of market (Herfindahl-Hirschman Index for competition)	
	Cost Savings	Aggregate cost savings for firms and government	
	Productivity	Total factor productivity	
		Labor productivity	
	Investment	Firms reporting receiving investment or reinvesting revenue	
	Formalization	% of firms that formalize	
	Reform Sustainability	Government coordination of reform efforts (i.e., evidence of increased inter-agency coordination)	
Firm/ Agency/ Civil Society Outcomes	Entry regulations for businesses reduced/ eliminated	Changes in number of entry regulations for businesses	
	Process for meeting regulations is improved	Time and cost to register and license for businesses and government	
		Effective functioning of online systems (% of registrations and licenses completed online)	
		Number of steps in front office and back office	
	Organization for reform process is established	Reform committee meetings	
		Number of recommended policies/procedures/practices/standards that were improved/eliminated	
		Improvements in capacity of key actors and institution institutions to identify, design, implement, and monitor reforms	
Outputs	Project output:	Number of products (reports, assessments, surveys, manuals, process flow maps, digitization strategy, etc.) completed	
		Number of participants in programming (workshops/training events/seminars/conferences/etc.)	
		Number of modifications (recommended laws/regulations/amendments/codes) drafted or contributed to drafting	
	Joint output:	Number of modifications (recommended laws/regulations/amendments/codes) enacted	
		Government directive to establish organization	
		Organization set up with jurisdiction, roles, etc. established	
		Government directive for digitization/simplification of procedure	
		Launch of online system	



Robust



May require clarification



Consider replacing

E. Conclusion

The more consequential the research, the more likely it is that new questions emerge. We hope that this note has clarified the challenges, nuances, and rewards of evidence-driven results measurement in BER programming. What conclusions can we draw, and what questions remain to be answered?

One finding is that despite the difficulties, donors have made substantial progress towards a common basis for measurement. In fact it seems that measurement *per se* may not be the problem, but exactly what to measure, and in what order. The BER-specific theory of change presented in this note provides an organizing framework for the development of a set of robust causal relationships. It has undergone preliminary testing through case studies and is ready for application to projects that are new, or already underway but requiring a refreshed or more developed causal model.

We recommend that the DCED BER working group pursue validation of a core set of standard indicators that are compiled based on some common criteria like quality, means of measurement, rigor, feasibility, etc. Currently, all agencies have separate sets of indicators, and in addition the donor committee has its own set of indicators organized by functional areas. A rapid inventory and triaging of these would make results measurement more consistent and comparable across projects, regions, and donors (although it still would not guarantee whether we are measuring the right things). A stop-gap solution is to create a database of indicators compiled from all donors and implementors, assess them on common criteria, organize them along the theory of change and by functional area. A long-term, more rigorous method is to develop one or more economic models to identify the most important drivers of change, using economic indicators as proxy for successful BER. It is possible to begin experimenting with modelling in a specific country or project case, and then scale, standardize, and make comparable the model across different contexts. There are two possible sources of data – historical economic data or large-scale perception surveys of the private sector. Ideally, both should be used and triangulated with the existing evidence base. The field would also benefit tremendously from an agreement on the importance of and consistent plan for conducting baselines. All projects should require baselines and this data collection can be coordinated and data shared across agencies and donors to prevent duplication and redundancy.

Additionally, this exercise has identified some gaps in the field for donors to consider.

- First, are the current functional areas adequate and what must be added? There are some newer fields of BER that are currently not covered by any of the functional areas. There are a few ways in which these could be addressed. One way would be to add the new areas mentioned prior as new functional areas, however, this does not mitigate the inadequacies of the functional areas. The second method (and the one we recommend) is to reorganize the functional areas around some grounding logic. A possibility here is to utilize stages of the enterprise lifecycle as the functional areas and treat cross-cutting considerations like inclusion and sustainability and amplifiers like PPD and quality of regulatory governance as separate from business functions. A third, and more radical, method would be to utilize the economic modelling mentioned previously as the basis of identifying context specific functional areas.

- Second, how do we integrate green growth as a priority area in BER? Green growth does not fall into any of the functional areas and is not an amplifier of the outcomes of BER. It is however, and increasingly important consideration in economic development projects. Should green growth be considered as a cross-cutting consideration – (1) a sector of business activity like renewable energy, (2) a consideration for developing minimum standards in various stages of a circular economy, or (3) an accounting consideration that measures the impact of natural capital including the cost of carbon?²⁰.
- Third, how do we customize a theory of change based on country context? Here, donors must dwell on the best way to reflect in their results measurement the context specific intricacies of working in countries in different income groups, levels of fragility and conflict, climate and disaster vulnerability, etc.

While the recommendations put forth above may seem ambitious and would require large-scale coordination, it should be emphasized that through their current and past projects, agencies have large portfolios and swathes of data that can be leveraged through reorganization and prioritization. This would be an opportunity to tap into existing assets that are currently unused. To this end, a practical next step would be to update the current generic PSD theory of change by including an online interactive BER-specific theory of change that compiles the outputs, outcomes, and impacts of BER work, with corresponding evidence and indicators connecting different levels. Such a tool would be an extremely beneficial resource for program design, implementation, and measurement, and would facilitate some degree of standardization across donors and projects.

²⁰Weizsacker et al. 2009. Factor Five: Transforming the Global Economy through 80% Improvements in Resource Productivity 1st Edition. Routledge.