# CONTENTS

**Abbreviations**  
3

Explanation of key terms used in this report  
4

**Summary**  
5

1 **Introduction**  
9

2 **Impact Assessment and Enabling Environment (EE) Programmes**  
11
   2.1 Defining Enabling Environment Programmes  
   2.2 Challenges of Assessing Enabling Environment Programmes  
   15

3 **An Integrated Impact Assessment Approach (IIAA)**  
18

4 **Stages in conducting an IIAA:**  
21
   4.1 Overview of the Stages  
   4.2 Stage 1: Screening  
   4.3 Stage 2: Ex ante assessment  
   4.4 Stage 3: Ongoing monitoring  
   4.5 Stage 4: Ex post evaluation  
   27

5 **IIAA Tasks and Tools:**  
28
   5.1 Overview  
   5.2 Selection of Indicators  
   5.3 Causal chain analysis  
   5.4 Consultation and stakeholder analysis  
   5.5 Risk assessment  
   5.6 Data sources and evidence  
   5.7 Presenting, reporting and disseminating assessment findings  
   38

6 **Organising assessment of an enabling environment programme**  
43

**Bibliography**  
45
APPENDICES

A  Assessing business environment policy impact: a review of some donor approaches  49
B  Other information sources and resources for assessing impacts of enabling environment programmes  64
C  Proposals for piloting IIAA  70
D  Terms of Reference  71
E  Tables showing areas of focus and types of intervention of DFID enabling environment work, extracted from ICEE Review, Dec 2004  73
F  Note on policy domains likely to affect small enterprise development  75
G  Note on IIAA in the context of SWAPS, General Budget Support Macro-Agreements and Country Assistance Plans  76
H  Additional notes on causal chain analysis  78
J  Model terms of reference for commissioning assessment of an EE programme  81

Tables

1  Example of assessment levels of an EE programme aimed at reducing the legal and regulatory barriers to small enterprise development  14
2  Methods for ongoing monitoring of EE programmes  27
3  Sustainable development core impact indicators  29
4  Core outcome indicators for EE programmes  30
5  Suggested outcome indicators relevant to specific EE programme focus  31
6  Mapping stakeholders for consultation in EE programmes  34
7  Example of risk assessment matrix  38
8  Commonly used data collection tools for impact assessment  39
9  Example of summary of significant impacts of an assessment of an EE programme  42
10  Pros and cons of internal and external assessment  43

Diagrams

1  Linking assessment levels to the programme logframe  12
2  Summary of the stages, tasks and tools for conducting an IIAA  21
3  Linking IIAA to the Programme Management Cycle  22
4  Linking IIAA to the programme logframe  22
5  Mapping importance and influence of stakeholders  36
ABBREVIATIONS

ADB  Asian / African Development Bank
CAP / CSP (DFID’s) Country Assistance Plan / Country Strategic Plan
DFID  Department for International Development
EDIAIS  Enterprise Development Impact Assessment Information Service
EE  Enabling Environment
EU / EC  European Union / European Commission
FDI  Foreign Direct Investment
GIG  (DFID’s) Growth and Investment Group
IARC  Impact Assessment Research Centre, University of Manchester
IBRD  International Board for Re-construction & Development
ICEE  (DFID’s) Investment, Competition & Enabling Environment Team
IDPM  Institute for Development and Policy Management, University of Manchester
IFC  International Finance Corporation
IFIs  International Financial Institutions
IIAA  Integrated Impact Assessment Approach
ILO  International Labour Organisation
IPA  Investment Promotion Agency
IMF  International Monetary Fund
MIGA  Multilateral Investment Guarantee Agency
MDGs  Millennium Development Goals
MTEF  Medium Term Expenditure Framework
NGO  Non-governmental Organisation
ODI  Overseas Development Institute
OECD/DAC  Organisation for Economic Development and Cooperation, Development Assistance Committee
PPA  Participatory Poverty Assessment
PRSP  Poverty Reduction Strategy Paper
PSD  Private Sector Development
PSIA  Poverty and Social Impact Analysis
RIA  Regulatory Impact Assessment
SED  Small Enterprise Development
SEA  Strategic Environment Impact Assessment
SIA  Sustainability Impact Assessment
StIA  Strategic Impact Assessment
SIDA  Swedish International Development Cooperation Agency
SMEs  Small and Medium Enterprises
TA  Technical Assistance
TSP  Target Strategy Paper (DFID)
UNDAF  United Nations Development Assistance Framework
UNDP  United Nations Development Programme
UNEP  United Nations Environmental Programme
WB  World Bank
WBG  World Bank Group
WISE  Women In Sustainable Enterprise
WTO  World Trade Organisation
EXPLANATION OF SOME KEY TERMS USED IN THIS REPORT

Some terms in this report are variably used and interpreted amongst donor agencies and other development institutions. Below is a brief explanation of how we have used them in the context of this report:

**Enabling Environment (EE):**
We have used this term to describe all the factors that are external to the business itself but which affect the way businesses operate and impinge on the development of the private sector. Variations of this term, used by different donor agencies include ‘business environment,’ ‘business enabling environment,’ ‘investment climate,’ and ‘private sector environment.’

**Programmes and Interventions:**
These terms are often used interchangeably, but in general “interventions” is used in the broader sense to encompass programmes, plans and policy formation processes. “Programmes” is generally used to refer to a specific set of activities that governments undertake with the support of donors. Plan, programme and policy interventions are also referred to as strategic-level interventions.

‘Policy’ reform:
This is our ‘shorthand’ to include changes to the framework of regulatory, legislative, policy, procedural or institutional features of the enabling environment which may occur within or outside of a programme or donor intervention.

**Ex ante assessment:**
This involves assessing the likely impacts of the proposed intervention before its approval and implementation. It includes terms such as programme appraisal, ex ante appraisal, situational analysis, position analysis.

**Ex post assessment:**
This involves assessing the actual impacts which result from the implementation of the proposed programme or measure. It includes terms such as ex post evaluation or ex post review.

**Monitoring:**
This is the continuous collection of data relevant to tracking the programme’s impacts against indicators established at the start of the programme. It provides essential evidence for ex post assessment.

**Sustainable development:**
Here we are referring to broad socio-economic development and capacity for growth that is embedded within a country’s structural conditions, i.e. the ultimate goal of development interventions. We are not referring to organisational aspects of ‘sustainability’, for example, financial sustainability of micro-finance institutions.
1 Introduction

1. This report provides a methodological framework, Integrated Impact Assessment Approach (IIAA), for assessing the outcomes and impacts of enabling environment programmes. The framework includes practical guidance and tools for conducting an assessment, and is designed to be of interest and use to policy advisers, decision makers and impact assessment practitioners alike. IIAA is intended to be practical and sufficiently flexible for application in a range of different contexts and with varying resource constraints. At the same time it has the capacity to provide clear and timely information to decision-makers on the expected or actual impact of interventions in the enabling environment aimed at progressing the goals of pro-poor growth and sustainable development.

2 Impact assessment and enabling environment (EE) programmes

The term “enabling environment” can be used to describe all the factors that are external to the business itself but which affect the way businesses operate, and impinge on the development of the private sector. We are concerned here with the programmes that governments undertake, with the support of donors, to change that enabling environment so that it is more conducive to development of the private sector, encourages economic growth and investment, and contributes to sustainable development. EE programmes focus on three broad areas of change: the legislative and regulatory framework; the policy framework; and the institutional and organisational framework.

Assessment can take place at various levels, as can be seen from the diagram below which links assessment to levels in the programme logframe:
Assessment work to date has tended to be at the process and output levels, that is measuring performance and attempting to answer the questions "what did we do?" and "how did we do it?" Very little work has been undertaken to assess the outcomes and impacts of EE programmes, that is: whether and to what extent programme purposes and goals will be or have been achieved. IIAA attempts to assess impacts at these higher levels of purpose and goal.

Some of the challenges of assessing outcomes and impacts of enabling environment programmes are discussed, together with suggestions as to how these challenges might be addressed. Given these challenges, the report makes the point that it is important to have a realistic expectation of what to expect from assessments of EE programmes. As one progresses up the path to sustainable development the bounds of uncertainty necessarily increase, but that is the nature of the exercise. The prime objective of conducting an ex ante or ex post assessment is to facilitate thinking and analysis. It will not give complete answers but it does help develop a strong evidence base for informing policy-making and implementation.

3 An integrated impact assessment approach (IIAA)

IIAA addresses the limitations of previous assessment work, and is designed to allow for the assessment of strategic interventions (ie policies, plans and programmes) in terms of the outcomes and final impacts of the intervention. This entails measuring the effect of enabling environment interventions on the economic performance (ie purpose level outcomes) of the agents and enterprises targeted by the programme, and on the four pillars of sustainable development (ie goal level impacts).

4 Stages in conducting an IIAA:

Four stages in conducting an IIAA are identified, and the activities to be conducted at each stage are described:

4.1 Pre-IIAA / initial screening of the enabling environment and country context:

The first task will be to decide which aspects of the enabling environment are to be assessed. This screening process will entail looking across the range of policies, regulations and institutions affecting the business environment in order to identify constraints on its productivity, and the policies, laws or regulations which are contributing to those constraints. It is useful to map the links between policies, legislation and regulations, so that broadly cohesive and linked areas can be identified, together with key components in each of those areas. This will lead to a decision being taken on the broad area of focus to be tackled by the programme (for example: competition policy, market development, tax reform).

4.2 Ex ante appraisal will take into account:

- A review of the existing legislative, policy and regulatory environment
- Stakeholder analysis and outcomes of consultative processes
- An assessment of the risks in a change of policy (and the risks of continuing with the current policy framework)
• A review of the country’s economic, social, environmental and governance context
• An assessment of the likely impacts (positive and negative) of the proposed programme intervention

4.3 Ongoing monitoring and evaluation:

This should be built into programme design and implementation to ensure there is timely feedback on outcomes and impact from the start; some simple methods of ongoing data collection are suggested.

4.4 Ex post IIAA:

This is conducted to assess the actual impacts of a programme or policy intervention. Outcomes and impact should be monitored and assessed against the baseline scenarios developed at ex ante stage. The same tasks and tools will be required as for the ex ante appraisal.

5 IIAA Tasks and Tools:

This section provides guidance on particular tasks, tools and techniques that need to be applied at the various stages in IIAA that were described in the preceding section. The guidance is arranged into the following sections:

• Selection of indicators: purpose and criteria for choice; table of impact level indicators for progress towards sustainable development, and of outcome/purpose level indicators within the main areas of focus of programmes.

• Causal chain analysis (CCA): functions and application of CCA are discussed and the importance of drawing out the significant cause-effect links.

• Consultation and stakeholder analysis: discussion about the importance of consultation and techniques of stakeholder analysis

• Risk assessment: why risk assessment is needed; how to draw up a risk assessment and mitigation management plan

• Data sources and evidence gathering: main sources of secondary data; table on common methods of data collection suitable for IIAA, and discussion on uses of quantitative, qualitative and participatory methods

• Presenting, reporting and disseminating assessment findings: discusses need for comprehensive presentation to non-specialist decision makers, and suggests a method for summarising findings; dissemination is important for transparency

6 Organising an Impact Assessment of an EE programme

This section summarises some of the pros and cons of using internal and external assessors, and the importance of budgeting for assessment work from the start; it also looks at a typical set of Terms of Reference for commissioning an assessment.
APPENDICES: Three appendices are of particular relevance to the report:

A Assessing business environment policy impact: a review of some donor approaches:
This review begins with an examination of the recent World Bank evaluation of its ‘investment climate’ activities and briefly considers some other donor evaluations. It goes on to review the principles and practice of strategic impact assessment and provides some examples of donor initiatives in this area. Key components of the strategic assessment of policy-orientated programmes are identified and examples of their use signposted.

B Other information sources and resources for assessing impacts of enabling environment programmes:
This comprises a list of web based sources of further information on impact assessment tools and methodologies.

C Proposals for piloting IIAA
Assessment of the outcomes and impacts of enabling environment programme is in its infancy and needs to be tested in a variety of contexts, for example in different country contexts and at different programmatic stages. It is proposed IIAA should be tested in 2-4 countries, the choice of these to be made in conjunction with members of DFID’s ICEE team, Evaluation Department and Heads of Country Offices.
1 INTRODUCTION

“One of the major difficulties experienced in this review has been to identify which kinds of reform programmes (i.e., areas of focus, activities, models) work better than others. This is in large part because there is insufficient information to draw on regarding the impact of these programmes. DFID’s work in the enabling environment should continue to be grounded in its experience of evidence-based revision and research. This requires the development of impact assessment frameworks that can be used to measure success, so that more objective criteria can be applied for this purpose. Without such criteria it is difficult to make assessments regarding the impact of reform programmes or whether certain programmes work better than others. A framework for impact assessment should describe causal links between reform interventions and improvements in the enabling environment, as well as between improvements in the enabling environment and economic development and pro-poor growth.” (Review of DFID Activities in the Enabling Environment, DFID, 2004)

1. The last decade has seen an increased appreciation among policy makers that while development depends on economic growth, growth alone is not sufficient for achieving the Millennium Development Goal (MDG) to halve the number of people living in extreme poverty by 2015. The policies needed to achieve poverty reduction are much broader than those for economic development alone: they need to encompass the social and environmental concerns which are essential for achieving the MDGs, and to be effected through sound governance and institutional development. The multidimensional nature of the development process is encapsulated in the concept of sustainable development, which is defined as comprising four interrelated pillars:

- Economic development
- Social development
- Environmental development
- Governance and institutional development

2. Consequently, if growth is to contribute to the ultimate eradication of world poverty the impact of policymakers’ interventions need to be assessed not only in economic terms, but also in terms of the social, environmental and institutional factors that contribute to the process of sustainable development.

3. There has also been a major shift in aid modalities, away from funding of projects and direct management of inputs to providing support to governments’ efforts to improve and strengthen the broader legal, policy and regulatory environment needed to achieve pro-poor growth and sustainable development. The move ‘from projects to policies’ has reflected a recognition that the policy environment plays a fundamental role in determining the pattern and pace of development, and has focused the attention of decision-makers on issues relating to the design and delivery of ‘good’ policy. A second shift in aid modalities has been the increased attention to the role of markets and the private sector in development, and to the state’s responsibility for establishing a stable and transparent policy environment conducive to market-led development. Here, governments have two critical roles to play in creating an enabling environment for private sector development and economic growth. The first is to promote competitive and efficient markets by dealing with various forms of market failure and anti-competitive behaviour. The second is to deal
with the undesirable social consequences of markets, particularly in terms of their distributional effects. Improving the ‘enabling environment’ is therefore a core component of improving the quality of policymaking for sustainable development.

4. As a result of these changes in aid modalities and the global commitment to the MDGs, there is now considerable interest within the donor community in analysing the impact of ‘enabling environment’ programmes, and in tracking progress against performance benchmarks. If development policy is to contribute to achieving pro-poor growth and sustainable development in low-income countries it needs to be both effective and efficient. Effective in the sense of achieving its planned goals, and efficient in the sense of achieving these goals at least cost. However, fulfilling these criteria for ‘good’ policy is seldom easy, not least because the methodological tools for carrying out impact assessment at the policy, programme or plan level are much less developed than the techniques available for project level appraisal and evaluation. There is, therefore, a compelling case for developing a methodology which will allow for the systematic appraisal of the positive and negative impacts of proposed and actual enabling environment programmes, thereby contributing to an improvement in the quality of development policy.

5. This report provides a methodological framework, Integrated Impact Assessment Approach (IIAA), for assessing the outcomes and impacts of enabling environment programmes. The framework includes practical guidance and tools for conducting an assessment, and is designed to be of interest and use to policy advisers, decision makers and impact assessment practitioners alike. IIAA is intended to be practical and sufficiently flexible for application in a range of different contexts and with varying resource constraints. At the same time it has the capacity to provide clear and timely information to decision-makers on the expected or actual impact of interventions in the enabling environment aimed at progressing the goals of pro-poor growth and sustainable development.

6. The approach that is proposed in this report is at an early stage of development. The intention is that IIAA should be tested in a variety of country and programme contexts, and subsequently refined. Comments and ideas for improvement would therefore be welcomed. Over the next few weeks this Handbook, and the Guidelines which accompany it for practical application of IIAA, will be placed on the EDIAIS website (www.enterprise-impact.org.uk), and circulated to members of the EDIAIS listserve discussion group for comment, as well as widely distributed within DFID.

---

1 Terms of Reference given to WISE Development Ltd by DFID in November 2004 are at Appendix D
2 www.enterprise-impact.org.uk (Enterprise Development Impact Assessment Information Service) – a special feature has recently been launched on this site about assessing enabling environments.
2 IMPACT ASSESSMENT AND EE PROGRAMMES

2.1 DEFINING ENABLING ENVIRONMENT PROGRAMMES

7. Donor activities are driven by the commitment to halve the number of people living in extreme poverty by 2005. An efficient market economy which facilitates equal access to markets and economic resources is regarded as the engine for economic growth. The role of government is to provide an environment in which markets work well and to ensure that the outcomes are consistent with poverty reduction and sustainable development.  

8. The term “enabling environment” can be used to describe all the factors that are external to the business itself but which affect the way businesses operate, and impinge on the development of the private sector. We are concerned here with the programmes that governments undertake, with the support of donors, to change that enabling environment so that it is more conducive to development of the private sector, encourages economic growth and investment, and contributes to sustainable development. Enabling environment programmes focus on three broad areas of change:

- The **legal and regulatory framework** for business generally and small enterprise in particular. This includes the rule of law and access of businesses to commercial justice.

- The **policy framework** for business and private sector development, including competition policy.

- The **institutional and organisational framework** for the design and implementation, and compliance with, policies and programmes concerned with the regulation, promotion and representation of business.

9. An enabling environment programme therefore comprises a set of interventions which are intended to change the environment (the ‘playing field’) that governs the behaviour of individuals and enterprises, and ‘enables’ private sector growth. The design and implementation of the enabling environment programme is the responsibility of government. The donor’s involvement in the enabling environment programme is likely to be confined to a number of specific components of the enabling environment programme, for example, providing technical assistance and institutional capacity building. Assessing the influence of donors’ enabling environment interventions is likely to be more difficult, therefore, than assessing the

---

3. Effective governments are needed to build the legal, institutional and regulatory framework without which market reforms can go badly wrong, at great cost – particularly to the poor (DFID, *Eliminating World Poverty: Making Globalisation Work for the Poor*. 2000). Strengthening market-led pro-poor growth can also contribute to the realisation of human rights, by impacting positively on broader societal and cultural values that currently exclude people from access to markets and resources, by virtue of their gender, age, religion, caste or ethnicity.

4. Review of DFID Activities in the Enabling Environment, DFID, 2004

5. White (2004: 39) defines a project as ‘a discrete activity with specific outputs that stands alone from other activities,’ whereas a programme ‘refers to a collection of interventions (ie a collection of projects or components) that are assembled to maximise the impact of donor intervention at a number of levels.’
impact of an enabling environment programme. Donors may therefore be inclined to focus their assessment on the effects of the specific intervention which they support, rather than on the enabling environment programme as a whole, single entity.

10. This raises the issue of the form or level of assessment that is to be applied to enabling environment programmes. Assessment can take place at various levels, as can be seen from the Diagram 1 below which links assessment to levels in the programme logframe:

**Diagram 1: Linking assessment levels to the programme logframe**

- assessing the *activities, processes and outputs* of an enabling environment programme, or a specific component of a programme, will require indicators that attempt to answer the questions: What did we do? (ie what changes did we make to the enabling environment? eg changes in regulations or policies) and How did we do it? (ie what procedures did we follow?) Assessed together these measure institutional and organisational performance.

- assessing the *outcomes* of an enabling environment programme will require indicators at purpose level that reflect the effects of the programme on firm-level and economy-level performance. It entails asking: Will, or did, the programme have the intended outcomes in terms of changing the behaviour of business managers and entrepreneurs? Will it / did it have the effect of facilitating growth of the private sector? Will it / did economic performance improve? Will there be / were there unintended or unforeseen outcomes? And why did these arise?

- assessing the *impact* of an enabling environment programme will require indicators that answer the questions: what impact will, or did, the enabling environment programme have on the broader goal of sustainable development, in terms of economic, social, environmental and institutional structures and conditions? Was the intended developmental impact achieved? Or were there unintended or unforeseen impacts? And why?
11. Assessment work to date has tended to be at the process and output levels, that is measuring performance and attempting to answer the questions “what did we do?” and “how did we do it?” Very little work has been undertaken to assess the outcomes and impacts of EE programmes, that is: whether and to what extent programme purposes and goals have been achieved. Some of the challenges of assessing outcomes and impacts of enabling environment programmes are discussed in 2.2.

NOTE:
It is sometimes hard to distinguish between outputs and outcomes, and often it will depend on programme context. A ‘rule of thumb’ to follow however, is:

Outputs = changes in the enabling environment
Outcomes = changes in business or economic behaviour as a result of the changes in the enabling environment

This is discussed further in the Section 5.2 Selection of Indicators

12. Table 1 on the next page summarises the levels at which different forms of assessment can take place, by taking an example of an enabling environment programme aimed at reducing the legal and regulatory barriers to enterprise development.
### Table 1: Assessment of an Enabling Environment Programme to Reduce the Legal & Regulatory Barriers to Enterprise Development

<table>
<thead>
<tr>
<th>Process and output level: measuring performance</th>
<th>Outcome and impact level assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities and Processes</td>
<td>Outputs</td>
</tr>
<tr>
<td>What did we do? How did we do it?</td>
<td>Did the quality of the enabling environment improve?</td>
</tr>
<tr>
<td>Conducted a survey of current constraints on SMEs in the existing procedures: eg</td>
<td>Reduced the number of days it takes for a small business to register and get started, from x to y</td>
</tr>
<tr>
<td>- Lengthy time to get registered having to visit up to a dozen different government offices</td>
<td>Reduced actual cost of charges for registration, from x to y, as well as indirect cost of time saved.</td>
</tr>
<tr>
<td>- Cost of paying a fee at each govt office</td>
<td></td>
</tr>
<tr>
<td>- Numbers of days taken up with inspection in first year of business operation</td>
<td></td>
</tr>
<tr>
<td>- Indirect costs of time spent on start up and inspection</td>
<td></td>
</tr>
<tr>
<td>Reviewed related policies and regulations: challenged: where are the blockages? Can registration &amp; inspection services be better? compared: with inter-national standards / benchmarks? Between organisations/regions/sectors consulted: businesses and representative organisations, other stakeholders/affected groups collaborated: to find best way forward - across depts, local and central; with private sector; with civil society</td>
<td></td>
</tr>
<tr>
<td>Brought in new legislation for simplified procedures, system of unified charges and specification of occasions for inspection.</td>
<td></td>
</tr>
<tr>
<td>Regulated for municipal councils to set up one-stop service for business registration; established procedures to ensure participation of all govt ministries in these.</td>
<td></td>
</tr>
<tr>
<td>Provided finance to municipal councils for core capital and one year revenue costs of one-stop service.</td>
<td></td>
</tr>
<tr>
<td>Produced leaflets and media notices of the changes and one-stop service</td>
<td></td>
</tr>
<tr>
<td>Established M&amp;E unit to track use of service; set up policy impact tracking with panels of key informants and point of service surveys</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2.2 CHALLENGES IN ASSESSING EE PROGRAMMES

13. Assessing EE programmes is complex because they are usually part of a web of development interventions. This is particularly the case in recent years with changes in aid modalities towards greater use of sector wide approaches and general budget support. The challenges that assessment of the outcomes and impacts of EE programmes present, and how they can be addressed, can be grouped into four interrelated categories:

2.2.1 Going beyond performance measurement to assessment of outcomes and impacts:

14. Two major challenges of going beyond measuring organisational and programme performance to assessing outcomes and impacts of enabling environment programmes are:

15. **The timescale of the assessment:**
Assessing outcomes entails looking at changes in business behaviour as a result of the programme; assessing impacts entails looking at how those changes in business behaviour have affected the wider socio-economic goals of pro-poor growth and sustainable development. Both outcomes and impacts take time to emerge, often beyond the programme’s duration, and this is particularly the case with impacts. However, carefully chosen indicators, tracked from the start of the programme, can give an indication of the trends in outcomes and impacts that are emerging from the reformed enabling environment. (For more discussion on indicators see 5.2)

16. **The scale of the assessment:**
Most enabling environment programmes deal with a web of policies and regulations. For example, changes in small business registration may be linked to changes in inspection procedures for new businesses, or to tax collection methods. It is therefore necessary to establish boundaries for the assessment: which linked policies and regulations are going to be taken into account? How wide will your assessment framework be? It is important to break down the assessment framework into manageable components, eg registration procedures; inspection procedures; revenue collection procedures. Each should then be treated as a boundaryed subject, but then brought together in an overarching framework in order to understand the linkages and how the parts interact with each other to determine impact of the programme as a whole.

2.2.2 Data availability and quality:

17. **Absence of a baseline** is a common problem in assessment of development programmes, and emphasises the importance of conducting thorough ex ante programme appraisal. However, where a programme is already running, or reaching conclusion, the first task of the research team should be to try to reconstruct a baseline based on a mixture of reviewing and analysing historical data collected by national and international agencies, conducting key informant and stakeholder interviews and focus groups. The team should then aim to develop options and baseline scenarios as they would have appeared at the time of the start of the programme; these should then be tested with key informants for validity. Only at this stage should current data be
collected, so as to avoid (as far as is practical) the reconstructed baseline data being ‘tainted’ by current perceptions and experiences.

18. **Quantitative and qualitative data are both important:** Quantitative data measures actual impacts but is often inadequate on its own for revealing the causal processes of impact. Qualitative and participatory methods give the story behind the figures by looking at how and why impacts occur, but they necessarily contain some degree of subjectivity and depend on skilful analysis to draw out the links between processes and outcomes. A mix of both forms of data collection and triangulation between different sources is essential, therefore, to get a full picture about what is happening and why.

**2.2.3 Demonstrating causality:**

19. The complexity of enabling environments and the range of factors that can intervene and affect the outcome of a programme, some of which cannot be foreseen (for example, war, climatic catastrophe, changes in world prices that may affect local markets etc), make it impossible to precisely attribute causation of a change (outcome) in business behaviour, or in economic performance (impact) to a particular intervention. Rather it is better to understand ‘attribution’ as ‘influence’ or ‘contribution’: to what extent has the EE programme ‘influenced’ or ‘contributed’ to change at outcome and impact levels?

20. There are some techniques which can help with anticipating the type and extent of the programme’s influence, however, and these are described in more detail in later sections:

- **Causal chain analysis (CCA)** helps to identify the significant cause-effect links between a proposed legislative, policy or regulatory change and its eventual impacts. (See 5.3)

- **Risk assessment:** helps identify and grade the potential impacts of known external threats. (See 5.5)

**2.2.4 Institutional issues:**

21. **Programme ownership:** EE programmes need to be ‘owned’ by governments as it is governments who have the responsibility for their implementation. Rigorous consultation and stakeholder analysis is essential to understanding open and hidden interests and agendas, and to facilitating ownership.

22. **Loss of institutional memory:** It is important to put in place information management systems that track programme history from the start, and to disseminate programme reports widely amongst all interested parties.

23. **Fragmentation of knowledge and focus between disciplines:** programmes with many cross-cutting elements such as SWAPs often fail to get ‘joined up’. This can be mitigated by effective team working that encourages dissemination of information and learning, and close oversight of cross-cutting issues and the links between programme components.
24. Given the above challenges it is important to have a realistic expectation of what to expect from assessments of EE programmes. As one progresses up the path to sustainable development the bounds of uncertainty necessarily increase, but that is the nature of the exercise. The prime objective of conducting an ex ante or ex post assessment is to facilitate thinking and analysis. It will not give complete answers but it does help develop a strong evidence base for informing future policy-making and implementation.

The WB identifies five main challenges to measuring the investment climate:

*The multidimensional nature of the concepts being measured* e.g. stability, corruption, regulation and access to telecommunications services, and how they can interact in different ways.

*Some dimensions are inherently difficult to measure* e.g. competitive pressures and policy related risks. Sensitive issues such as corruption may be underreported.

*Differences in perspectives across firms and activities* because they are affected in different ways by the investment climate e.g. they may be greatly affected by poor export infrastructure or relatively indifferent to it.

*Differences within countries* where, for example, local government policies, infrastructure provision and law enforcement may vary.

*Gaps between policy and practice*

*(From: World Development Report 2005)*
3. AN INTEGRATED IMPACT ASSESSMENT APPROACH (IIAA)

25. In the past impact assessment methodologies have tended to focus on:
   • Projects rather than policies
   • Inputs, processes and outputs of interventions rather than outcomes and impacts
   • A single area of impact (economic, environmental, social etc)

26. IIAA addresses each of these limitations of previous impact assessment methodologies, and is designed to allow for the assessment of strategic interventions (ie policies, plans and programmes) in terms of the outcomes and final impacts of the intervention. As discussed earlier, this entails measuring the effect of enabling environment interventions on business and economic performance of the agents and enterprises targeted by the programme, and on the four pillars of sustainable development (ie goal level impacts).

27. In the past the main reason for a project manager to conduct an impact assessment was to prove to donors and others that their funds had been used in the way intended, and had contributed to reducing poverty within the target group of beneficiaries. More recently, however, the rationale for assessing impact has been to inform future policy decisions by improving the quality of the choices that are made about the way in which funds are allocated. As the development community and governments have moved away from projects towards broad interventions that encompass programmes, plans and policies, impact assessment research has been regarded as critical to providing a sound evidence-base for future policy decision-making.

28. As discussed earlier, where plans, programmes and policy interventions have been subjected to ex ante appraisal or ex post evaluation by donors, the emphasis has been on assessing the process by which policy reform took place (what was done? How well was it done?), and the outputs in terms of changes in the enabling environment. Typically, it has then been assumed that the anticipated outcomes at firm level that might occur as a result of the change in the enabling environment, and broader development impacts, such as improved economic performance, would follow.5

29. The challenge now, therefore, is to assess the outcomes and impacts of the policy reform, with the aim of learning what works and what does not. This entails finding out what happens at firm level and in turn how that affects the wider economy and society, rather than examining only what happens at process and output level. Although the latter will continue to be critical to programme and policy analysis and formation, it is not the main focus of IIAA. Again, it is stressed that the purpose of IIAA is to inform and improve decision-making by considering what influence policy, planning and programme interventions have on the way managers and entrepreneurs operate their businesses (outcomes) and pursue their business interests, and what impact they have on the wider environmental, institutional, social and economic pillars of sustainable development.

5 See, for example, the evaluation of the World Bank’s Investment Climate activities, where a review of the literature is used to provide evidence of the relationship between improved investment climates and firm-level and economy-wide economic outcomes. (World Bank, An Evaluation of World bank Investment Climate Activities, Operations Evaluation Department, October, 2004)
30. **Assessing the economic, institutional, social and environmental impacts of an intervention requires an integrated approach**, which allows for a balanced consideration of the different types of impacts (and their interrelationship) that the intervention gives rise to. To achieve this horizontal integration across the four dimensions, or pillars, of sustainable development involves bringing together different types of impacts into a single overall framework and coordinated use of the various tools required for economic, social and poverty, and environmental assessment. It also requires institutional and organisational cooperation between the different agents with responsibility for the various stages in the policy, programming and planning cycles, from design and appraisal to monitoring and evaluation. Institutional procedures and cultures which link the technical assessment to the decision-making process are also necessary, so that learning from one intervention can contribute to consideration of future interventions.

31. As discussed earlier, the assessment of impact in terms of sustainable development is a challenging and seldom straightforward exercise:

- Experience suggests that there will be relatively few ‘win-win-win’ outcomes and the policy maker will be required to weigh up a range of positive and negative economic, social, institutional and governance, and environmental impacts in making a judgment on the overall impact of the enabling environment programme on sustainable development.

- Assessing impact at the goal level necessarily involves an extended cause-and-effect chain from the programme or policy intervention to the final impacts on sustainable development. Attributing a change in the goal to a specific policy measure or change in regulation therefore becomes increasingly difficult as the level of assessment shifts upwards to the goal of sustainable development.\(^8\)

- The goal of sustainable development is long term in nature and impacts will need to be assessed in terms of their long term effects. In practice, however, the need to assess the long term impact of changes in the enabling environment on the goal of sustainable development may need to be tempered with the requirements of decision-makers for evidence on short or medium term impact to meet shorter term performance monitoring, conditionality requirements or political goals.

32. **A central feature of IIAA is consultation with stakeholders throughout the assessment process.** It is critical to take account of the full range of stakeholders’ interests. An essential feature of good governance is the extent to which policy makers consult with civil society. Efforts to obtain a wide range of views, including those of the poor, are made through, for example, participatory poverty assessments. In the case of reforms specific to the enabling environment, legislators and policy makers would be expected to consult with associations representing business owners and managers, trade unions, consumer associations, and any other affected civil society organisations.

---

\(^8\) “The impact of a policy is like a stone thrown into a pond. There is an initial direct impact when the stone hits the water, but the ripples will cause less predictable or visible consequences as they spread out and come into contact with other objects in the pond. Similarly, the initial direct impact of a policy can set up a long chain reaction of secondary and subsequent impacts that may enforce, distort or lessen the original effect of the policy change.” Adapted from analogy contained in “Tools for Institutional, Political and Social Analysis (TIPS) in PSIA”, (para 8) draft discussion document, Dec 2004, prepared for DFID by CDS Swansea and Associates in collaboration with the World Bank and the North Sea Network
33. **The degree to which these groups are consulted, however, often depends on their capacity to be involved.** An important area of donors’ work in supporting enabling environments has been to facilitate the development of representative business associations so they are able to participate fully in discussions about policy or regulatory reform. Another important activity of donors has been the development of policy makers’ and implementers’ capacity to consult with, listen to, and take into account, the views of civil society in general and, in the case of the enabling environment, the business community specifically. Rigorous consultation and stakeholder analysis, however, should investigate not only the interests of different sections of the business community and those directly, or immediately, affected by the EE reforms. It should also investigate impacts on other social groups who may be indirectly affected by the reform and who can, in turn, affect the outcomes and impacts of the programme.

34. **The process of conducting II AA should also be part of the partnership between government and donors.** It is an opportunity to explore together the country specific nature of the constraints on, and aspirations of, the business community, rather than to assume, or impose, a model of economic development and policy reform. It is also an opportunity for the recipient government to lead on and take ownership of the reforms to the enabling environment, with constructive guidance and support from the donor community. Following this co-ordinated and mutually beneficial approach that II AA can offer, will in itself, contribute to sustainable development through increased transparency and accountability, as well as enabling donors to better track the impact of their potentially fungible financial commitments made to the country, for example under General Budget Support and other forms of policy-based lending.

35. **II AA is best understood as a continuous process.** It begins with an ex ante appraisal that assesses the potential impacts of alternative options for intervening to improve the enabling environment. The results of that ex ante assessment provide the evidence on which policymakers can select the ‘best’ intervention measures (plans, policies or programmes) to be adopted and implemented. II AA should then be integrated into the actual implementation of the programme, at the start, to enable ongoing monitoring and feedback, for example with point-of-delivery score cards and periodical meetings of focus groups. This enables ongoing review of the potential and actual impact of the policy, and fine tuning of implementation processes to mitigate some of the unforeseen outcomes and impacts as they arise. Finally, II AA is used to assess the actual impacts at the end of an agreed period. This ex post impact assessment will usually take place after three to five years, although there may have been a full interim assessment earlier than this.

36. One of the dangers of waiting till the end of the programme before conducting a full assessment, and the reason why ongoing monitoring and review is essential, is that the time lag may mean negative impacts are hidden, and deepen. A critical objective in applying II AA, therefore, should be to maximise its **iterative learning capacity** by means of its use as an ex ante, ongoing, and ex post framework. Clearly, the key to its use as an ongoing and ex post tool is to conduct a thorough ex ante appraisal that contributes to better policy formulation and design in the first place. As an ex ante tool it also provides a benchmark against which actual performance can then be evaluated, both as an ongoing process and by ex post assessment. The learning from these ongoing and ex post assessments can then be used to inform subsequent policy and programmatic planning, decision-making and implementation. This circular process of diagnosis-design-implementation-evaluation-diagnosis is at the heart of II AA.
4. IIAA: STAGES IN CONDUCTING IIAA

4.1 Overview of the stages:

Diagram 2: Summary of the stages, tasks and tools of IIAA

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Screening:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>Initial overview of country enabling environment and economic context:</td>
</tr>
<tr>
<td></td>
<td>• a list of the areas that need to be reformed with a brief description and why?</td>
</tr>
<tr>
<td></td>
<td>• options and priorities for action within this list according to which areas are having the most damaging effect on business</td>
</tr>
<tr>
<td></td>
<td>• on outline proposal (or programme concept note) setting out which areas it has been decided to focus on, and how reform of these might be achieved</td>
</tr>
<tr>
<td>b)</td>
<td>Obtain agreement on which area of the enabling environment the programme is to focus</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage 2</th>
<th>Ex ante appraisal:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>In relation to proposed area of reform:</td>
</tr>
<tr>
<td></td>
<td>• Review and map current policy, legal and regulatory framework and instruments</td>
</tr>
<tr>
<td></td>
<td>• Review current and forecast country and regional economic, social, governance and environmental context and conditions</td>
</tr>
<tr>
<td></td>
<td>• Consult with all interested parties -&gt; stakeholder analysis, maps and influence/importance analysis</td>
</tr>
<tr>
<td></td>
<td>• Draw up Risk Assessment: clarify risks, costs, benefits</td>
</tr>
<tr>
<td>b)</td>
<td>Based on analysis of above:</td>
</tr>
<tr>
<td></td>
<td>• Develop policy options</td>
</tr>
<tr>
<td></td>
<td>• Select indicators; conduct causal chain analysis; assess impact significance</td>
</tr>
<tr>
<td></td>
<td>• Develop scenarios:</td>
</tr>
<tr>
<td></td>
<td>i) Intervention-on scenario:</td>
</tr>
<tr>
<td></td>
<td>- with the proposed policy/regulatory change</td>
</tr>
<tr>
<td></td>
<td>ii) Baseline scenario:</td>
</tr>
<tr>
<td></td>
<td>- without the proposed policy / regulatory change</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage 3</th>
<th>Ongoing monitoring:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>Set up M&amp;E system</td>
</tr>
<tr>
<td>b)</td>
<td>Routine / Ongoing monitoring and evaluation takes place: analyse for trends and adjust programme as required</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage 4</th>
<th>Ex post assessment:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>• Compare actual impacts with baseline scenario = the impact of the programme: What has happened? Why?</td>
</tr>
<tr>
<td></td>
<td>• Compare actual impacts with the intervention-on scenario = reflects accuracy of the ex ante process and its predictions</td>
</tr>
<tr>
<td>b)</td>
<td>Use findings and lessons to suggest further policy, legal or regulatory changes needed to the enabling environment</td>
</tr>
</tbody>
</table>
37. The stages for conducting an IIAA are similar to the standard programme management cycle and, after the initial screening of the enabling environment, comprise three main linked stages: ex ante appraisal, ongoing monitoring and ex post evaluation.

Diagram 3: Linking IIAA to the Programme Management Cycle

38. IIAA can also be linked to the programme logframe, as shown in the following table which sets out where and how the various stages, tasks and tools described in this handbook fit with the logframe design:

Diagram 4: Linking IIAA to the Programme Logframe:

<table>
<thead>
<tr>
<th>Narrative</th>
<th>OVIs</th>
<th>MOV</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal (Impacts)</td>
<td>Based on: Selection of indicators &amp; significance</td>
<td>Ongoing M&amp;E system</td>
<td>Economy level: Changes in economic performance</td>
</tr>
<tr>
<td>Purpose (Outcomes)</td>
<td>Causal chain analysis</td>
<td>Multi forms of data collection</td>
<td>Firm level: Changes in business behaviour</td>
</tr>
<tr>
<td>IIAA</td>
<td>Scenarios</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Based on: Enabling environment framework</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Review of country context</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Stakeholder consultation and analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Risk assessment</td>
</tr>
</tbody>
</table>

OVIs = Objectively Verifiable Indicators; MOVs = Means of Verification
39. Ex ante assessment involves assessing the likely impacts of the proposed intervention before its approval and implementation. Much of the recent interest in ex ante appraisal has stressed the contribution of evidence-based assessment to improved decision-making and better governance. Ex ante assessment should commence at the start of the programme design process.

40. Ex post assessment or evaluation involves assessing the actual impacts which result from the implementation of the proposed programme or measure. The results of the evaluation can be used to assess whether the actual impacts are consistent with the goals that were set for the programme or measure(s). Where an ex ante assessment has been conducted, the results of the ex post assessment can be used to assess consistency with the impacts predicted in the earlier appraisal. In this way, practice is strengthened by drawing upon the ex post assessment findings.

41. Ex ante appraisal and ex post evaluation should be seen as complementary parts of the overall strategic impact assessment cycle, which commences with the identification of the problem to be addressed and the possible interventions that could be used, and selection of the intervention(s) to be assessed. This is followed by the ex ante impact assessment, or appraisal, itself. Based on the evidence on the potential benefits and costs of the proposed programme or intervention, a decision is made on whether or not to proceed. If the intervention is adopted and implemented, the effects are monitored and subsequently an ex post evaluation is carried out.

4.2 Stage 1: Screening

42. Prior to any consideration of whether or not an intervention should take place, there will need to be a screening of the overall enabling environment and the country’s economic context. This should identify the aspects of the environment which are constraining business and the limitations they appear to be having on economic performance. From this overall review it will be possible to define which aspects of the environment need to be targeted and prioritised for reform by means of an intervention. Having identified an area, or several areas, of constraining (or absent) regulation and policy, it will be possible to move to the next stage, which will be to conduct an in-depth appraisal into those particular aspects. It is important to identify at this screening stage how various aspects link to each other, for example, the effect that a change in taxation on remittances might have on savings and investment. It is useful to map these links (eg using techniques similar to mind-mapping) so the interlinkages can be easily visualised.

43. Outputs of this stage will include:

- A list of the areas that need to be reformed, and a brief description of why
- Options and priorities for action within this list according to which areas are having the most damaging effect on business; agreement on these priorities
- An outline proposal (eg a programme concept note) setting out which areas it has been decided to focus on, and how reform of these might be achieved
4.3 Stage 2: The ex ante assessment

4.3.1 Stage 2a): Reviewing the existing situation:

45. In assessing these potential impacts consideration needs to be given to:

i) Reviewing the existing legislative, policy and regulatory environment

46. Detailed analysis of the legal, policy, regulatory and institutional framework specifically relating to the chosen area of focus should then take place. This analysis should include:

- Describing the governance context, system and process by which business policy is currently made and implemented. This should include reference to business associations and other relevant civil society organisations, and their relations with government, in particular whether there are mechanisms in place for dialogue, and how well these work.
- Mapping the policy and legal framework and instruments relevant to the selected area of focus. The content of each policy or regulation should be summarised, together with details of which institutions are responsible for its implementation; also what processes already exist for its monitoring and review. This should be followed by prioritisation of the policy areas to be reformed; this will feed into the programme design.

ii) Review of country context and conditions

47. This should summarise the country’s current macro economic policies and constraints as a whole, but particularly in relation to the chosen area of focus. Outputs of this review should include projections of growth and factors related to the focus area, and a SWOT of the country’s current economic position. It should also describe the country’s social context generally and related to the focus area, drawing (for example) on poverty assessments and the government’s poverty reduction strategy. Environmental concerns should be identified, in particular those which may impact on availability, and international acceptability, of income-generating natural resources.

iii) Consultation procedures and stakeholder analysis

48. Consultation is critical to understanding the potential impacts of a change in the enabling environment. It should be ongoing throughout all stages of the IIAA (from screening to ex post, in order to fully understand how the enabling environment is affecting business behaviour and economic performance.

---

5 The process for conducting ex ante appraisal or assessment that is described here draws heavily on the Regulatory Impact Assessment (RIA) and Sustainability Impact Assessment (SIA) methodologies. These are discussed briefly in Appendix A, and further information is available on the EDIAIS website at http://www.enterprise-impact.org.uk/informationresources/application/regulatoryimpactassessment.shtml and http://www.enterprise-impact.org.uk/informationresources/application/regulatoryframeworks.shtml
49. The outcome of consultation at the ex ante stage will be a stakeholder analysis that describes:

- *which businesses are* likely to be affected by the reforms proposed, eg by type, size, sector, locality, form of ownership, whether in the formal or informal sector
- *how, why and to what extent* they will be affected.

50. Consultation processes and stakeholder analysis are discussed further at 5.4.

iv) Risk assessment

51. Risks need to be assessed according to the greater or lesser probability of the events or circumstances occurring, and the scale, or gravity, of their impact if they do occur. In the context of enabling environment programmes, the assessment will focus on the effect that the risky events would have on business activity (eg productivity, employment) and private sector development (eg levels of investment, sectoral diversification). Risk assessment is discussed further at 5.5.

4.3.2 Stage 2b): Developing policy options, selecting indicators, causal chain analysis, developing scenarios

52. The above data collection and analysis should then be followed by development of a range of policy options that address the constraints on the private sector and the enabling environment that have been identified. Each option should be assessed in terms of its likely impacts on the goal of sustainable development, using a range of economic, social, institutional and environmental indicators. (Selection criteria for indicators is discussed at 5.2) The assessment of options should be accompanied by further review of risks specific to the options, and entail further consultation with those who will be directly affected, and others who may be indirectly affected. It will also involve locating the proposed options for programmes or reforms within the map of existing policies, legislation, regulations and institutions produced earlier, to understand how wide the programme and reforms to the environment will need to stretch.

53. This stage will also entail developing a series of causal chain analyses to indicate potential impacts of the proposed programmes or reforms on various stakeholders. This is discussed further at 5.3 and Appendix H.

54. Finally, assessment of the potential impacts of alternative policy or programme options should be based on a scenario-type analysis. There are two scenarios to be considered:

- The ‘baseline’\(^6\) scenario describes the situation that will pertain if there is no change in the existing state of the enabling environment, ie if the policy reform or programme does not take place.

\(^6\) Given the fungible nature of the issues influencing the enabling environment, however, we use the term ‘baseline’ with caution. It may be better to regard the baseline more as a ‘position statement’, ie an attempt to capture the reality as perceived and experienced by stakeholders prior to the intervention. Drawing on the learning of DFID’s BEST programme in Tanzania, the ‘baseline’ should reflect not only quantitative aspects of the situational analysis but also participatory analysis amongst stakeholders with regard to their capacities and expectations. This establishes the stage at which the intervention is
• The ‘intervention-on’ scenario describes the situation that is predicted will exist after the enabling environment programme or policy reform has been implemented.

55. The difference between the baseline and the expected (‘intervention-on’) situation after the intervention has taken effect, will give the estimate of expected impacts.

**Assessing Impact significance**

56. The level of precision in the assessment of impact magnitude is seldom sufficient to allow for the significance of the impacts to be shown in numerical terms. Furthermore, impacts will typically be measured using different units of measurement that do not allow the aggregation of separate impacts to give an overall measure of net impact. For these reasons, the significance of the impacts needs to be defined in broader qualitative terms.

57. The following factors need to be taken into account in assessing impact significance:

- the extent of existing economic, social and environmental stress in affected areas
- the direction of changes
- the nature, order of magnitude, duration and reversibility of changes
- the institutional and regulatory capacity to implement flanking measures to mitigate negative impacts and enhance positive impacts

58. In interpreting these criteria, judgements have to be made on the importance of the predicted (or actual) change in relation to the baseline situation i.e. the prevailing circumstances and their extrapolation into the future. Where impacts cannot be quantified, a judgement must be made of the likelihood that impact magnitude would reach the level at which it would be considered significant. These judgements of significance will be informed by established norms and standards, levels of public concern, and, where it is available, scientific knowledge.

59. A scale of levels of significance will need to be chosen for summarising the direction and scale of significance of each impact. An example would be a five point scale (-2, -1, 0, +1, +2) to denote not significant, significant (positive or negative) and very significant (positive or negative).

**Decision-making**

60. The findings of all the above research will provide the evidence base for decision-makers to determine which programme or policy option should be selected for implementation. The information which is provided to decision-makers should clearly explain the assumptions made in the estimation of the impacts. These assumptions will include institutional and organisational capacities as key factors influencing enforcement and compliance of the proposed programme or policy option, and any complementary mitigating and enhancing measures that may be proposed. It is important to recognise, however, that whilst the findings of the ex ante impact assessment provide a tool for decision-makers, they are not a decision-making tool.

---

commencing, and defines the ‘place’ its stakeholders hope to be by the end of the programme. (Sanders, C. 2004. “Framework and Implementation Plan for M&E of the BEST Programme.”)
4.4 Stage 3: Ongoing monitoring

61. An ongoing monitoring system should be set up at an early stage of implementing the enabling environment programme or policy to ensure there is timely feedback on outcomes and impact from the start. In addition to helping with fine tuning aspects of the programme design and implementation, the data gathered from this ongoing monitoring will contribute to the ex post stage of IIAA. It may also contribute to ex ante and ex post assessments taking place in relation to other programming or policy areas.

Table 2: Summary of some simple, relatively cheap and rapid-result methods for keeping an ongoing ‘watchful’ eye on what is happening:

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus groups</td>
<td>These may be arranged on a regular basis with business association members, and by meetings with the general business community (eg public meetings)</td>
</tr>
<tr>
<td>Impact panels</td>
<td>These can be set up at the start of the programme; they should have the same membership throughout the period of the programme and meet regularly (6 months is the norm). The membership should be representative of the sector or business type towards which the reform is targeted.</td>
</tr>
<tr>
<td>Point of delivery surveys &amp; score cards</td>
<td>These can be simple tick-box cards placed at the exit of the point of delivery, eg a one-stop shop for business registration, or a short form to be completed (usually anonymously) following an inspection.</td>
</tr>
<tr>
<td>Phone surveys</td>
<td>A quota of businesses can be phoned each week or month on a random basis to see how they have been affected by the programme or regulatory change, eg a change in method of VAT collection, or inspection process.</td>
</tr>
</tbody>
</table>

62. In addition to ongoing monitoring, it may be decided to undertake a mid-term assessment to get an indication of progress towards the programme’s purpose and goal.

4.5 Stage 4: Ex post evaluation stage

63. The purpose of the ex post evaluation is to assess the actual impacts of the programme. Impacts should be evaluated against both the scenarios described above:

- the comparison of actual impacts and baseline provides an assessment of ex post impact (ie what the programme has actually achieved – its outcomes and impacts – against its purpose and goal)

- the comparison of the actual impacts with the ‘intervention-on’ scenario provides assessment of whether the programme was implemented to best effect (ie were the anticipated impacts achieved? If not, why not? was it due to problems in programme implementation/performance, or external factors?)

- the comparison of the actual impacts and ‘intervention-on’ scenario also provides a check on the quality of the ex ante assessment (ie were over- or under-estimations made for impacts? Were the constraints on business properly assessed? Did consultation and stakeholder analysis fail to highlight some issues? Was the risk assessment adequate?) (This is important for improving the standard for conducting future ex ante appraisals.)

64. In all of the above forms of evaluation any significant discrepancies between the actual results and the ex ante targets or predictions, should be identified, the causes investigated, and remedies proposed for improving future assessment practice and policy outcomes.
5 IIAA: TASKS AND TOOLS

5.1 Overview

65. The purpose of this section is to provide guidance on particular tools or techniques that need to be applied at the various stages in IIAA that were described in the preceding section. The guidance is arranged into the following sections: selection of indicators; causal chain analysis; consultation and stakeholder analysis; risk assessment; evidence and data sources; presentation and dissemination of findings.

66. Sources of further information about all of these are indicated at the end of each section, and all these other sources are brought together in Appendix B.

5.2 Selection of Indicators

5.2.1 Purpose of Indicators:

67. Indicators contribute to better decision-making by providing evidence on expected or actual results of a programme or policy intervention. This information can in turn help in measuring progress towards the achievement of the programme’s goals. Indicators are measured, therefore, in terms of the objectives of the programme or intervention and are then used to assess its positive and negative effects.

5.2.2 Choice of indicators

68. The following general criteria can guide the selection of indicators:

- limited in number but in aggregate they should be comprehensive in their coverage of the goal of sustainable development
- relevant to and balanced in their coverage of the programme’s purpose/s and goal/s
- measurable
- provide evidence in a timely and transparent manner

5.2.3 Impact (goal level) Indicators:

69. The IIAA framework is designed to allow for impact assessment to be carried out at programme logframe levels. The goal of enabling environment programmes is taken to be sustainable development and the impact indicators will measure the programme’s impact on the four dimensions or ‘pillars’ that contribute to sustainable development i.e. economic, social, environment and institutional/governance. These indicators will measure the final impact of the programme intervention on sustainable development (i.e. they indicate impacts on sustainable development at the ‘end-points’ of a chain of cause-effect events that result from a programme intervention).

70. To allow for comparative analysis of the impact of separate programmes and to ensure consistency in the application of the IIAA, it is proposed that, where possible, a standard set of core impact indicators is used in measuring the impact on sustainable development. To facilitate the presentation of the assessment results in an accessible
form, it is important to limit the number of indicators that are used to summarise the expected or actual impacts on each of the four pillars of sustainable development. A possible set of core sustainable development indicators is shown below.

71. The measures that are used in practice to proxy the core sustainable development impact indicators will be determined on the basis of the availability and quality of the measurement data that are available. An informed judgment will need to be made of the consistency between the definition and meaning of the core sustainability indicators and the actual measure that is used.7

Table 3: Sustainable Development Core Impact Indicators

<table>
<thead>
<tr>
<th>Sustainable Development Pillar</th>
<th>Core Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Macro economic performance</td>
</tr>
<tr>
<td></td>
<td>Employment levels</td>
</tr>
<tr>
<td>Social</td>
<td>Poverty reduction</td>
</tr>
<tr>
<td></td>
<td>Social equality (in particular gender equality)</td>
</tr>
<tr>
<td>Environmental</td>
<td>Resource stocks (renewable and non renewable)</td>
</tr>
<tr>
<td></td>
<td>Environmental quality (air, water, land quality)</td>
</tr>
<tr>
<td>Governance</td>
<td>Better governance</td>
</tr>
<tr>
<td></td>
<td>Institutional capacity</td>
</tr>
</tbody>
</table>

72. Each of the eight indicators above can be measured using a further range of indicators. These will normally be adapted to the circumstances of the particular programme but the selection of indicators at this second tier level should be guided by the same general criteria discussed above. However, there is a danger of the number of indicators becoming unwieldy. For illustrative purposes, therefore, we have limited core impact indicators to two relating to aspects of the enabling environment for each of the eight sustainable development impact indicators in Table 3. This means that the assessment will need to be carried out for a total of 24 core impact indicators. The number of impact indicators should be limited, bearing in mind that proxies should be used wherever possible to encompass a broader perspective of the changes that may have taken place.

73. Table 4 illustrates core outcome indicators that can be used in enabling environment programmes. By ‘core’ we mean these are indicators of a generic nature that it is expected to affect by the enabling environment programme.

---

Table 4: Sustainable Development Core Impact Indicators for Enabling Environment Programmes

<table>
<thead>
<tr>
<th>Economic</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Macro economic performance</td>
<td>Private sector output</td>
</tr>
<tr>
<td></td>
<td>Private investment</td>
</tr>
<tr>
<td>Employment</td>
<td>Total private sector employment</td>
</tr>
<tr>
<td></td>
<td>SME employment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty Reduction</td>
<td>Absolute number of households below the poverty line</td>
</tr>
<tr>
<td></td>
<td>Access of poor to basis services</td>
</tr>
<tr>
<td>Social equality</td>
<td>Gender equality</td>
</tr>
<tr>
<td></td>
<td>Social exclusion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Environmental</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Stocks</td>
<td>Use of natural resources</td>
</tr>
<tr>
<td></td>
<td>Waste</td>
</tr>
<tr>
<td>Environmental quality</td>
<td>Air, water, land pollution</td>
</tr>
<tr>
<td></td>
<td>Biodiversity</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Governance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Better governance</td>
<td>Transparency and accountability in government decision making</td>
</tr>
<tr>
<td></td>
<td>Transparency and accountability in corporate governance</td>
</tr>
<tr>
<td>Institutional capacity</td>
<td>Capacity for ensuring regulation compliance</td>
</tr>
<tr>
<td></td>
<td>Capacity for stakeholder consultation and participation</td>
</tr>
</tbody>
</table>

It is important to note the interrelationships between these core indicators, and that impacts can be both direct and indirect. For example, improved economic performance can lead to increased tax revenue which means more funds can be made available for expenditure on health, education and welfare services. Social goals (e.g. improved health standards) may therefore occur indirectly from changes in the enabling environment.

5.2.4 Outcome (purpose level) indicators

74. In addition to these core impact indicators it is likely additional programme or country specific outcome indicators will need to be selected, and suggestions for these specific programme outcome indicators are at Table 5.

75. Frequently there is overlap between output and outcome indicators, and sometimes the same indicator may be used in either of these contexts according to the nature of the programme, for example: “spread of ownership and increased output in the utility sector” might be an output of a programme aimed at improving competitiveness, but an outcome of a privatisation programme, or they may both be contained in the same broad SWAP. In selecting indicators relevant to the programme logframe level it therefore helps to keep in mind a simple rule of thumb that:

- Outputs = changes in the enabling environment, and
- Outcomes = changes in business or economic behaviour, as a result of the changed enabling environment
Table 5: SOME SUGGESTED OUTCOME INDICATORS RELEVANT TO EE PROGRAMMES
(NB: many of these will cut across several programme categories, and depending on programme context, some will be used at output level as well as outcome level)

<table>
<thead>
<tr>
<th>Focus of EE programme</th>
<th>Suggested outcome indicators relevant to specific programme focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>General reform of the enabling environment, including - reforms to the legal, policy, regulatory and institutional framework - government capacity to analyse, plan, develop and implement strategies that promote and support PSD</td>
<td>Rate of new business formation Failure rates of new businesses Spread of sectoral activity / diversification of PS activity Contribution to output and employment by size of business Inspection and compliance rates and costs Transparency of regulations Customs processing: costs and compliance Mechanisms and processes for consultation with PS Consistency of policy and implementation Quality and efficiency of public services that support PS (eg utilities) Ownership and output in major economic sectors Volume and quality of business linkages (vertical and horizontal clusters) Access to factors of productivity (labour, capital, public infrastructure)</td>
</tr>
<tr>
<td>Competition policy</td>
<td>Spread of ownership and output in major economic sectors Transparency in government contract tendering Access to, cost of and flexibility in supply of factors of production Product mark-up levels Application of competitive principles to regulated sectors International competitiveness by benchmarking (for example, by cost of unit output, productivity, unit value of exports, market positioning etc)</td>
</tr>
<tr>
<td>Financial sector reform</td>
<td>Range of financial products and services Access by population to these products and services Terms and Costs of finance Accounting standards / disclosure standards</td>
</tr>
<tr>
<td>Investment flows</td>
<td>Increased investment in productive assets Increased flows of incoming foreign investment Introduction of new technology / know how Planning horizons</td>
</tr>
<tr>
<td>Trade facilitation</td>
<td>Export development and competitiveness by international standards Customs processing: time, costs and compliance Transaction costs in domestic and international trade</td>
</tr>
<tr>
<td>Commercial justice</td>
<td>Time taken for cases to be heard Access to, and security of, land title (in particular, women's access to land title and security) Enforceability of contracts Confidence in legal system</td>
</tr>
<tr>
<td>Labour laws and standards</td>
<td>Labour intensity by sector Knowledge of labour legislation Compliance with minimum core labour standards (ILO)</td>
</tr>
<tr>
<td>Tax reform</td>
<td>Wider base for business taxation Increased tax revenue (resulting from improved tax collection methods) Transparency in collection</td>
</tr>
<tr>
<td>Privatisation and parastatal reform</td>
<td>Increased spread of private ownership Levels of productivity and profitability of privatised former-SOEs</td>
</tr>
<tr>
<td>Infrastructure conditions</td>
<td>Access to basic infrastructure for productive and marketing purposes Participation of PS in supply of physical infrastructure</td>
</tr>
</tbody>
</table>
Private sector advocacy and dialogue | Mechanisms and processes for consultation  
| Scope of membership of business associations
Corporate governance & corporate social responsibility | Transparency  
| Accounting and disclosure standards  
| Compliance with international core labour standards
SME development | Provision of and terms on which business can access business support services  
| Rates of new small business formation  
| Rates of informal sector business activity  
| Contribution to output and employment by size of business

Note: some indicators require quantitative data and analysis; others (eg ‘transparency,’ ‘consistency’) are a matter of perception and will require collection of qualitative data by means of business surveys. This is discussed further in paras 104 and 105

76. Further discussion on indicators is available in the following documents on the EDIAIS website, and for other sources of information see Appendix B.


5.3 Causal Chain Analysis

77. The fundamental purpose of causal chain analysis (CCA) is to identify the significant cause-effect links between the proposed programme or policy change and its eventual economic, social, environmental and governance impacts (i.e. its impacts on sustainable development). CCA can be used at different levels of aggregation and detail, depending on the context and requirements of the situation. The aim is to distinguish significant cause-effect links in the chain. Significance criteria have to be formulated (see back to 4.3.2) and then used to eliminate non-significant effects and terminate further analysis beyond this stage in the causal chain. The analysis is usually undertaken in logical sequence from ‘cause’ to ‘effect’. However, a useful cross check can be undertaken by reversing the analysis to ensure that the predicted impacts on sustainable development are sufficiently explained by the initial programme or policy change.

78. Causal chain analysis is used at different stages in the IIAA process. It is unlikely to be needed at the broad problem identification and options stage, but will be needed for the subsequent ex ante assessment. At this stage the CCA will focus on significant links. Where possible quantitative evidence should be used at this stage. The CCA should also be used to provide a structured framework for monitoring the outcomes on the enabling environment as a result of the programme, and the contribution these outcomes are making to sustainable development. Monitoring should also check for consistency between what appears to be actually happening against the outcomes and impacts that
79. CCA comprises several types of tools which should be used in combination to draw out different aspects. These include:

- analytic methods
- modelling methods
- expert opinions
- data-based (statistical estimation methods)
- descriptive (case study) methods

80. Further discussion on CCA and these other tools is contained in Appendix H.

5.4 Consultation and stakeholder analysis

5.4.1 Overview:

81. Consultation with stakeholders is integral to the whole IIAA process. Consultation contributes to the better governance component of sustainable development by requiring decision-makers to be transparent and accountable for their choices. Consultation is also an important source of evidence on impacts, where the stakeholders can provide expert opinion on the potential or actual impacts.

82. Consultation with civil society, of which the private business sector is an important group, is an essential ingredient of democratic governance, and the method by which consultation takes place is often a reflection of the strengths and weaknesses of the various parties to the consultation. An important area of enabling environment work is development of the capacity of the business sector, in particular small businesses, to get their voice heard. This is not to say that governments of countries where there is weak capacity are not willing to listen; rather it is often the case that the mechanisms for meaningful and open dialogue with the small business sector are not available and entrepreneurs are not organised to articulate a cohesive response. Used creatively and with commitment the IIAA consultation and stakeholder analysis process can, in itself, be an opportunity to assess the capacity of the various parties to participate in the policy making domain, and become a base on which to develop capacity building and technical assistance programmes that will contribute to successfully embedding and sustaining interventions aimed at enhancing the enabling environment.

83. Critical to understanding the potential impacts of an enabling environment programme is understanding who is likely to be affected – both social groups and types of businesses – and how, why and to what extent they will be affected. In turn, we also need to consider how the actions and reactions of the various types of businesses and social groups to the programme or reform might revert back to affect the subsequent stages of implementation and outcome of the programme, i.e. the cyclical nature, or interaction, of cause-effect-cause-and so on.
5.4.2 Stakeholder analysis

84. Stakeholder analysis aims to:
   - Identify and define the characteristics of key stakeholders
   - Assess the way in which they might affect, or be affected by, the programme or policy reform
   - Understand the relations between stakeholders, including an assessment of the real or potential conflicts of interest and expectation between stakeholders
   - Assess the capacity of different stakeholders to participate in the programme

85. It should also aim to draw out the personal and informal agendas of stakeholders (eg informal power structures and sources of influence within organisations which can affect the way that a programme is implemented.

86. Rigorous stakeholder analysis at the start of the IIAA process is therefore essential. But stakeholder analysis is not simply a case of drafting a matrix of affected groups with a +/- rating. The Stakeholder Analysis matrix should be the outcome of a well-planned consultation process through which policy makers learn about the constraints under which entrepreneurs operate and come to understand their business needs and aspirations, and how policies affect these both positively and negatively.

87. Consultation and stakeholder analysis is an iterative process which starts at the screening and/or scoping stage with a mapping out of who, and what types of business, are likely to be affected. This mapping may produce a matrix similar to the one below:

<table>
<thead>
<tr>
<th>Specific groups, likely to be directly affected by change in the business enabling environment</th>
<th>Civil Society</th>
<th>Private sector / business related</th>
<th>Government / Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer organisations</td>
<td>Businesses – all sizes and all sectors (particularly those affected by the proposed policy change)</td>
<td>Elected representatives: MPs, local councillors Government ministers and local government elected officials (eg mayors) Civil servants – all levels, senior to clerical; central and local government</td>
<td></td>
</tr>
<tr>
<td>Women’s and other special interest groups</td>
<td>Business associations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National and International non-governmental agencies running relevant projects</td>
<td>Sectoral / special interest associations, eg women’s BAs, trade associations, small business/informal sector organisations. Financial institutions Individual business leaders Trade Unions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broader groups, directly and indirectly affected</td>
<td>Social and community groups Schools, universities Religious groups, churches</td>
<td>Professional bodies Research institutions / business think-tanks Foreign investors and financial institutions</td>
<td>Political parties Judiciary Media International donor community</td>
</tr>
<tr>
<td>In order to understand the impact of policy change on poverty reduction in the context of wider society you will need to draw out general social categories or vulnerable groups, eg: youth, elderly people, women, rural dwellers</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
88. Having mapped out the stakeholders, it will be necessary to arrange consultation with, firstly, the main groups, ie those who will be directly affected, and then some of the broader social groups. Consultation should contribute to development of hypotheses as part of the ex ante assessment stage of the policy environment, and indicators of the changes that can be expected to take place if the various proposed policies are enacted. These indicators of change should include both positive and negative possibilities, as this will assist with assessing the risks involved in implementing the proposed reforms; it will also contribute to the causal chain analysis discussed earlier.

89. During ex post IIAA the stakeholders who were identified at appraisal stage should be revisited to assess a) the impact of the policy reform, and b) whether the constraints and needs of their businesses have changed since the appraisal was carried out, which may require a further review of policy and legislation. It is also an opportunity to check that the indicators that were proposed at the ex ante programme design stage were, and remain, relevant and, if not, how these should be changed to reflect changing or new conditions and circumstances.

90. The output of rigorous stakeholder consultation should be a series of matrices or diagrams which summarise the findings and feed into the other parts of the ex ante appraisal, ie the options analysis and scenario development.

91. The exact format of the matrices and diagrams will depend on the context of the appraisal, but the following should be the minimum produced:

- Stakeholder analysis matrix, showing (at least): category/group definition; brief description of their interest in the policy/regulation; brief description of the potential impact on them; their priority status in the success or failure of the proposed reform (usually 1= top priority/critical; and 5 = of minimal importance); assessment of whether, overall, the reform is likely to affect them positively or negatively (+ / -). Several examples of this type of basic stakeholder analysis matrix are contained on the EDIAIS website (see http://www.enterprise-impact.org.uk/informationresources/toolbox/stakeholderanalysis.shtml)

- A table summarising all the stakeholders’ importance and influence in relation to each other, with accompanying analysis (see example below, Diagram 5)
Diagram 5: IMPORTANCE AND INFLUENCE OF STAKEHOLDERS: (example extracted from EDIAIS Toolbox note on Stakeholder Analysis; for code explanation & analysis see full website text)

<table>
<thead>
<tr>
<th>HIGH</th>
<th>Box A</th>
<th>Box B</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>4</td>
<td>S3.2.2</td>
</tr>
<tr>
<td>M</td>
<td>P3</td>
<td>S3.2.1</td>
</tr>
<tr>
<td>O</td>
<td>3</td>
<td>S4.1, S4.2</td>
</tr>
<tr>
<td>R</td>
<td></td>
<td>S3.3.2</td>
</tr>
<tr>
<td>T</td>
<td>2</td>
<td>S4.6, S5.6</td>
</tr>
<tr>
<td>A</td>
<td>1</td>
<td>E5.2</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>S4.5</td>
</tr>
<tr>
<td>C</td>
<td></td>
<td>Box D</td>
</tr>
<tr>
<td>E</td>
<td></td>
<td>Box C</td>
</tr>
<tr>
<td>E</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key:  
- P = Primary Stakeholder  
- PG = Primary stakeholders as a group  
- S = Secondary Stakeholder  
- SG = Secondary stakeholders as a group  
- E = External Stakeholder  
- EG = External stakeholders as a group

5.4.3 Social exclusion analysis (within stakeholder analysis)

92. The links between inequality, growth and poverty reduction are generally understood and accepted. The key messages are that poverty is more likely to be reduced in countries with low inequality than in countries with high inequality, and that addressing inequality can speed up poverty reduction. Social inequality can be either vertical (ie between individuals) or horizontal (ie between social groups based on gender, ethnicity, caste or age). The challenge for policy makers is to understand which are the channels through which inequality may be slowing growth and limiting poverty reduction, so their reforms can tackle these structural blockages.

93. Through its four pillar approach to sustainable development, IIAA enables examination of these structural issues. For example, increased economic equality is likely to arise from broadening access to markets and assets such as land, to financial services and improved infrastructure that enables people to take up market opportunities
and maximise use of their assets, and to health and education services that improve their skills and productive capacity. Social processes and power relations are often the root cause of high income and asset inequality. Changes in these underlying power structures are required to bring about pro-poor growth by empowering disadvantaged individuals and excluded groups to enable them to take up economic opportunities.

94. Social exclusion and gender analysis, which identify and analyse these underlying power structures, should therefore be conducted as part of the stakeholder analysis at the ex ante appraisal stage, and subsequently at intermediate and ex post stages. The analysis should result in a series of matrices that identify who (which groups) are excluded from accessing the full range of economic resources (eg women’s rights to land title), how and why this affects their economic participation and productivity, and what programmes and reforms to the enabling environment are required to facilitate or improve their economic performance. Again this should all be summarised and presented to the decision-makers within the policy options and scenarios. 

95. For a full treatment of how to conduct Stakeholder Analysis, see the EDIAIS website: [http://www.enterprise-impact.org.uk/informationresources/toolbox/stakeholderanalysis.shtml](http://www.enterprise-impact.org.uk/informationresources/toolbox/stakeholderanalysis.shtml)

### 5.5 Risk Assessment

96. An important component of IIAA is the discussion of any risks that might prevent the intervention or reform from achieving the anticipated impact. Risks are assessed according to how likely they are to occur, and the scale, or gravity, of their impact if they do. The range of factors which might constitute a risk spans from catastrophic events such as war or drought, to a change in government following election, or a change in the macro-economic climate due to higher than expected inflation. Clearly risks will be country-specific, or regional within countries. It is important to do a risk analysis at the ex ante stage of IIAA, and to consider how those risks found to be most grave and/or most likely to arise will affect the various programme or policy options offered to decision-makers. These risks should also be built into the scenarios against which the ex post impact assessment will subsequently take place.

97. In the context of enabling environment programmes, the assessment will focus on the effect that the risky events would have on business activity (eg productivity, employment) and private sector development (eg levels of investment, sectoral diversification). However, within the context of interventions aimed at poverty-reduction, there should also be conducted a vulnerability assessment which looks specifically at the potential impact of the business community’s response to the activation of the risk on the most vulnerable people and the environment. For example, a drop in world prices of a particular commodity could result in loss of jobs amongst vulnerable groups, eg poor smallholders dependent on seasonal labour on commercial farms; this could spin off into worsening health and nutritional status amongst their families, and increased stress on vulnerable natural resources.

---

98. Risk assessment should also be accompanied by consideration of mitigation options, i.e., to what extent can the risk be minimised or managed? Or, how can the effects of the policy be enhanced to overcome the effect of the risky circumstances if they should arise? Again, this type of mitigation and enhancement analysis should be summed up in a few matrices and presented to decision-makers as part of the ex ante appraisal report, and be worked into the policy options and scenarios. Table 9 shows a typical risk assessment matrix.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Impact</th>
<th>Significance</th>
<th>Likelihood</th>
<th>Mitigation Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>External security threat / war in neighbouring country XXX</td>
<td>Deterioration in living conditions for those living on border with XXX</td>
<td>2</td>
<td>Medium</td>
<td>Regional talks taking place to prevent war; DFID will continue to support Govt’s participation in these talks</td>
</tr>
<tr>
<td></td>
<td>Increased proportion of budget spent on border control</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government fails to address human rights violations arising from war</td>
<td>Increase in internal instability</td>
<td>5</td>
<td>Low</td>
<td>Donors will continue to encourage transparency to investigate alleged abuses and to take action against those responsible</td>
</tr>
<tr>
<td></td>
<td>Unlikely to attract foreign investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reduced donor funds available to the Govt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRSP is not effectively operationalised</td>
<td>Domestic and donor funds used inefficiently</td>
<td>4</td>
<td>Medium</td>
<td>Donors to support strengthening of PRS Planning Unit</td>
</tr>
<tr>
<td>HIV/AIDS continues to spread</td>
<td>Economic growth reduced by 1-2% pa</td>
<td>4</td>
<td>High</td>
<td>Govt strategic plan is in place. Improve co-ordination of donor support and funds</td>
</tr>
<tr>
<td></td>
<td>Increase in budget expenditure on care of sick and orphaned</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drought affects food stocks</td>
<td>Food shortages in rural areas; more of budget gets spent on safety nets</td>
<td>3</td>
<td>Low</td>
<td>Govt has built up stocks from past two years of good crops</td>
</tr>
</tbody>
</table>

5.6 Data sources and evidence gathering

5.6.1 Data sources

99. The data requirements for the various assessment methods that will need to be used will vary, depending on the analytical approach being used. Modelling is likely to require largely quantitative data which are comparable across countries and available on a time series basis. Data based statistical estimation will also depend on the availability of quantitative data but greater use can be made of data which relate only to one period of time. Case study evidence will often be more qualitative in nature, or a mix of qualitative and quantitative information and will be context-specific.

100. Primary data will include all the monitoring and progress reports, and other documentation produced by the programme’s implementers. The main sources of secondary data for IIAs are:
• Government data collected from (for example) censuses, household surveys, business surveys, poverty assessments
• Globally collected data from (for example) multi-laterals such as the UNDP Human Development Index, World Bank’s Cost of Doing Business Surveys and Investment Climate Index
• National research institutions, international and national non-governmental organisations, and bi-lateral donors who conduct a range of research studies

101. To keep costs down it makes sense to draw on existing, readily available data as far as possible, and donor co-ordination can help with this, as reports can be shared. Increased donor harmonisation and a well-resourced and capable government monitoring unit or department can help ensure information is shared. Furthermore if a government department is given the responsibility for conducting impact assessments which can then be shared across all the above institutions, it will help develop a substantive base of timely and relevant data, acceptable to all parties and available for co-ordinated policy making. In this way, the introduction of an integrated framework for impact assessment can be a donor supported capacity building activity in itself.

5.6.2 Tools for data collection

102. The type of tools required for IIAA are the same as for any impact assessment, and the main ones are summarised in the Table 8, below.

Table 8: commonly used data collection tools for impact assessment

<table>
<thead>
<tr>
<th>Method</th>
<th>Key Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample surveys</td>
<td>These may either be structured (choice boxes or scaling) which means the information they provide will be quantifiable, or they may be semi-structured with some open-ended questions which enable some qualitative analysis that ‘gives the story behind the figures.’ Surveys can be expensive in terms of the staff time it takes to conduct interviews.</td>
</tr>
<tr>
<td>Key informant interviews</td>
<td>Key informants are selected for their special interest or knowledge of the topic. The interviews will be semi-structured with scope for informants to give full answers to the questions and to raise other issues they consider important.</td>
</tr>
<tr>
<td>Case Studies</td>
<td>Detailed studies of a specific type relevant to the programme focus (eg a group of businesses by locality, size and sector) involving open-ended questioning and the preparation of ‘histories’.</td>
</tr>
<tr>
<td>Focus groups</td>
<td>As with focus groups used for ongoing monitoring, these may be with specific affected groups (eg business association membership) or with randomly invited groups. Although semi-structured with a clearly worked out plan for how the group discussion should proceed, the qualitative data that is produced can be turned into quantifiable information by means of diagrams, ranking and other scaling techniques.</td>
</tr>
<tr>
<td>Other methods</td>
<td>Can be the same as, or extended versions of all the tools suggested for ongoing monitoring, eg phone surveys, point of delivery cards or questionnaires. The media can also be used, eg radio phone-in discussions.</td>
</tr>
</tbody>
</table>

Quantitative, Qualitative or Participatory Methods of Data Collection?

103. Quantitative techniques endeavour to measure actual impacts while qualitative methods give the story behind the figures by looking at how and why those impacts occur. Qualitative and participatory methods are often grouped together, for example

---

9 For example, the Government of Uganda has set up a Poverty Monitoring Unit which collects cross-government data and relates it to progress of the GoU’s Poverty Eradication Action Plan

10 Table 7 is adapted from the ‘core text’ for conducting impact assessments, available on the EDIAIS website: www.enterprise-impact.org.uk
focus groups produce qualitative data with the participation of the stakeholders or those being consulted. One way of distinguishing the two, however, is the degree to which the it is the participants themselves who analyse and assess their own situation during the course of the focus group, or whether it is the researcher who collects up the data and analyses it outside of the group. Methods for collecting quantitative data can also be participatory. This is becoming an increasingly popular method of data collection, with participants translating their subjective experiences into quantifiable data, and then analysing that data for themselves. 11

104. It is generally accepted that quantitative techniques of data collection, used alone, are often inadequate in revealing the causal processes of impact. Similarly many qualitative methods are unable to reflect the links between processes and outcomes. As a result participatory methods of investigation have been found useful in deepening understanding and analysis of impact of policies and programmes on stakeholders. But participatory methods are not a substitute for robust quantifiable surveys and structured interviews; rather they are complementary to quantitative methods.

Use of diagrams for data collection and presentation of findings

105. A particularly useful form of quantifiable participatory tools of data collection is the construction of diagrams, which enable easy visualisation of the data, the logic of the impact chain and the complex links between people’s perceptions of the policies under review. The kind of diagrams that can be produced in the course of a focus group or interview include: trees and branches, flow diagrams and networks, webs, maps, timelines, wheels and pie charts.

106. Diagrams are also a useful way of presenting complex findings to policy makers who may not have time to absorb large amounts of text and tables of data. They are also useful for disseminating complex information to the general public, in a way that is open and transparent without requiring them to be statisticians.

5.6.3 Further sources of information on sources and tools for data collection

107. Many tools have been developed by multi- and bi-lateral donors as well as national governments, and there is no point in re-inventing the wheel. Descriptions of a range of data collection tools are available from websites listed in the resources section. There is also full discussion of these tools on the EDIAIS website listed in Appendix B, which also gives details of other sources of information on this topic.

108. Similarly, before going to the expense and effort of establishing special arrangements for conducting IIAA it is worth looking at what data is collected for other purposes, and how this can be adapted. Consideration should also be given as to how IIAA can be integrated with other M&E and impact assessment work that is being carried out, rather than being set up as a separate methodology.

11 For fuller discussion of this, see Chambers, R and Mayoux L, 2003 “Reversing the Paradigm: Quantification and Participatory Methods”, on the EDIAIS website www.enterprise-impact.org.uk, and Barahona, C & Levy, S, 2001, “How to generate statistics and influence policy using participatory methods in research” University of Reading www.reading.ac.uk)
5.7 Presenting and disseminating the assessment findings

109. The purpose of both ex ante and ex post IIAA is to provide policy makers with evidence on the likely consequences, or actual impacts, of a decision to implement a specified programme or policy reform. The findings of the assessment therefore need to be presented in a concise summary that is comprehensible to non-specialist decision makers, other stakeholders and interested parties. There is no single ‘best practice’ format for presenting the assessment results in a way that meets these requirements. However, Table 9 gives one example of a format for summarising the findings from the IIAA analysis, including the causal chain analysis and the significance of the impacts on sustainable development. This can be adapted to the particular needs and circumstances of the study in question.

110. In addition to the detailed assessment analysis that will be contained in the main body of the report, the summary table of significant impacts should be accompanied by summary textual explanation of the findings shown in the table. The report should also include a concise Executive Summary.

111. To encourage transparency and civil society participation in the process of policy making, in particular their willing participation in future consultative processes, it is important for findings to be disseminated to all those who have taken part in the reform process. Use of the full range of media and attractive forms of presentation are important for obtaining public interest in policy debates, and generating ownership of results by the government.
## Table 9: Competition Law: Summary of Significant Impacts

<table>
<thead>
<tr>
<th>Impact Indicators</th>
<th>Description of impact (outcome indicators)</th>
<th>Causal factors</th>
<th>Factors affecting significance</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macro economic performance</td>
<td>Consumer prices fall</td>
<td>Greater deterrence to cartelisation</td>
<td>Rule of law and effective enforcement</td>
<td>▲</td>
</tr>
<tr>
<td>Employment</td>
<td>Employment increases in formerly cartelised industries</td>
<td>Less incentive to engage in anti-competitive practices</td>
<td></td>
<td>▲</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty reduction</td>
<td>Lower prices for goods purchased by the poor</td>
<td>Greater deterrence to cartelisation</td>
<td>Independence of regulators from industry capture</td>
<td>△</td>
</tr>
<tr>
<td>Social equality</td>
<td>Reduced costs of state purchases from cartels releases funds for social spending</td>
<td>Less bid rigging</td>
<td>Independence of political process from capture and corruption</td>
<td>△</td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource stocks</td>
<td>Improved resource usage</td>
<td>Output resource efficiency</td>
<td>Environmental regulation enforcement</td>
<td>△△</td>
</tr>
<tr>
<td>Environmental quality</td>
<td>Reduced air and water pollution</td>
<td>Increased transport and output</td>
<td></td>
<td>△△</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better governance</td>
<td>Transparency in contracting and less corruption</td>
<td>Legal investigations of anti-competitive practices</td>
<td>Independence of judiciary</td>
<td>△</td>
</tr>
<tr>
<td>Institutional capacity</td>
<td>Competition agency established and staffed</td>
<td>Investigation and regulation activities</td>
<td>Resources and independence</td>
<td>△</td>
</tr>
</tbody>
</table>

*Source: based on Evenett et al (2004)*

### Symbols used to show impact significance:
- **blank** impact has been evaluated as non-significant compared with the base situation
- **△** positive lesser significant impact
- **▼** negative lesser significant impact
- **▲** positive greater significant impact
- **▼▼** negative greater significant impact
- **△△** positive and negative impacts likely to be experienced according to context (may be lesser or greater as above)
- **?** effects are uncertain
6 ORGANISING AN IMPACT ASSESSMENT OF AN ENABLING ENVIRONMENT PROGRAMME

6.1 Internal or external assessors?

112. Whether impact assessments are undertaken internally by staff or by external consultants will depend on the views of the programme managers and donors. The key deciding factors should be:

- there is the capacity to undertake it efficiently and to standard
- the approach will be transparent and objective
- and findings will be accepted as credible by stakeholders.

113. Table 10\textsuperscript{12} below summarises some of the pros and cons of using internal and external assessors. Often it is decided to use a mixture in order to get a balanced perspective.

Table 10: Pros and cons of internal and external assessment

<table>
<thead>
<tr>
<th>Internal staff: positives</th>
<th>Internal staff: negatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater know-how as they are close to or immersed in operational practice. They know who are the key stakeholders to consult and influence. They are more cost effective as they are already in the organisation. They have greater ownership of the assessment. They can implement the findings practically. They can ensure internal learning is taken on board.</td>
<td>They may be biased, subjective or narrow in outlook. There may be pressure for them to favour certain people to keep their position. They may not be cheaper if other work is not done. Findings may be conveniently ‘lost’ in bureaucracy because they know the system, if they perceive that their or other’s power will be reduced by the findings. They can only ensure learning takes place if they are in a position to influence this.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External consultants: positives</th>
<th>External consultants: negatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can provide objectivity and a fresh pair of eyes. Easier to keep to a timescale as contracted. Can bring additional skills, experience, and ideas of best practice and what is happening elsewhere. They are able to talk to conflicting parties as they are not involved in implementation. They can address issues requiring specialist skills, such as gender or sector issues.</td>
<td>They may not be well informed about the country or specific context of the programme. They may not comply with contract times. Their experience in assessment may not be relevant to the programme context. Unless they are local to the country, they are likely to be more expensive with extra costs such as hotels. They may be open to bias from those who speak the loudest or are easiest to access.</td>
</tr>
</tbody>
</table>

6.2 Budgeting for impact assessments

114. Ex ante appraisal is critical to a well designed and planned enabling environment programme, and it is therefore worthwhile spending a comparatively small amount up front in order to ensure later funds achieve maximum impact. The information obtained from the appraisal may also be relevant to other planned interventions thus saving on

\textsuperscript{12} Table adapted from ILO Training Programme for Managers of EE Programmes (Richardson, P), 2005
duplicated research. It is also important to establish the ongoing monitoring system at the start so that data can be collected and used to assess performance and outcomes as the programme progresses; this will save money spent on having to re-construct baselines at the ex post stage. Finally, the ex post evaluation should not be seen solely as making a judgement of how successful, or not, the programme was in achieving the targets stated in the logframe; rather it should be seen as an opportunity to learn what works and what doesn’t, and how to enhance those factors that do appear to support pro-poor growth, whilst mitigating the impact of negative factors.

115. However, whilst extensive surveys may result in a wealth of data – the ideal would be to consult every person likely to be affected! – surveys are expensive and the time taken to collect the data can limit its relevance. More important than survey breadth are careful choice of subjects, well-designed data collection tools and rigorous methods of analysis. It is also important to allocate funds for monitoring, mid- and/or end-of-programme (ex post) evaluations at the start of the programme as part of the budget, and to build in a time factor for the work to be undertaken. Otherwise, shortage of funds and time can be used as reasons (sometimes valid, sometimes convenient) for these tasks not to be undertaken. Various documents on the EDIAIS site discuss this and related topics, for example: (and see Appendix B)

http://www.enterprise-impact.org.uk/informationresources/toolbox/sampling.shtml and

6.3 Commissioning an impact assessment

116. If it has been decided to commission external assessors it will be necessary to draw up terms of reference, and to agree on the commissioning process. Appendix J gives an example of TORS for conducting an ex post evaluation of an enabling environment programme; another example is given in the ILO’s “Guide to assessing the influence of the business environment on small enterprise employment” (see http://www.sedonors.org/)

117. Typically the Terms of Reference will cover: (there may be some overlap between these headings, depending on the scale of the assessment and the requirements of the programme managers):

- Programme title and brief description
- Background to the programme and the assessment (why it is being conducted)
- Overall objectives of the assessment
- Approach, methodology and scope of the work
- Expected tasks, outputs and deliverables
- Competency and expertise requirements
- How the work should be conducted, including indication of time expected to be spent overall (and sometimes on specific aspects)
- Reporting requirements (dates and maybe an indication of report format)
- Dissemination of findings (eg whether any workshops or media presentations will be expected)

118. The process for engaging external assessors should be conducted on the lines of best practice for competitive tendering to ensure transparency and acceptability of the assessment findings.
Bibliography


Cabinet Office 1999 Modernising Government. CM 4310. UK


DFID. 2004. Pro-Poor Growth Briefing Notes 1, 2 and Technical Annex, produced by the Pro-Poor Growth Team, DFID, UK

DFID. 2003. How to …… Series of Notes 1-8 on Harnessing the Private Sector for Pro-Poor Growth. DFID, UK


Earl, S. and Carden, F. 2002 Learning from complexity: the International Development Research Centre’s experience with Outcome Mapping, Development in Practice, Volume 12, Numbers 3 & 4, August 2002


Assessing impact of enabling environment programmes, April 2005

Kirkpatrick C and Parker D 2004 ‘Regulatory Impact Assessment and Regulatory Governance in Developing Countries’ Public Administration and Development, 24, 1-12

Kirkpatrick C and Parker D 2005 ‘Implementing Regulatory Impact Assessment in Developing Countries: Challenges and Opportunities for South Asia’. Paper prepared for DFID, for presentation at 2005 South Asia High-Level Investment Roundtable, Dhaka.


Moser, C. 2004 DFID Malawi Gender Audit: Evaporated, invisibilized or resisted? DFID-Malawi

OECD, Oct 2004 Regulatory Performance: Ex post evaluation of regulatory tools and institutions (Draft report by Working Party on Regulatory Management and Reform) OECD, Paris


White, S. 2004b Donor Approaches to Improving the Business Environment for Small Enterprises. Working Group on Enabling Environment, Committee of Donor Agencies for Small Enterprise Development


Assessing impact of enabling environment programmes, April 2005


World Bank 2005 Doing Business in 2005: Removing Obstacles to Growth
Appendices:

A  Assessing business environment policy impact: a review of some donor approaches (by S Mosedale)

B  Other information sources and resources for assessing impacts of enabling environment programmes

C  Proposals for piloting IIAA

D  Terms of Reference / Accepted Proposal

E  Tables showing areas of focus and types of intervention of DFID enabling environment work: extracted from ICEE Review, Dec 2004

F  Note on policy domains likely to affect small enterprise development

G  Note on IIAA in the context of SWAPS, General Budget Support Macro-Agreements and Country Assistance Plans

H  Additional notes on causal chain analysis

J  Model terms of reference for commissioning assessment of an EE programme

K  “How to assess the impact of enabling environment programmes” – Additional Note prepared for DFID – ICEE Team, summarising key points of the IIAA for practical application
APPENDIX A: Assessing business environment policy impact: a review of some donor approaches

Summary
This review starts by looking at the recent World Bank evaluation of its ‘investment climate’ activities and briefly considers some other donor evaluations. However, very few agencies have in fact assessed the impact of their enabling environment (EE) programmes as such (White and Chacaltanas 2002, 41) so there is little such literature to refer to directly and what there is does not demonstrate much methodological innovation. More work has been done, however, on assessing the quality of the business environment so this is briefly considered and pointers to further information given.

The review then focuses more broadly on the principles and practice of strategic impact assessment and provides some examples of donor initiatives in this area. Key components of the strategic assessment of policy-orientated programmes are identified and examples of their use signposted.

In current attempts to evaluate the impact of enabling environment interventions stakeholder analysis appears to be a neglected art. In fact the early identification of relevant stakeholders is essential for effective impact assessment. Not only can policy choices affect different stakeholders in different ways but these stakeholders can also influence whether a policy is adopted or not. For guidance on how to conduct a stakeholder analysis and assess stakeholder interests, influence and importance see Gavin and Pinder 2001.

None of the evaluations featured conducted stakeholder analysis despite that fact that this is widely regarded as essential in the literature. Policy change does not affect everyone equally. Distributive issues mean there are likely to be winners and losers and the identification of these, together with ways to ameliorate negative impacts is important. Also different groups will have different priorities and interests.

It is disappointing, for example, that the WBG desk evaluation involved consultations only with large multinational investors in Washington. Their interests in investment climate change will certainly not always be synonymous with the interests of local businesses in the developing countries where they operate. The WBG report does not clarify who exactly was subsequently consulted in the developing country fieldwork – we are told only of government officials and ‘representatives of the private sector’ (World Bank 2004a, 64). It may be that the researchers did in fact meet representatives of small businesses, employees and microentrepreneurs but if so this was not considered worth mentioning in the description of the methodology used.

This indicates a surprising lack of analysis of different interest groups within the private sector. As the World Bank’s own World Development Report makes clear, not only do the preferences of businesses not always match those of society but there can also be differences in policy preferences within firms (World Bank 2004b, 6). Conducting an evaluation without attempting to map different stakeholders’ interests is liable to lead to policy choices being made which have unexpected negative impacts. It is particularly noteworthy that no mention is made, in the description of the methodology, of the small business sector despite its being widely understood that this sector tends to suffer most from government regulatory weakness. The World Bank’s own Doing Business report
emphasises that the enabling environment affects the poor micro-entrepreneur as well as the multinational.

A recent assessment of three World Bank PSD projects in Guyana said that the Bank ‘did not have a realistic understanding of the structure of institutional dynamics and incentives, the governance context (including a recognition of the implications of the ethnic divide between citizens of African and Indian descent) and management capabilities. As a result all three projects failed to anticipate the risks of weak ownership, rent seeking and poor management which severely constrained the effectiveness of the projects’ (World Bank 2004, 45).

All the evaluations suffered from lack of a baseline. Interventions had in some cases not ever been conceptualised as ‘enabling environment’ so there was no possibility of useful monitoring and evaluation systems having been set up. This emphasises again the need for impact assessment to be incorporated from the early design stages.

**Outcomes or impacts?**

White and Chacaltana find that most donors are claiming outcomes as impacts and thus ignoring the fact that the link between outcomes and impact may not exist. For example a report containing excellent analysis and recommendations may be prepared and legitimately considered a valuable outcome. However claiming it as an impact ignores the fact that, should it fail to be implemented, the impact will be negligible. Given that most donors are not managing to even get as far as examining impacts on the enabling environment it is perhaps not surprising that “very little of DFID’s evaluation efforts in the enabling environment appear to connect enabling environment reforms with poverty reduction and pro-poor growth” (White and Fortune, 2004), necessary though this is.

One way of dealing with the fact that impact can be the result of a long chain of combined events for which no single agency can reasonably claim the credit is to abandon attempts to make such claims. The International Development Research Centre (IDRC) has developed Outcome Mapping (Earl and Carden, 2002) as a tool to assess programme contributions to a particular type of outcome – that which involves changes in behaviours, relationships, actions, and/or activities of the people and organizations with whom a development program works directly. This approach aims to provide the shorter term feedback which donors need. It offers a systematic technique for focusing the strategy on the empowerment of local actors, formulating explicit goals for bringing about changes in the attitudes and behaviour of these actors, measuring these changes and using these measurements as a feedback loop to guide the evolution of the strategy.

The question of how much responsibility donors can take for the eventual impacts of their policies is an interesting one. If it is agreed that, although donors should be responsible for policy outcomes, eventual impacts depend largely on local actors, then methods which focus on donor impact on the behaviour of such actors seems logical. However it does still beg the question of what the eventual impacts are. This debate reflects the tensions between ‘proving’ and ‘improving’ impact i.e. the tensions between donors’ need to be accountable to taxpayers and developing countries’ need to improve their situation. Despite the language of empowerment used in Outcome Mapping it could be argued that a major motivation for promoting this perspective is that to some extent it lets donor agencies off the hook of convincingly demonstrating what it is their work achieves in terms of poverty reduction and progress towards the Millennium Development Goals.
1. Donor impact assessments of policies aimed at improving the business enabling environment

1.1 The World Bank Group Evaluation of Investment Climate Activities


This evaluation, covering 1993 to 2003, has recently been completed. It covered the three constituents of the WBG – the World Bank, the IFC and MIGA – and separate evaluation reports for each, as well as an Overview, have been published on the WBG web above.

The investment climate (IC) is defined as a country’s environment for private sector activity. Its quality ‘is determined by the risks and transaction costs of investing in and operating a business, which in turn are primarily determined by the legal and regulatory framework, barriers to entry and exit, and conditions in markets for labour, finance, information, infrastructure services and other productive inputs’ (World Bank 2004a, 1).

Because of the scale of the WBG’s interventions in the IC and the fact that this report has only recently become available the evaluation methodology is described in some detail and some points of interest noted. The results of the evaluation are not discussed.

The World Bank study

The report for the World Bank (IBRD/IDA) identifies the intended causal chain as having three parts. First is the link between the Bank’s activities and the adoption of policy and institutional reforms. Second is the link between reforms and actual changes in the investment climate (IC). Third is the link between changes in the IC and performance outcomes (described as firm-level productivity and profitability and economy-wide productivity, investment, income and employment). Interestingly, the evaluation focuses on the first two links and relies on the literature to provide evidence for the link between improved ICs and final economic outcomes. Thus the difficult proving of this vital third link is not attempted other than in general terms. Also, poverty is not identified in the main body of the report as a performance outcome – although in Annexe 1, where the evaluation methodology is described in more detail, it is made clear that the literature review did look at the relationship between economic growth and poverty reduction.

The evaluation, which examines the relevance, effectiveness and sustainability of Bank IC assistance and asks whether its organisational structure is supportive, had the following components:

- A literature review on the drivers of investment and growth and the microeconomic factors that determine investment behaviour
- A description and analysis of the portfolio of IBRD/IDA lending operations that support IC improvements
- A description and analysis of the portfolio of IBRD/IDA non-lending services including economic and sector work and survey-based diagnostic assessments
- Results of discussions with Bank staff and international investors
• Client consultations and country case studies for India, Indonesia, Mozambique, Peru and Romania

The literature review, which provided a conceptual framework for the study, reviewed both Bank and non-Bank theoretical and empirical literature on the investment climate. As stated above it considered the link between economic growth and poverty reduction. It also looked at the relationship between IC quality and investment flows, both foreign and domestic, and at aspects of the IC that make most difference to investors. It considered the importance of the IC as a determinant of investment, relative to ‘other factors (e.g. macroeconomic and political risk, labour costs, global investment strategies)’ World Bank 2004a, 58). (Given the definition of an IC’s quality above it seems strange that labour costs should be considered an ‘other factor’.) Finally, the review focused on policy and institutional reform strategies that have been most successful in improving the IC.

Interviews with selected international investors were held in Washington. Participants were HQ-based executives chosen for their good knowledge of their companies’ overseas investment strategies, their willingness to be open and candid and their fluency in English. Detailed prior knowledge of the Bank was not required but in fact familiarity with the Bank was strong, two were ex members of staff and at least four had done business with the Bank. Their industrial sector, home country, revenues and number of employees are given, as are the questions they were asked, (World Bank 2004a, 60-61). These largely related to the IC issues they consider when making investment decisions and their familiarity with, and opinion of, WBG activities in this area.

Two discussion groups were held with invited (named) Bank staff. Their views were sought on a number of questions on relevance, instruments, diagnostics, outcomes, organisational structure and human resources. They were asked, for example, whether they thought IC issues had been given enough priority in countries they were familiar with, whether the emphasised IC issues reflected the most important constraints, whether instruments were appropriate to country needs, how diagnostic instruments might be improved, what factors seemed to lead to both good and poor outcomes and whether good IC outcomes could be expected under poor macroeconomic conditions.

The country case study protocol identifies the activities included, the unit of analysis, the external sources of information used, the kind of people who were interviewed, the evaluation questions asked and the sources of information used. Interviewees included headquarters staff and, in the field, relevant government officials and ‘representatives of the private sector’ (no further details given). They were asked for their views on constraints to private sector development, the relevance of policy and institutional reforms undertaken by the government, the effects of those reforms and the remaining reform agenda.

The IFC study
The IFC evaluation (IFC 2005) covered both its investment and non-investment activities. In the case of the former the evaluation drew on the 318 Expanded Project Supervision Reports (XPSRs) which had already been prepared for a random selection of projects. It used the Private Sector Development indicator in the XPSRs as a proxy for the project’s contribution to improving the investment climate. This indicator looks at how the project helped create conditions conducive to private investments beyond the parent company. Positive sub-indicators include positive demonstration effects, significant supply linkages to local businesses, introduction of new technology know-how, development of
management and employee skills and domestic capital market development (e.g. pioneering listing on a stock exchange or significant increase in listed value etc). Negative sub-indicators include adverse demonstration effects, project-induced restrictions on competition and delays of reforms or entry by private enterprises. For a full list of sub-indicators, which were assessed on a four-point scale from ‘excellent’ to ‘unsatisfactory’, see Annex 3 of the IFC evaluation.

To supplement the XPSR findings, mature investment projects were visited in Egypt, Mozambique, Peru, Romania and Vietnam. The project companies visited were asked three key questions: what IC factors have influenced the project’s operations; what IC obstacles has the project encountered and what has the project’s contribution been to improving the IC?

As in the World Bank evaluation the IFC does not try to prove the link between IFC activities and changes in the overall IC. Instead it points out that the IC is affected by many factors outside IFC control such as rule of law, corruption, trade policies etc.

The IFC study did not comprehensively evaluate IFC’s non-investment activities (i.e. its technical assistance (TA) and advisory services) given the lack of an evaluation database or comprehensive evaluation system for these activities. Instead it considered 38 IC-related mature operations in the five field visit countries. A logical framework-based evaluation template was used to evaluate inputs and outputs (overall quality of TA, and its execution), outcomes (implementation of recommendations) and impacts. Impacts are broadly defined as ‘changes on the ground attributable to or consistent with the outcomes of TA and advisory work’ (IFC 2005, 20). Thus attribution seems not to be a pre-requisite for claiming impact. The evaluation rating template, which requires a rationale to be supplied for each rating, and benchmarks for the four-point rating scale are provided in Annexes 4A and 4B.

The MIGA study
The Multilateral Investment Guarantee Agency’s aim is to increase foreign direct investment (FDI) to developing countries. The evaluation focuses on its work with public sector agencies providing technical assistance (TA) for building the capacity of local investment promotion agencies (IPAs) from 1998 to 2003.

The evaluation asked whether MIGA’s TA focused on the right issues, whether it was effective, how it was funded and what was MIGA’s role within the WB. The ‘logic model’ (causal chain) identifies inputs as the staff and TA provided, outputs as plans, materials, methods and skilled staff, immediate effects as changes in practices and systems, intermediate outcomes as improved service delivery and final impact as increased FDI. The fact that the link to final impact was the weakest in the causal chain due to the effect of other variables was again stated.

The evaluation is based on a review of the evolution, relevance, effectiveness and efficiency of capacity building activities and two country case studies (El Salvador and Romania). The review involved literature and document reviews including previous external assessments and a variety of internal documentation, MIGA annual reports and other MIGA publications. Current and former staff from MIGA’s Investment Marketing Services Department were interviewed, as were staff from other MIGA and WB departments.
The two case studies involved staff interviews, a document review, a field mission and a survey of foreign investors who had used the IPA’s services. The impact of the TA on the IPA was assessed through in-depth interviews and direct observation. Its existing capacity and needs were assessed and compared to MIGA’s initial assessment of these. Changes in the IPA’s capacity were attributed through in-depth interviews with both MIGA TA staff and IPA staff as well as a review of the TA provided. Investors were surveyed as to their satisfaction with the services provided and the degree to which these services had influenced their subsequent investment decisions.

1.2. Desk Phase of the Evaluation of The European Community Support to Private Sector Development (PSD) in Third Countries

A sample of PSD interventions was selected and analysed through all project phases. This included 29 national interventions in 11 countries and two regional programmes. An evaluation questions grid was used which covered the five evaluation criteria (relevance, effectiveness, efficiency, impact and sustainability) as well as coherence, coordination, complementarity and crosscutting issues. Information was not always available for each aspect.

Annexe 3 details the eleven evaluation questions and provides, for each, a justification, judgement criteria, indicators and sources. It is notable that, again, questions of final impact are sidestepped. For example the first question asks about the assumption that a more competitive business sector contributes to the general objectives of EU external policy and asks how this assumption has been checked. Under ‘justification of the question’ it is remarked that ‘a direct assessment of such a politically fundamental assumption cannot be done in the framework of this evaluation. It is however important to ask whether the EC has analysed this assumption and how’. Indicators for this question consist merely of references to the objectives of EU external policy in PSD policy documents and other donors’ justifications of the role of PSD. There is no suggestion that any attempts were made to track achievements in any particular context rather than aspirations and general arguments for the benefits of PSD.

This document analysis was complemented by interviews with staff involved in policy formation and implementation and a questionnaire sent to 25 EU Delegations in participating countries, from which 16 replies were received. This asked for details of five different types of interventions supported by the EC (supporting the regulatory and institutional framework, reinforcing the financial system and improving access to financial resources, supporting intermediate organisations, supporting business-to-business partnership agreements and encouraging non-financial services provision to SMEs). Five horizontal themes were also addressed – EC documentation process, a multi-country or single-country approach to support to PSD, coherence between the EC PSD strategy and other EC strategies, coordination and complementarity and crosscutting issues.

1.3 The Swedish International Development Cooperation Agency (Sida)


Sida’s evaluation of its support to private sector development (Sida 2001) has three parts – first a section on good practice in providing PSD support, then an Empirical Study that compares practice in Sida with best practice and finally a section on implications for
Sida. A Diagnostic Checklist for PBS Performance can be found at Annexe A. Many of the factors listed here could be used as sub-indicators in assessing the business environment e.g. rate of new business formation, rate of new business failure, unemployment rates, competition levels etc.

On investigation, Sida’s original concept of private sector development proved to be very narrow and mostly confined to direct support to individual businesses. Once a broader conception of PSD had been reached, Sida support was reanalysed and found to constitute a third of the organisation’s total aid budget.

Key documents from 79 sample projects were analysed and in-depth interviews were conducted with programme managers at 12 selected projects. These semi-structured interviews covered the project approach, its priorities and how it set its goals, what analysis had preceded project design and so on. They also focused on the prevailing perceptions, approaches and attitudes to PSD.

Strategy documents from key sectors to which Sida provides assistance were reviewed to discover how they highlighted PSD and incorporated PSD support into their strategies. Country analyses, strategies and plans were similarly examined to gain an understanding of how PSD informs assistance to partner countries and how PSD support is used to achieve their goals.

1.4 The Asian Development Bank

The Asian Development Bank (ADB) is currently reviewing the implementation of its Private Sector Development Strategy to improve its effectiveness in enabling the development of a strong and dynamic private sector in developing member countries. According to the web site, the Review will assess the implementation of the strategy within the context of ADB’s Poverty Reduction Strategy. It is designed to improve ADB’s collective understanding of how effectively private sector development issues have been operationalized in country strategies and programs (CSPs), private sector assessments, and lending and non-lending activities.

The Review will also consider the adequacy of internal guidance and the extent to which it is utilized effectively. It will draw on global experience and in particular the implementation experiences of other international development agencies.

The Review will assess the implementation of Private Sector Development strategy to help ADB understand:

- What has implementation experience been and what are the views of stakeholders
- What are the issues requiring attention
- What are the lessons learned
- What is the current development context and trends for the future
- What are the priority actions for ADB to achieve better results in private sector development

The review is being done in two stages – an ongoing desk assessment and consultation with internal and external stakeholders between August 2004 and April 2005. The draft review is planned for website dissemination in February 2005 but had not appeared at time of writing.

2 Assessing the quality of the business enabling environment
Although few donors have actually carried out full impact assessments of the impact of their programmes on the business enabling environment, a considerable amount of work has been done on developing tools and methods for assessing the quality of that environment.

In its World Development Report 2005 (A Better Investment Climate for Everyone), the World Bank (WB) defines the investment climate as ‘the context-specific factors that shape the opportunities and incentives for firms to invest productively, create jobs and expand’. In seeking to balance the basic tension caused by the preferences of businesses not fully matching those of society the WB argues that governments must reduce rent-seeking, establish the credibility of government policies, foster public trust and legitimacy and ensure policy responses fit local conditions. It identifies investment climate improvements as involving an ongoing process of policy adjustment across a wide domain. The essential elements of reform processes are defined as setting priorities, managing individual reforms, maintaining momentum and strengthening government capabilities. There is an emphasis on improving the basics – stability and security, regulation and taxation, finance and infrastructure, and workers and labour markets.

2.1 Standardised assessment tools

Assessing the business enabling environment will inevitably be an important part of any impact assessment. It should be done at programme design stage in order to establish a baseline, help define specific programme goals and inform the design of management information systems to monitor progress and take necessary corrective action as the work progresses. Ex post analysis will also involve assessing the enabling environment to discover what has changed and determine the part played in creating these changes by the programme in question.

The WB has recently introduced new measures of the investment climate. The Investment Client Surveys measure specific constraints facing firms and relate them to measures of firm performance, growth and investment. The Doing Business Project collects country level data on the details of a set of regulations (World Bank, 2005). Indicators cover seven areas – starting a business, hiring and firing workers, enforcing contracts, getting credit, closing a business, registering property and protecting investors. The indicators are used to analyse economic and social outcomes such as productivity, investment, informality, corruption, unemployment and poverty, and to identify what reforms have worked, where and why.

A number of other donor agencies have developed standardised assessment tools for assessing the business environment. Advantages of such tools are that they reduce the risk of subjectivity and produce results that can be compared either across different countries or over time. Also they can be used to build capacities among national stakeholders and can be a cost effective means of assessment (White 2004b, 27). The table below summarises the range of such tools. (For a more detailed description of these tools see White 2004b Annexe 2.)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>European Bank</td>
<td>Business Environment</td>
<td>The BEEPS is a large dataset providing indicators about the</td>
</tr>
<tr>
<td>Organisation/Monitor</td>
<td>Instrument/Tool</td>
<td>Description</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------</td>
<td>-------------</td>
</tr>
</tbody>
</table>
| for Reconstruction and Enterprise Performance Survey | | Assessing impact of enabling environment programmes, April 2005

The business environment is multi-dimensional and includes key aspects of governance provided by the state, such as: business regulation, taxation, law and order, the judiciary, infrastructure, and financial services. [http://info.worldbank.org/governance/beeps](http://info.worldbank.org/governance/beeps)

Legal Indicator Survey | A perceptions-based tool used to measure and analyse countries' legal systems. It takes a snapshot of legal reform as perceived by local lawyers. It assesses the extent to which key commercial and financial laws reach international standards, are implemented and are enforced. [http://www.europeanrestructuring.com/intros/pdfs/EBRD_intro.pdf](http://www.europeanrestructuring.com/intros/pdfs/EBRD_intro.pdf)

Ewing Marion Kauffman Foundation | Global Entrepreneurship Monitor | Endeavours to understand the impact of entrepreneurship on national economic growth. The notion of an entrepreneurial society is used to reflect many of the elements that reflect an enabling business environment. [http://www.gemconsortium.org](http://www.gemconsortium.org)

Gesellschaft für Technische Zusammenarbeit (GTZ) | Assessment of Investment Climate | This tool is currently in development and has not yet been applied.

Inter-American Development Bank | Small Business Policy Assessment Guide | A tool to help consultants review and assess policies affecting small businesses

International Labour Organization | Guide for assessing the influence of the business environment on small enterprise development | Prepared for national consultants and ILO Constituents to assess the influence of policies, laws and regulations on small enterprise employment.

| | Survey kit: micro and small enterprises | A generic questionnaire and guide for national consultants and ILO Constituents to assess the influence of policies, laws and regulations on the employment decisions of small enterprise owner-managers.

| | Business Climate Assessments | Based on a survey instrument developed by the Swedish Employers Organization, this tool has been tested by the ILO in two provinces of Viet Nam.

Netherlands Ministry of Foreign Affairs | Annual Business Climate Scan | The Ministry has prepared the Annual Business Climate Scan for use by its embassies

World Bank | Investment Climate Assessment (ICS) | Conducted by the Investment Climate Department of the Private Sector Development Vice-Presidency Unit an ICS is a survey of formal firms (mainly companies). [http://www.ifc.org/ifcext/economics.nsf/Content/IC-InvestmentClimate](http://www.ifc.org/ifcext/economics.nsf/Content/IC-InvestmentClimate)

| | Investment Climate Assessment (ICA) | Investment Climate Assessments build on the findings of an ICS; they are also run by the Investment Climate Department of the Private Sector Development Vice-Presidency Unit in response to requests from the field structures. An ICA will draw on a wider body of information than the ICS.

| | Foreign investment diagnostic instruments | Conducted by the Foreign Investment Advisory Service of the Private Sector Development Vice-Presidency Unit these instruments are used for a deeper (narrative) assessment of investment constraints.

SME Country Mapping | Conducted by the SME Department in the Private Sector Development Vice-Presidency Unit, SME mapping has been undertaken http://www2.ifc.org/sme/html/survey_tools.html
---|---
Rural Investment Climate Survey (RICS) | Conducted by the Agriculture and Rural Development Department of the World Bank, the RICS has been developed in collaboration with the Investment Climate Department and focuses on the investment climate for rural, non-agricultural micro enterprises. Thus, between an ICS and an RICS both urban and rural business environments are assessed.

**UNCTAD**

Investment Policy Reviews | Investment Policy Reviews help countries improve policies and institutions that deal with FDI and increase their capacity to attract and benefit from it. http://www.unctad.org/Templates/StartPage.asp?intItemID=2554
---|---
Investment Compass | This is a new web-based benchmarking tool, which reveals the competitiveness of each country’s taxation system for FDI. http://compass.unctad.org

**USAID**

Investor Roadmap | The main emphasis of the Investor Roadmap assessment is on FDI. Little attention is paid to small, domestic enterprises. However, the issues faced by foreign investors are used to reflect the domestic business environment. http://www.ild.org.pe/pdf/annex/Annex_13.pdf

---

Adapted from White, S. 2004 *Donor Approaches to Improving the Business Environment for Small Enterprises* Working Group on Enabling Environment, Committee of Donor Agencies for Small Enterprise Development

### 2.2 The ILO assessment guide

Because the small business sector is an important part of most developing country economies and is unduly affected by regulatory demands we focus here on an ILO guide to assessing the influence of the business environment on small enterprise development (White, 2004). This draws on ILO fieldwork in many developing countries and has been tested in a variety of settings including projects focusing on the reform of the business environment. It includes guidelines on assessing the policy and legal framework, markets and the business environment. An Annexe outlines the strengths and weaknesses of a variety of data collection methods.

Assessing the policy and legal framework is broken down into: describing the system of governance and powers; selecting policy domains for assessment; mapping the policy and legal instruments; assessing the policy and legal framework for selected domains; mapping the organisational arrangements for small enterprise regulation, representation and promotion and; synthesising the findings. Guidance is provided for each step of the process and an annexe outlines points to address when interviewing a variety of stakeholders.

Policies, laws and regulations are assessed on a score of 1 – 10 on each of the following criteria – clarity, transparency, accessibility of information, coverage of implementation, administration coherence (at different levels of government), non-discrimination (against small enterprises), small enterprise representation and gender variations. These criteria could obviously be adjusted to meet the needs of a particular assessment.

The step by step procedure for assessing markets and the business environment involves: describing the markets in which enterprises operate; describing the institutional dynamics of these markets; identifying new or emerging market opportunities and;
identifying areas for market development. Describing the institutional dynamics of markets involves considering the legal and policy framework together with market failures, adverse power relations, market exclusions and inter-market linkages. Critical issues to be addressed are identified. Identifying new or emerging market opportunities includes consulting on what contribution to facilitating and promoting these should be provided by enterprises themselves, the state, private sector organisations and community and workers associations.

3. Issues and practice in strategic impact assessment

3.1 Strategic impact assessment

Strategic impact assessment (SIA) is the practice of assessing the impact of policies, plans and programmes. Less well developed than project-level impact assessment, it has nevertheless received an increasing amount of attention from both academics and practitioners over the last fifteen years. Lee identifies the main stages of the *ex ante* Strategic Impact Assessment process as *screening* (where it is decided whether the policy, plan or programme under consideration warrants an impact assessment, *scoping* (where the terms of reference for the assessment are determined – the problem being tackled, the types of impact to be assessed and the causal chain elaborated), *impact assessment* (where estimates of the likely significant impacts, both positive and negative, are identified), *options and M&E analysis* where some options are eliminated due to the expected impacts and the remaining options are evaluated in more depth and some are modified accordingly and *decision-making*, where on the basis of all the information above decisions are made as to which options to proceed with (Lee 2002).

When impact assessment is properly integrated into the planning process the development and implementation of suitable monitoring and evaluation systems becomes part of the process. Without clearly defined goals and an M&E system to track progress, attempts to assess impact at a later date become very difficult. Indeed this was a major hindrance to the MIGA study described in Section 1.

There are often differences between research and other technical contributions intended to strengthen assessment methodologies and the types of assessment methods considered usable by practitioners. To help in addressing this concern, Lee proposes the development of a *common assessment framework*, which is based on a shared, practitioner-researcher-stakeholder understanding of what constitutes a satisfactory integrated/sustainability impact assessment (Lee 2004). He outlines a possible structure for this *framework*, which contains three interconnected elements – the *planning context* in which the assessment is to be carried out; the *process* by which the assessment is to be undertaken and its findings used; and the *methods*, technical and consultative, by which impacts are to be assessed.

White and Chacaltana identify challenges to assessing the impact of policy reform in general (White and Chacaltana 2002). First is the inevitable lack of a counterfactual (policy reform affects everyone so there is no possibility of finding a control group). Reforms take a long time and so are difficult to track. Many reforms would have happened eventually so it is difficult to identify the contribution made by their having been speeded up through donor intervention. Where efforts are collaborative it is hard to establish the specific contribution of each donor. Lack of local technical capacities and few mechanisms for donors and governmental agencies to carry out joint impact assessments add to the difficulty.
3.2 An integrated approach to SIA – economic, social and environmental impact

An integrated approach to strategic impact assessment requires considering social and environmental impacts as well as economic. Efforts to develop and use assessment methodologies have been undertaken by a wide range of institutions including UNEP, OECD, The World Bank, the European Commission and UNDP (Abaza 2003). With the goal of improving the effectiveness of programmes trying to build capacity to carry out integrated policy assessment, UNDP has recently published Enhancing Capacity Building for Integrated Policy Design and Implementation for Sustainable Development (UNDP 2004). This involved consultations over several years with a wide range of international, regional and national institutions. Key questions sought information and opinions on existing capacity builders and their shortcomings, capacity building priorities, promoting international cooperation and developing recommendations for more effective, coordinated and demand-driven capacity building programmes.

Integrated assessments are often undertaken in three stages (Abaza 2003). First a preliminary assessment of linkages and impacts is undertaken using available qualitative information. Then the causal relationships of the impacts are modelled, using micro and macro economic models and other tools, thirdly evaluations of the impacts are performed. A wide range of methodologies can be used and a good assessment is likely to use a range of these depending on the type of policy being analysed, the impacts being measured and the availability and type of data used.

Abaza identifies as the main challenges for effective integrated policy design:

- Achieving greater ‘vertical’ and ‘horizontal’ integration
- Ensuring assessment is adapted to the particular needs of the countries so that the process helps to strengthen openness and transparency of decision making and provides a practical tool for problem solving
- Stakeholder involvement
- Getting baseline information

It does not appear that the WBG study referred to in Section 1 above considered social or environmental impacts in any coherently planned fashion. Even given that the goal was to assess the impact of programmes on the business enabling environment this seems unduly restrictive since social and environmental impacts also affect the enabling environment. Also, attempts to improve the enabling environment need to consider the wider impacts of their activities. If for example the EE is ‘improved’ for foreign enterprises through extensive tax breaks, the overall effect of this may be negative due to the failure of local enterprises who are unable to compete effectively or to a reduction in government resources for other social and economic goals.

Impact assessment is commonly categorised as ex ante or ex post. The former seeks to identify potential impacts as part of the policy decision making process, the latter looks at actual impacts after the event. However this distinction can be unhelpful if it obscures the vital point that impact assessment needs to be integrated in the planning cycle and to take place both before and after. Certainly impact assessment is needed to inform policy choices, to clarify goals and to establish M&E systems and other management information systems so that practice can be continuously adjusted as experience indicates. But it is equally necessary after the event to consider whether impacts were as expected and if not, for what reasons and to inform future policy making.
The tools and methods available for use in ex post impact assessments are many. Essentially all the tools of social research enquiry can be used. It is beyond the scope of this review to consider these in any details (see the EDIAIS tool box at http://www.enterprise-impact.org.uk/informationresources/toolbox.shtml for introductions to some well-known methods).

Nevertheless there are some points worth mentioning. Impact assessment at strategic level, because of its history and its tendency to focus on economic outcomes, tends not to make the best use of the tools available. There can be an inappropriate emphasis on the use of economic modelling and quantitative methods in general. Such methods, though useful, cannot answer all the questions raised by an examination of causality – the process by which policy change affects behaviour. To answer questions on motivations, perceptions and the why and how of behaviour change requires the skilful use of participatory qualitative methods.

**SIA-Trade**

IDPM’s Impact Assessment Research Centre (IARC) is currently conducting sustainability impact assessment (integrated assessment) into WTO negotiations. The work, funded by DFID, is intended to inform the European negotiators about the potential impact of WTO decisions, especially on developing countries. Trying to assess the impact of such powerful and widespread reforms has demanded detailed analysis of the mechanisms though which policy change leads to behavioural change by economic agents within society. For a short overview of the methodology and an update on results to date see *SIA-Trade Newsletters 1 and 2* covering, respectively, the creation of the Euro-Med Free Trade Area and the WTO negotiations, available at http://www.sia-trade.org/wto/newsletter.htm. For full reports and methodology or to take part in the consultation process visit http://www.sia-trade.org/wto/index.htm.

**The European Commission**

The European Commission introduced a unified system of impact assessment in 2003. The IARC has investigated how this has operated in its first year of implementation and found significant weaknesses (Lee and Kirkpatrick 2004). Three of the six cases of impact assessment examined had not performed well overall. Weaknesses found included poor initial problem identification, an overly narrow range of policy options being examined, unbalanced coverage of impacts (economic, environmental and social but also positive and negative, distributional effects and short and long term effects), methodological weaknesses, deficiency in choice justification, absence of a non-technical summary, lack of transparency and inadequate external consultation.

**Regulatory Impact Assessment (RIA)**

As one of six main research themes, IDPM’s Centre on Regulation and Competition is developing a method for assessing the potential impact of regulation proposals, which can inform the process of regulatory policy making and thereby contribute to better regulatory policy in developing countries. CRC Policy Briefs give short non-technical introductions to key issues and some current research on topics relating to the business enabling environment, such as *Competition and Innovation*, *Regulatory Governance and RIA*, all of which focus on policy change in developing countries. These are available online at http://www.competition-regulation.org.uk/wppbriefs.htm.

3.3 Poverty and social impact assessment
Much impact assessment at strategic is dominated by economic analysis. Environmental impact assessment is also well developed. But innovation in poverty and social impact assessment has tended to take place more at the grassroots level. Because of its relative neglect we look more closely into this area. Poverty and social impact assessment (PSIA) is the analysis of the intended and unintended consequences of policy interventions on the well-being of different social groups, with a focus on the poor and vulnerable. ‘Well-being’ includes both the income and non-income dimensions of poverty. Its objective is therefore specifically to identify the impact that policies have had on poverty reduction. It is conducted post-reform, but the findings are then used to inform future, related, policy change.

PSIA is being used more and more by developing country governments and donor agencies in assessment of the impact of Poverty Reduction Strategies (and, in turn, the Medium Term Expenditure Frameworks that accompany the PRS), though it can be used to better understand any type of policy or regulatory change, including those pertaining to the business enabling environment. For example, it has been used to assess the impacts of privatisation of the mines in Guyana, and the Uganda Government’s Strategic Import Initiative.

PSIA is therefore concerned primarily with the distributional outcomes and impacts of policy. However, it can also used to challenge and expose the prevailing interests of those in power and to hold them accountable for their decisions. In this way, PSIA is a tool which can also track the policy making process and contribute to promotion of good governance, and stakeholder participation.

Although PSIA is mainly used post-implementation, it can be used alongside RIA to add a wider dimension by extending analysis of potential risks, costs and benefits to the ‘downstream’ levels of targets for poverty reduction and sustainable development.
The World Bank has developed a PSIA User's Guide (World Bank 2003) that is intended for practitioners undertaking PSIA in developing countries. It introduces the main concepts underlying PSIA, presents key elements of good practice approaches to PSIA, and highlights some of the main constraints and operational principles for PSIA. This User's Guide highlights some of the key tools that practitioners may find useful to analyse poverty and social impacts of policy reforms, but does not aim to be comprehensive in coverage.

In addition, the Good Practice Note on PSIA has recently been published. This note provides a framework to help staff and governments acquire information on the possible distributional impact of planned reforms to improve policy design, outcomes, and sustainability of the reform program. It is available at the web address given for the PSIA User's Guide in the bibliography.

APPENDIX B: Other information sources and resources for assessing impacts of enabling environment programmes

The bibliography includes references to some web-based resources. This section lists a few other websites that contain documents and guides to impact assessment, in particular examples of tools and methods of data collection.

Enterprise Development Impact Assessment Information Service

The EDIAIS site contains a Toolbox with a wealth of material on how to conduct ex ante and ex post, project, programme and strategic level impact assessments. Topics include:

- Stakeholder analysis
- Quantitative Methods
- Qualitative Methods
- Participatory Methods
- Sampling
- Summary of Key Issues in Impact Assessment
- Selecting Indicators

13 Enterprise Development Impact Assessment Information Service ([www.enterprise-impact.org.uk](http://www.enterprise-impact.org.uk)) is managed by WISE Development on behalf of DFID.
• How Do We Find Out? Issues in Collecting Information

• What Do We Do With the Information? From Practical Solutions to Influencing Change


• Project Management Cycle

• Common Methods in Impact Assessment

• Summary of Key Issues in Impact Assessment

• Intra-household Impact Assessment: Issues and Participatory Tools
  http://www.enterprise-impact.org.uk/informationresources/toolbox/intra-householdIA.shtml

• Reversing the Paradigm: Quantification and Participatory Methods

• Grassroots Action Learning: Impact Assessment for Downward Accountability and Civil Society Development

• Participatory value chains analysis for pro-poor enterprise development

• Empowering Enquiry

• Social Accounting - a Method for Assessing the Impact of Enterprise Development Activities?

In addition to the Toolbox there is a series of Application Guidance Notes on how best practice principles, tools and methodologies of impact assessment can be applied to specific programme areas. These are at:
  http://www.enterprise-impact.org.uk/feature/index.shtml and include:

• A Practical Guide to Strategic Impact Assessment for Enterprise Development
  http://www.enterprise-impact.org.uk/word-files/StrategicImpactAssessment.doc or

• Regulatory Impact Assessment in Developing Countries: Research Issues

• Regulatory frameworks

• Privatisation of State Owned Enterprises

• Linking Small with Big - Measuring the Impact of Private Sector Involvement in Poverty Reduction and Local Economic Development
  http://www.enterprise-impact.org.uk/informationresources/application/LinkingSmallwithBig.shtml

• Further Development of Methodology for a Sustainability Impact Assessment of Proposed WTO Negotiations - Final Report to European Commission
http://www.enterprise-impact.org.uk/informationresources/application/methodologyIAWTO.shtml

- From impact assessment to sustainable strategic learning
  http://www.enterprise-impact.org.uk/pdf/FromIAtoSustainableStrategicLearning.pdf or
  http://www.enterprise-impact.org.uk/word-files/FromIAtoSustainableStrategicLearning.doc

- Labour impact assessment: challenges and opportunities of a learning approach
  http://www.enterprise-impact.org.uk/informationresources/application/LabourIA.shtml

- Towards A Framework for Assessing Empowerment

- Advocacy for Poverty Eradication and Empowerment: Ways Forward for Advocacy Impact Assessment
  http://www.enterprise-impact.org.uk/informationresources/application/AdvocacyandIA.shtml

- Building Environmental Impact Assessment Guidelines for Small and Large Scale Enterprise
  http://www.enterprise-impact.org.uk/informationresources/application/EnvironmentalIAGuidelines.shtml

- Rural Enterprise Development

- Information and Communications Technology

- Impact Assessment of Macro Level Policies on ICTs

- Assessing the Impact of Migrant Workers’ Remittances on Poverty

- Impact Assessment of Enterprise Development in Post-Conflict Regions - A Balkan Perspective

- Methodologies for Impact Assessment (IA) of Enterprise Development (ED) Interventions in Tourism
  http://www.enterprise-impact.org.uk/informationresources/application/Tourism.shtml

- Impact Assessment of Microfinance: Towards a Sustainable Learning Process

- Fair Trade

Past editions of the EDIAIS Monthly Newsletter (Enterprise Impact News – EIN) contain details of websites and publications related to that month's feature document which are based on the above papers. An archived list of EIN is on the site, together with a resource section listing details of other websites concerned with impact assessment of development programmes and annotated bibliographies.

Over the next few months a new area on the EDIAIS site is being set up especially to collect information on assessing the impacts of enabling environment programmes. This Handbook and the How To … Note which accompanies it are on the site and comments/ideas are invited. Other documents currently in this area include:

DFID’s ICEE Team Review of DFID’s Activities in the Enabling Environment (White, S & Fortune, P, Dec 2004)

http://www.enterprise-impact.org.uk/BEEEnvironments/DFIDdocs/GenderEnablingEnvironment.shtml

2 DFID Evaluation Department: http://www2.dfid.gov.uk/aboutdfid/performance/

This section of the DFID website contains its evaluation studies. Some of these discuss methodologies (eg the General Budget Support Evaluation Framework); others are impact research studies that have been carried out (eg reviews of country office work, gender thematic studies etc)

3 ODI: www.odi.org.uk/


The handbook is mainly targeted at civil society organisations (often referred to as ‘think tanks’ involved in gathering evidence, doing research, learning lessons or advising on strategy for social, environmental and economic development. It presents tools for achieving policy impact, specifically geared towards the needs of researchers. The key points of each tool or technique is described, and links are provided to relevant training materials. The tools include:

- Research Tools: including episode studies and focus group discussions
- Context Assessment Tools: including the Planning cycle, Force Field Analysis, Problem Tree Analysis, Stakeholder Analysis, Influence Mapping, SWOT Analysis and Triangle Analysis
- Communication Tools: including the Product Life Cycle (Diffusion of Innovation theory); the Marketing Approach; Organisational Readiness Assessments; Position Mapping; Pre-testing of Messages; Using the Media; Writeshops
- Policy Influence Tools: including 4X Policy Entrepreneurs; the Boston box; producing Policy Papers; Networking; the Lobbyist's Hierarchies of Need; Negotiating; Engaging Public Participation; Campaigning Alliances


This is the address for the SEED page (Small Enterprise Development) which contains information about assessing policy environments for small businesses. SEED activities include a database of small enterprise definitions, policies, laws and regulations and analysis of the differing mechanisms used within those instruments to create an enabling business environment for small enterprises. SEED develops new policy tools through its international research programme to compare employment performance in the small enterprise sector. Through action programmes at country and regional levels, SEED works with national stakeholders to assess the policy environment and to strengthen national and local capacities to design, implement and evaluate policy reform.

The ILO's In-focus training programme has a range of tools and training materials that include those used in impact assessment http://www.ilo.org/public/english/employment/skills/index.htm%20

5 Committee of Donor Agencies for Small Enterprise Development:
http://www.sedonors.org/

This has a number of useful documents on approaches to assessment of the enabling environment for SE Development, including:


Donor approaches to improving the business environment for small enterprises
This is the home page for the Institute for Development Policy and Management’s (IDPM) Impact Assessment Research Centre (IARC). The site has a series of Working Papers that discuss critical issues in strategic impact assessment methodology. These include:


This is the address for the OECD’s section on Regulatory Performance, and includes a useful report from the Working party on Regulatory Management and Reform entitled “Regulatory Performance: ex-post evaluation of regulatory tools and institutions” (Sept 2004)

This is the PSIA site which contains a wealth of material and tools on how to conduct PSIA strategic level impact assessments, as well as examples of PSIAs that have been carried out. Toolbox topics include:

**Stakeholder analysis**

**Institutional analysis**
- Public expenditure Tracking Survey (PETS)
- Quantitative Service Delivery Survey (QSDS)

**Impact Analysis: Social Tools**
- Social impact analysis
- Beneficiary assessment
- Participatory poverty assessment
- Social capital assessment tool (SOCAT)
- Demand analysis: Consumer assessment
- Participatory Public Expenditure Reviews (PPER)

**Direct Impact Analysis Tools:**
- Benefit incidence analysis (average and marginal)
- Tax incidence analysis
- Ex-post behavioural marginal incidence analysis of public spending and social programs
- Poverty mapping
- PETS
- QSDS

**Impact Analysis: Behavioural Models**
- Ex-post behavioural marginal incidence analysis of public spending and social programs
- Ex-ante behavioural marginal evaluation of policy reforms
- Ex-post impact evaluation methods for assigned programs
- Demand analysis: estimating demand functions
Assessing impact of enabling environment programmes, April 2005

- Supply analysis
- Household models

**Impact Analysis: Partial Equilibrium Models**
- Multi-market models
- Reduced-form estimation

**Impact Analysis: General Equilibrium Models**
- Social Accounting Matrices
- Computable General Equilibrium (CGE) models
- The 123PRSP model
- Augmented CGE model with representative household approach
- Integrated Macroeconomic Model for Poverty Analysis (IMMPA)

**Impact Analysis: Linking Microeconomic Distribution or Behavior to Macroeconomic Frameworks:**
- PovStat
- SimSip Poverty
- 123 PRSP
- Poverty Analysis Macroeconomic Simulators (PAMS)
- IMMPA
- Augmented CGE model with representative household approach

**Assessing risks**
- Scenario analysis

**Monitoring and Evaluation:**
- PETS
- QSDS
- Citizen Report Card
- Community Score Card
- PPER

Some of the economic tools used in PSIA have been prepared by the Research Department of the World Bank and are presented in the "Toolkit for Evaluating the Poverty and Distributional Impact of Economic Policies" which can be downloaded at:


In addition, the World Bank’s Operations Evaluation Dept has a wide range of studies of the impact of their country programmes, and papers on their evaluation methodologies at http://www.worldbank.org/oed/
APPENDIX C: PROPOSALS FOR PILOTING IIAA

Because little work has been done to date on assessing enabling environment programmes at outcome / purpose and impact / goal levels, it is recommended that the Integrated Impact Assessment Approach described in this Handbook should be tested in a variety of contexts, and subsequently refined as required. Selection of programmes for pilot assessment should cover the following variables:

Country-specific variations:

- Transition / developing economy
- Agriculture based / industrial based
- Donor co-ordination on enabling environment work is in place / not in place.
- General budget support is used on to a large degree / has not been used yet.
- Where a government M&E system is in place / is not in place, and where the DFID country office has in place / does not have in place an Annual Monitoring Plan within its Country Assistance Programme.

Programme Stage:

- At earliest possible stage of consideration (pre-appraisal) with a member of this Study Team participating in that appraisal using the IIAA methodology.
- Where an enabling environment reform programme has been running for at least three years, and which has a monitoring system in place (probably for PRSP) which can be drawn on for development of retrospective baseline scenarios; with a member of this Study Team participating in a mid-term or end-of-programme review, using the IIAA methodology.
- Can be linked into DFID’s current in-country evaluation work, so that disruption to normal monitoring systems is minimal, or it contributes to development of a monitoring system where there is not one already.

Country offices:

Final choice of the 2-4 countries where IIAA is tested should be made in conjunction with members of DFID’s ICEE team, the Evaluation Department and Heads of Country Offices. When pilot countries have been selected it will be necessary to conduct a brief inception review of each to introduce the concept of IIAA, assess local capacity for conducting it and carry out (or plan for) any training that may be required, together with development of country specific tools.
APPENDIX D: Terms of Reference

GUIDELINES FOR ASSESSING THE IMPACT OF DFID’S BUSINESS ENABLING ENVIRONMENT PROGRAMMES

Background

Assessing impact of enabling environment (EE) programmes is highly complex and multidimensional and as yet little work has been done on developing frameworks and tools appropriate to their evaluation and impact. A key recommendation of the Investment, Competition and Enabling Environment Team’s 2004 review of DFID activities in the enabling environment was that monitoring and impact assessment of enabling environment work should be strengthened, particularly at the country project level. This project is aimed at contributing better guidance to DFID advisers and their partners active in this field.

Objective

To develop practical guidelines and tools for assessing the impact of business enabling environment programmes.

Scope of the Project

The project will include the following aspects:

- Clarification of the key components constituting an EE programme, and the key actors and processes therein, and strategies for intervention for improving the EE
- Identification of economic, social and political contextual factors and issues determining or affecting the impact of EE programmes
- A methodology for assessing impacts of EE programmes at various levels and in a range of contexts, including consideration of how enabling environment reforms connect with poverty reduction and pro-poor growth
- Review of potential indicators of impact within that methodology, and discussion about their relevance and suitability for use at various levels and contexts
- Design of tools appropriate to measuring impact against the identified indicators, together with guidelines for their practical application

Deliverables

The object of this Study is to focus on developing guidelines and practical tools that will enable practitioners to apply comparative and comprehensive reference points for assessing the impact of EE programmes. The deliverables will include:

i) A brief literature search and synthesis of work that has been conducted or is currently in hand by other bilateral and multilateral agencies on developing methodologies and tools for reviewing impacts of EE programmes (this will be an Appendix to the report below at iii)

ii) Design of a methodology and tools, together with Guidelines (max 30 pages) for their application in assessing the impact of DFID’s EE programmes
iii) A separate short report (up to 20 pages, plus appendices) that will summarise methodological issues and make recommendations for design of a possible second phase to pilot the methodology, tools and guidelines with two or three DFID EE programmes

iv) Development of a special area on the EDIAIS website for disseminating and sharing knowledge and information related to assessing impacts of EE programmes

Inputs and Duration

The work is estimated to require 46 days consultancy input, primarily for desk research, and to be carried out January and February 2005, with completion by mid March 2005.
APPENDIX E: Tables showing areas of focus and types of intervention of DFID enabling environment work, extracted from ICEE Review, Dec 2004

Table B1: Areas of focus in DFID Enabling Environment work by frequency of funded activities/projects

<table>
<thead>
<tr>
<th>Areas of focus</th>
<th>Africa</th>
<th>Asia</th>
<th>Europe</th>
<th>Latin America</th>
<th>Central Office</th>
<th>Total</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Enabling Environment</td>
<td>10</td>
<td>10</td>
<td>6</td>
<td>3</td>
<td>21</td>
<td>50</td>
<td>19.2</td>
</tr>
<tr>
<td>Regulation</td>
<td>8</td>
<td>8</td>
<td>3</td>
<td>3</td>
<td>7</td>
<td>9</td>
<td>10.7</td>
</tr>
<tr>
<td>Private Sector Advocacy and Dialogue</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>14</td>
<td>5.4</td>
</tr>
<tr>
<td>Government Analysis &amp; Response</td>
<td>5</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>12</td>
<td>4.6</td>
</tr>
<tr>
<td>Commercial Justice</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td>PSD Policies and Strategies</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>23</td>
<td>8.8</td>
</tr>
<tr>
<td>Trade Facilitation</td>
<td>7</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>17</td>
<td>5.8</td>
</tr>
<tr>
<td>Investment Flows</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>11</td>
<td>4.2</td>
</tr>
<tr>
<td>Privatisation and Parastatal Reform</td>
<td>7</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>18</td>
<td>6.9</td>
</tr>
<tr>
<td>Financial Sector Reform</td>
<td>16</td>
<td>12</td>
<td>1</td>
<td>2</td>
<td>11</td>
<td>42</td>
<td>16.1</td>
</tr>
<tr>
<td>Labour Laws and Standards</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td>Tax Reform</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>7</td>
<td>2.7</td>
</tr>
<tr>
<td>Competition Policy</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>10</td>
<td>18</td>
<td>5.4</td>
</tr>
<tr>
<td>Infrastructure Conditions</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>7</td>
<td>2.7</td>
</tr>
<tr>
<td>SME Development</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td>Corporate Governance and Corporate Social Responsibility</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>8</td>
<td>3.1</td>
</tr>
</tbody>
</table>

LEGEND:
- **General Enabling Environment**: projects that support a broad review of the enabling environment and include investment climate assessments, the establishment of investment climate facilities, the informal economy, and enabling environment reforms related to specific sectors, such as agriculture and mineral extraction.
- **Regulation**: deregulation projects or interventions that endeavour to simplify business registration procedures.
- **Private Sector Advocacy and Dialogue**: projects that support private sector involvement in enabling environment reforms and the promotion of a better dialogue between the public and private sectors.
- **Government Analysis and Response**: projects that endeavour to help governments better understand the enabling environment and respond to the problems that have been identified. This includes governance projects that endeavour to improve governance of the enabling environment (i.e., public sector governance).
- **Commercial Justice**: projects that deal with commercial law and courts.
- **PSD Policies and Strategies**: projects that support the design and implementation of private sector development policies and strategies.
- **Trade Facilitation**: projects that improve the trade regime and the facilitation of trade opportunities.
- **Investment Flows**: projects that endeavour to create an environment that is conducive to increases in domestic and foreign private sector investment.
- **Privatisation and Parastatal Reform**: projects that support the privatisation of State-owned enterprises and the restructuring of State institutions, including projects dealing with the privatisation of utilities.
- **Financial Sector Reform**: projects that deal with informal and formal finance institutions, laws and regulations and improve the range of financial services (e.g., financial services for the poor).
Labour Laws and Standards: projects that deal with labour law and the promotion of labour standards.

Tax Reform: projects that improve the tax regime (e.g., policies, laws, regulations, and institutions).

Competition Policy: projects that support the establishment of competition policies and laws, as well as competition authorities.

Infrastructure Conditions: projects that promote and facilitate private sector support for the provision and maintenance of infrastructure.

SME Development: projects that focus on addressing the barriers to growth for small- and medium-sized enterprises.

Corporate Governance and Corporate Social Responsibility: governance within the private sector (i.e., of private firms), and includes issues such as social responsibility and business standards.

Table B2: Activities and instruments used in DFID’s enabling environment work by frequency of occurrence in funded projects


<table>
<thead>
<tr>
<th>Activities and instruments used</th>
<th>Africa</th>
<th>Asia</th>
<th>Europe</th>
<th>Latin America</th>
<th>Central Office</th>
<th>Totals</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity Building</td>
<td>24</td>
<td>25</td>
<td>9</td>
<td>8</td>
<td>7</td>
<td>73</td>
<td>29.3</td>
</tr>
<tr>
<td>Policy Development and Analysis</td>
<td>5</td>
<td>10</td>
<td>4</td>
<td>3</td>
<td>9</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Policy Research</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>31</td>
<td>37</td>
<td>14.9</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>11</td>
<td>12</td>
<td>4</td>
<td>0</td>
<td>10</td>
<td>37</td>
<td>14.9</td>
</tr>
<tr>
<td>Budget and Financial Support</td>
<td>5</td>
<td>6</td>
<td>0</td>
<td>3</td>
<td>5</td>
<td>19</td>
<td>7.6</td>
</tr>
<tr>
<td>Advocacy</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>1.6</td>
</tr>
<tr>
<td>Monitoring and Evaluation</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>10</td>
<td>4.0</td>
</tr>
<tr>
<td>Facilitating Dialogue</td>
<td>3</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td>8</td>
<td>19</td>
<td>6.8</td>
</tr>
<tr>
<td>Raising Awareness and Exchanging Information</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>22</td>
<td>22</td>
<td>8.8</td>
</tr>
</tbody>
</table>

LEGEND:

Capacity Building: activities that improve the ability of key organizations (e.g., government ministries, regulatory authorities) to carry out reforms or to manage the enabling environment more effectively. This includes training programmes and management development programmes.

Policy Development and Analysis: activities that lead to the design and analysis of new policies.

Policy Research: activities that focus on better understanding the problems or constraints of the enabling environment.

Technical Assistance: the provision of technical information and advice (e.g., drafting policies and laws, advising on strategies and implementation arrangements).

Budget and Financial Support: Budget Support refers to the provision of funds for countries that adopt a poverty reduction strategy that include enabling environment reforms, which are integrated into government budgetary processes, while Financial Support refers to funds provided to government for more specific programmes.

Facilitating dialogue: activities that bring the public and private sectors together, or assist in negotiations between national governments and international agencies.

Advocacy: activities that help certain actors (e.g., the private sector) create a demand for reform of the enabling environment.

Monitoring and Evaluation: activities that help reform partners monitor and evaluation the impact of their efforts on the enabling environment.

Raising Awareness and Exchanging Information: activities that make government, the private sector, and other stakeholders more aware of the importance of the enabling environment, as well as activities that facilitate the sharing of information on how to improve the enabling environment.
Appendix F: Note on policy domains most likely to influence small enterprises

1. Policy domains most likely to influence small enterprises include:

| Specific small enterprise policies: | the official government policies formulated to promote the development of small enterprises. |
| Business laws and regulations: | the laws and regulations governing business activities, including business registration and reporting requirements. |
| Taxation policies, laws and regulations: | includes different types of taxes, eg income taxes, profit taxes, value-added tax (VAT), goods and services tax (GST), capital taxes and tax incentive schemes |
| Labour policies, laws and regulations: | these deal specifically with the concerns of job quality, but include employment promotion policies as well as the governing policies, laws and regulations that govern small enterprise employment |
| Trade and export policies, laws and regulations: | quantitative (e.g import quota, import licenses) and non-quantitative (e.g. import tariffs) barriers to imports, as well as taxes on and incentives for exports. |
| Finance and credit policies, laws and regulations: | policy, legal and regulatory instruments that affect the access small enterprises have to capital, such as government incentives to finance providers to help them improve their coverage of small enterprises, depreciation facilities, and so on. |
| Education policies: | education policies can affect small enterprise operations and development in a number of direct and indirect ways |
| Enabling and innovation policies: | policies and incentive schemes that promote business-to-business trade and foster technological innovation. |
| Environmental policies, laws and regulations: | focuses mainly on the approval and reporting requirements of small enterprises |

Extract from: Assessing the influence of the business environment on small enterprise employment; An assessment guide (White, S, May 2004, ILO – SEED)

2. When reviewing policies and regulations in relation to the small business sector, it has been suggested particular attention should be given to the issues listed below:

| Clarity | Can small enterprise owners, managers and workers easily understand policies, laws and regulations? Or are they contradictory and complex? |
|         | Are there duplications between different regulations? |
|         | Do administrative procedures serve an identifiable purpose? |
|         | Do the policies, laws and regulations apply a consistent definition with regard to ‘micro’, ‘small’, ‘medium’ and ‘large’ enterprises? Or are there a multiplicity of definitions, resulting in confusion or fragmentation? |
| Understanding of small enterprise role and differential treatment by size class | Do policies, laws and regulations provide for a differential treatment of enterprises by size class? (This can for example be recognizing the specific needs of small enterprises, granting specific incentives or exemptions to small enterprises, or excluding small enterprises from certain benefits and incentives.) |
|         | Are small enterprise policies based on a clear understanding of the (current and potential) role of small enterprises in the economy? |
|         | Do current policies, laws and regulations appear to reflect current conditions? Or are they outdated remnants from the past? |
| Steps of compliance | What are the main steps and requirements that small enterprises have to follow, either to comply with the regulations or to obtain access to certain resources or benefits? |
| Gender dimensions | Are there any signs that policies, laws and regulations address men and women differently? |
|         | Is there any difference in the way female-owned enterprises and male-owned enterprises are treated? |
|         | Are there any special policies that support the development of female-owned enterprises? |

Extract from: Assessing the influence of the business environment on small enterprise employment; An assessment guide (White, S, May 2004, ILO – SEED)
APPENDIX G: Note on IIAA in the context of SWAPS, General Budget Support (GBS) Macro-Agreements, and Country Assistance Plans (CAPs)

The change in aid modalities towards increasing use of sectoral wide programmes and direct budgetary support to governments, within which enabling environment programmes are often only one component, makes it all the more important to locate an integrated approach to impact assessment in the programme from the start, so that changes in the enabling environment and their impact on sustainable development can be tracked to inform future decision-making in related programmes. This note brings together a few thoughts on how IIAA can be integrated into SWAPs, General Budget Support (GBS) Conditions and Country Assistance Plans (CAPs).

1 SWAPs:

Although reform of the legal, policy and regulatory environment for business is likely to be just one component of a SWAP, IIAA can be used at both programme and specific policy component levels. The component policy reform can be assessed in relation to the contribution it makes to the programme, which in turn can then be assessed for the contribution it makes to sustainable development, focusing on whichever of the four pillars is most appropriate. For example, a programme with the main objective of improving health services may entail a reform of the regulations for private sector involvement in delivery of public health care. The main pillar of reform in this case is likely to be social development (eg against an indicator for “increased access to high standards of health care”), but it will also be necessary to look at how the various components contribute to the other pillars, for example how it will contribute to a healthier working population and, in turn, to increased productivity and increased economic growth. This will involve mapping a network of the reforms, developing a number of causal or impact chains and conducting stakeholder and risk analyses against each of these.

2 General Budget Support (GBS):

There is a reluctance to place too many conditions on General Budget Support, its basic condition of use often being that the government has been assessed by the multi-laterals as sufficiently stable, democratically accountable and transparent, and committed to achievement of poverty reduction (eg through implementation of its PRSP). DFID’s view, however, is that “Donor’s decisions on providing aid to low income countries should be driven more by the countries’ needs and circumstances rather than by a determination by the IMF of whether the country’s economy is on-track.” Since much of DFID’s GBS is allocated to supporting governments’ Poverty Reduction and Growth Facilities, conditions for use of that funding are implicit, and usually entail extensive policy reform for which IIAA is well suited to track change. Rather than imposing further specific conditions, it would be more appropriate to simply require an IIAA system to be put in place as an integral part of the country’s existing M&E system, and then all policy reforms would automatically be assessed in the context of the contribution they make to the four pillars of sustainable development.

---

14 GBS involves channelling funds directly to the government’s budget, using the government’s own allocation and planning systems, with any conditionality focused on policy measures related to general budget priorities.

15 For discussion on DFID’s view of conditionality read “Macroeconomic Issues Underlying Budget Support and the Signalling Role of the IMF – UK Submission to the IMF” (Jan 2005) and “Partnerships for poverty reduction: changing aid ‘conditionality’ – draft policy paper for comment”, Sept 2004
An Evaluation Framework of GBS has recently been developed by ODI on behalf of an international steering group of which DFID is an active and leading member. This is intended to guide the conduct of joint evaluation work on General Budget Support (GBS) at the country level.

### Evaluation Framework for General Budget Support

The goal of the Framework is stated as “to assess whether GBS is a relevant, efficient, effective and sustainable mechanism for poverty reduction.” It identifies five levels of assessment that parallel the logframe – inputs, immediate effects, outputs, outcomes and impact. Desired impacts at each level are identified, with poverty reduction as the final impact (Level 5). Impact indicators at Level 4 (outcomes) include government capacity to create an enabling environment for private investment and pro-poor growth.

At each level questions and sometimes indicators are proposed. However at level 5 changes in poverty and social exclusion will be tracked by the country’s own PRSP monitoring arrangements. Evaluators are required to take note of these results and ‘to make reference to the stock of knowledge that justifies attribution of the changes to the factors identified at level 4’ (i.e. programme outcomes). In other words the link to the final impact of poverty reduction is to be justified in general terms and arguments. This assumption is followed through in the assessment of three countries that was conducted using the Framework:

“\textit{The assumption is that much is known, on research-based theoretical grounds, about the causal linkages between Levels 3, 4 and 5. Therefore, it may be assumed that if significant positive changes occur at Level 3 (transformative effects on governance), it is highly likely there will be improvements at Level 4 (government capacity to reduce poverty), and that the Level 5 goal will be likely to be achieved – that is, poverty will be reduced.}”


### 3 DFID’s Country Assistance Plans:

The GBS Framework aims to track changes in institutional capacity and the flow of GBS funds. It is useful in overcoming some of the challenges of assessing use of GBS funds and the impact of donors’ contributions to capacity building and technical assistance. However, it does not track policy impacts, and therefore the Framework’s applicability for assessing impact of policies and regulations on the business enabling environment (or policy reform in any other context) is limited.

The GBS Evaluation Framework and IIAA are therefore complementary and both should be an integral part of DFID’s Country Offices’ M&E system which in turn should be closely linked to, and draw on the PRSP M&E system of the recipient government. CAPs contain an Annual Plan for monitoring the impact of the Country Office’s activities. Depending on country context, these usually contain milestones linked to achievement of the MDGs. They will usually also include an analysis of risk and a table of indicators, both of which will be useful to conducting IIAA. In turn, a well managed IIAA will inform the Country office’s M&E system and Annual Monitoring Plan.

---

APPENDIX H: ADDITIONAL NOTES ON CAUSAL CHAIN ANALYSIS (CCA)

The Handbook gave a summary of basic CCA and how it is applied. This Note reviews the range of more specialised assessment tools that can be used in applying the basic causal chain analysis. These include:

- analytic methods
- modelling methods
- data-based (statistical estimation) methods
- descriptive (case study) methods
- expert opinions and stakeholder analysis

A package of methods is most likely to be required, where each package varies to some degree, according to the characteristics of the measure(s) being assessed and the context in which the assessment is being carried out. This section briefly reviews the strengths, limitations and possible applications of the main types of CCA which might be included in an IIAA methods package, additional to causal chain analysis.

Analytic methods

These are usually more theoretically-based, than empirically-based, tools of analysis. Typically, they are founded on broadly-defined behavioural and other assumptions, and derive findings by relying mainly on deductive logic. They are helpful in constructing successive links in causal chains and in inferring directions of change in intermediate effects along these chains. Usually, the methods used are transparent in the sense that the process by which the findings have been reached is explicit. The limitations are that, in the absence of sufficient empirical reference points, the underlying assumptions of the analysis may be too general and unrealistic, some of the projected impacts may be incorrectly identified and the likely size and significance of impacts usually cannot be established. However, if supported by appropriate forms of good quality empirical analysis (see below), a number of their deficiencies may be considerably reduced, if not overcome.

Modelling methods

Models are simplified, structured representations of systems. Each has its own analytic structure and to this extent it shares the same strengths and weaknesses as the analytic methods described above. Some models are essentially theoretical. However, most of the models are empirical in the sense that they use data (mainly in a quantitative form) and predict likely future impact outcomes, or explain previously observed impact outcomes, based on these. Whilst this might suggest that models are superior to analytic methods, this depends on the relevance and quality of both the modelling and the data which are used.

Data based (statistical estimation) methods

These use time series and/or cross-sectional data to test for possible causal links. In particular, they test for a statistically significant relationship between specified parameters of a proposed policy measure and changes in the values of one or more of
the selected SD indicators and/or (at a more detailed level) between cause and effect variables on particular sections of the causal chain.

A potential advantage of these types of methods is that they provide opportunities to test, empirically, specific hypotheses (preferably, which have sound theoretical formulations) about the nature of cause-effect links and to establish their statistical significance. Further, if the data used have been carefully collected from a sufficiently large and representative sample (e.g. from individuals, households etc.), the results may be generalised to different geographic and socio-economic aggregates (village, region, country, women, minority groups etc). The findings may then be valuable in their own right within IIAA studies, or may be used in conjunction with other assessment methods – for example, in specifying functional coefficients, in enriching descriptive case studies and / or in helping to make expert judgements.

Like all other assessment methods, they also have their drawbacks and limitations. They generally have a more limited role to play in assessing cause-effect changes where these are of a more qualitative nature. This is part of a more general problem that qualitative changes within the IIAA framework tend to get neglected or be treated inadequately (as is also the case in a number of modelling studies). Many statistical estimation studies use time series data which produce estimates of coefficients etc. which may be historically correct but not necessarily appropriate to future conditions. Because of practical difficulties (lack of certain types of data etc.) the hypotheses which are tested may implicitly over-simplify the causal chain (e.g. by excluding some of its intermediate cause-effect links) leading, over time, to incomplete explanations of change and increasingly inaccurate assessments due to the growing influence of excluded variables.

Further, as in all empirical studies, much depends upon the quality of the data which are collected and used. As in the case of modelling studies, there is always some risk that greater attention will be given to the appropriate application of the statistical technique than the appropriateness and quality of the information which it assembles and processes. However, it must also be recognised that gathering new data, of the types and quality required for IIAA studies, is likely to be an expensive and time consuming exercise.

As with modelling studies, it is important that, in each case where these methods are used, the statistical estimates themselves and the quality of data employed are evaluated. It is assumed that most use will be made of existing statistical estimation studies. Some selective new applications of existing statistical estimation methods, which use existing, readily accessible data, may be undertaken. New data gathering for use with these methods is unlikely to be feasible, given time and other constraints.

**Descriptive (case study) methods**

This group of methods is less well-defined than the other types of methods reviewed in this section and is probably the most heterogeneous. In most cases, these methods are mainly empirical in nature and make use of both quantitative and qualitative data. They tend to focus upon a particular sector; a national, regional or local community; and/or a particular socio-economic group (especially disadvantaged groups). In most cases they contain *ex post* assessments.
These types of studies are potentially useful in a number of ways. They often consider different types of questions, at less aggregated levels of assessment, using different methods of investigation to those mainly used in modelling and statistical estimation. At their best, they can show a deeper understanding of the ways in which policy measures may have greatly varying sustainability impacts.

A potential difficulty with descriptive studies is that their methodology is insufficiently developed or explained. They may make relatively simple ‘before-and-after’ impact comparisons, failing to sufficiently examine the causal chains which link the policy measure to its eventual economic, environmental, social and governance outcomes. Also, they often ignore the counter-factual question and fail to take account of the additional impacts that would have occurred even if the new measure had not been introduced. Additionally, there are sometimes uncertainties (as in other studies) over precisely what data have been used, their levels of reliability and how they have been analysed and interpreted in reaching conclusions.

**Expert opinion (contributes to stakeholder analysis)**

Expert opinion can play a significant role in the development of the ‘case specific’ methodology, through the consultation and stakeholder process. Where expert opinions are used, it is important that the evidence and analysis upon which they are based are made explicit. In other words, they should be substantiated and justified.

Different types of experts can provide evidence for use in the assessment:

- Core team experts should possess sufficient skills and knowledge relating to the main methods to be used
- Sector experts should possess skills and knowledge appropriate to the particular sectoral assessments
- Region / country experts possess assessment skills and knowledge appropriate to the regional or country context in which the IIAA is to be conducted.

Other consultees (e.g. stakeholder organisations, NGOs) who may be asked for their opinions on matters contained in screening and scoping updates and later full assessments or may be asked for opinions and advice on specific issues arising during the assessment process. Mention was made earlier of the importance of triangulating data by using both qualitative and quantitative methods for collecting information. Data collection for stakeholder analysis is necessarily almost all qualitative, assuming it is the outcome of participatory consultation processes such as semi-structured interviews, focus groups, radio phone-ins, observation, and case studies. However, it is possible for some of this information to be turned into quantifiable data, which enables cross-sectoral and other forms of analysis.

---

APPENDIX J: MODEL TERMS OF REFERENCE FOR COMMISSIONING ASSESSMENT OF AN EE PROGRAMME

The model terms of reference given below have been adapted from guidelines used by EDIAIS, ILO and the EU. They are reproduced from the ILO’s training module on Creating an Enabling Environment for Small Business Development.

1. Project Title: Brief Description

2. Background
This should provide general background and context for the proposed consultancy:
- Reasons for the consultancy (including details of problems/constraints faced by the recipient)
- The level of local resources/capacity available to support the consultancy
- The proposed role of the consultants
- Arrangements for working with local staff (including role of counterparts and/or local task forces) and some idea of the existing management information systems and what data/information is already available

3. Overall Objectives
Clearly state the objectives and intended users of the evaluation/impact assessment. Ideally the objectives should include both justifying policy/programme/project investments (proving) and improving future policies/programmes/projects.

4. Scope and Methods of the Work
This section should list in detail all of the tasks and activities to be carried out by the consultant in the sequence that they are expected to be undertaken.
- State the key research questions. These should be guided by the intended use of the information that is to be gathered, and limited to those which it is most important to address
- Identify the key partners in the evaluation/IA process and the stakeholders to be included in the sample – this will affect methodology.
- Determine the method or mix of methods envisaged for the IA. The choice of methods should be based on the objectives of the evaluation impact assessment, the key research questions, the availability of resources (time, money and people) and the degree of generalisation and precision required. Involving project staff in the design process is very important for improving the credibility and ultimate usefulness of an IA. Their knowledge of the programme and the context can be invaluable in informing many aspects of the research design.

5. Expected Outcome and Deliverables
- The general outcome should be described. Against each of the tasks and activities set out under the scope of work there should be a corresponding output.
- It is important that consultation of a draft evaluation report with stakeholders is included, to develop ownership of the findings
- Not all stakeholders will necessarily agree with the findings; this should be reflected in the report.
- Dissemination of the report should also be included as a key outcome.

There will be occasions when those being assessed will feel that the outcome of the evaluation/impact assessment is not a fair reflection of their achievements or did not take into account some special circumstances. This can be a source of tension, or even conflict. This is most likely to happen when the project staff and management feel their views were not taken into account in determining indicators and criteria for assessment. This confirms the need to engage them in design of the IA strategy from the start

6. Competency and Expertise Requirements
Minimum requirements and preferences should be stated, and CVs should be requested for those consultants who are to carry out substantial parts of the work.

You can expect them to state their:
- Professional expertise relating to the issue being evaluated
- Knowledge of the country/region
- General development expertise and experience
- Cross-disciplinary skills (social, economic and institutional)
- Awareness of gender and cultural issues
- Evaluation/impact assessment experience, and of what methodologies
- Any special language skills
7. Conduct of the Work
This should set out any useful information about the way the consultancy should be organised and implemented. In particular it should state:
- The role of the consultant /consultancy team leader (and if appropriate the role of team members and the organization of the team)
- The design and implementation of work programmes
- Target dates for completion of work programmes
- The role of counterpart staff - from the commissioning organization and organization to be assessed in the conduct of the work

8. Reporting Requirements
Reporting requirements cover both routine reporting on the progress of the assignment and on the final outcome/ conclusions of the work carried out. Particular attention should be paid to:
- The scope and timing of progress reports and to whom
- The need for presentations/workshops to discuss progress and conclusions with project staff and management
- The coverage and timing of reports setting out the results of the consultancy

Impact assessment reports need to be short, clear, and easy to read if they are to be accessible and effective. Authors should write for a general audience, and should bear in mind that English may not be the first language of many readers. Technical and academic jargon should be avoided. Long reports will not be read, and are expensive to translate.

At a minimum the report should include:
- A clear statement of the objective of the impact assessment
- A description of the programme, including its objectives
- A description of the methodology used for qualitative and quantitative components, especially criteria and process for selecting participants

Findings, interpretation of results, conclusions and when appropriate, recommendations for programme improvement

9. Dissemination of Findings
Impact assessment findings need to be effectively disseminated within the commissioning organization and their partners if the aim is policy/ programme /project lesson learning. Accountability may require that the impact assessment findings are made accessible to a wider audience such as the public – or in this case small enterprises.

For this to be the case:
- Dissemination needs to be planned from the beginning and included in the terms of reference.
- Dissemination needs to be directed at, and tailored for, specific groups. Dissemination should be project / audience-led, not consultant- or product-led.
- Reports (or at least summaries) should be translated into local languages where necessary (and the costs of this included in the project budget).
- Findings need to be openly and widely disseminated throughout the process, not just at the end.
- Any budget needs to contain sufficient resources for effective dissemination.

Dissemination methods need to be designed and implemented on a case-by-case basis. Four primary methods of dissemination can be used:
- Presentations, workshops and seminars
- Impact assessment reports and summaries – paper and electronic
- Media reports – newspapers, radio TV, websites
- Articles in general and academic publications