



Thematic and Technical Resources

## Impact Assessment + Performance Measurement in Small Enterprise Development (SED)

### News Flash 3 - November 2005

#### EDITORIAL

Dear colleagues,

The issue of Enabling Environment (EE), in which small enterprises operate, appeared only recently on the agenda of the international donor community. This issues will be addressed at the forthcoming conference of Donor Agencies for Small Enterprise Development's conference on "**Re-forming the business environment – from assessing problems to measuring results**" in Cairo, Egypt from 29, November through 1 December, 2005.

[learning.itcilo.org/entdev/cairo/info/conf\\_back.htm](http://learning.itcilo.org/entdev/cairo/info/conf_back.htm)

Donors and executing agencies alike are facing a double challenge. First, supporting the reform of the legal, regulatory, policy, organisational and institutional framework is a relatively new task in SED. Instruments and tools are currently being developed and tested. Second, there is an ever increasing demand for impact monitoring, and consequently, a need for appropriate monitoring instruments and systems. The main issue of this News Flash is impact monitoring and assessment of enabling business environment activities in SED.

An initial screening, an ex-ante appraisal or baseline survey / study for identifying the constraints of the business environment stands usually at the beginning of EE-intervention. This does not only provide important information for designing the interventions but serves also as a base for observing in the process of changes in the business behaviour and environment. In this respects, most of the assessment tools mentioned below, serve a double purpose: diagnosis and observation of how the prescribed cure works.

Please do not hesitate to comment!

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#### GUIDELINES

In view of the conference, DFID commissioned the development of guidelines for assessing the impact of enabling environment programmes. This resulted in the **Guidelines for Assessing Impact for Enabling Environment Programmes: An Integrated Impact Assessment Approach (IIAA)** prepared by Caroline Pinder et al., April 2005 ([www.enterprise-impact.org.uk/pdf/BEE-IAguidelines.pdg](http://www.enterprise-impact.org.uk/pdf/BEE-IAguidelines.pdg)). It is accompanied by a handbook ([www.enterprise-impact.org.uk/pdf/BEE-IA-Handbook.pdf](http://www.enterprise-impact.org.uk/pdf/BEE-IA-Handbook.pdf)). The guideline is a work in progress which will be presented at the afore mentioned Conference in Cairo.

#### Sustainable Development Core Impact Indicators for Enabling Environment Programmes

<b>Economic</b> Macro economic performance Employment	<ul style="list-style-type: none"> <li>- Private sector output</li> <li>- Private investment</li> <li>- Total private sector employment</li> <li>- SME employment</li> </ul>
<b>Social</b> Poverty Reduction Social equality	<ul style="list-style-type: none"> <li>- Absolute number of households below the poverty line</li> <li>- Access of poor to basic services</li> <li>- Gender equality</li> <li>- Social exclusion</li> </ul>
<b>Environmental</b> Resource Stocks Environmental quality	<ul style="list-style-type: none"> <li>- Use of natural resources</li> <li>- Waste</li> <li>- Air, water, land pollution</li> <li>- Biodiversity</li> </ul>
<b>Governance</b> Better governance Institutional capacity	<ul style="list-style-type: none"> <li>- Transparency and accountability in government decision making</li> <li>- Transparency and accountability in corporate governance</li> <li>- Capacity for ensuring regulation compliance</li> <li>- Capacity for stakeholder consultation and participation</li> </ul>

Source: Pinder et al. April 2005, p16



The methodology of this guidelines is based on the Integrated Impact Assessment Approach (IIAA). This approach, developed earlier, aims at giving balanced consideration to the multidimensional nature of sustainable development targets.<sup>1</sup> Sustainable development usually encompasses economic, social, environmental aspects of the development process. In the case of EE the issue of governance is of equal relevance and therefore added. All these dimensions constitute at least overarching policy goals in EE programmes. Therefore, the guidelines suggest a number of indicators that might be used for assessing impact (cf. table above).

### APPROACHES INSTRUMENTS / TOOLS

**An innovative set of instruments and tools for result based monitoring** was developed and is currently tested in the Philippines by the German-Philippine Private Sector Development Programme (SMEDSEP). Out of the 12 main service packages offered by SMEDSEP for different clients / target groups, at least 5 packages are geared to improve the business and investment climate for SMEs. The **SMEDSEP Monitoring Manual** was designed on behalf of GTZ.

[www2.gtz.de/wbf/doc/Monitoring\\_Manual\\_SMEDSEP.zip](http://www2.gtz.de/wbf/doc/Monitoring_Manual_SMEDSEP.zip)

The manual itself is organised as a toolbox. In the main part, the different elements and steps of the SMEDSEP monitoring system are outlined:

- Section 1 provides both a conceptual and practical overview of the SMEDSEP monitoring system as a whole.
- Section 2 contains a detailed presentation of the elements and steps for both the programme management and for each of the components.
- In the appendix further resources and reference materials on monitoring is compiled.

Within the framework of GTZ's "managing for development results", impact chains constitute a key concept. The different elements of the impact chain represent different starting points or levels of monitoring.

#### Overview of the Monitoring Levels According to the Impact Chain

Monitoring Level	Planning base
1. <b>Input and cost monitoring</b>	• Budget assignments

<sup>1</sup> Bond, R.; J. Curran, C. Kirkpatrick, N. Lee and P. Francis: Integrated Impact Assessment for Sustainable Development: A case study approach, in: World Development, Vol. 29, 2001, No. 6, pp. 1011-1024.

2. <b>Activity monitoring</b>	• Yearly plans of operation of the program components
3. <b>Output monitoring</b>	• Milestones
4. <b>Impact Monitoring</b>	
- <b>Use of Service</b>	• Impact chains
- <b>Direct Benefit</b>	• Impact chains and overall objective indicators
<b>Indirect Impacts</b>	• Impact chains, especially the indicators "new job creation" and "increased competitiveness of MSME"
- <b>Cross cutting issues</b>	• Definition of indicators for transparency, participation, accountability and reliable service delivery

Source: SMEDSEP Monitoring Manual, February 2005, p 13

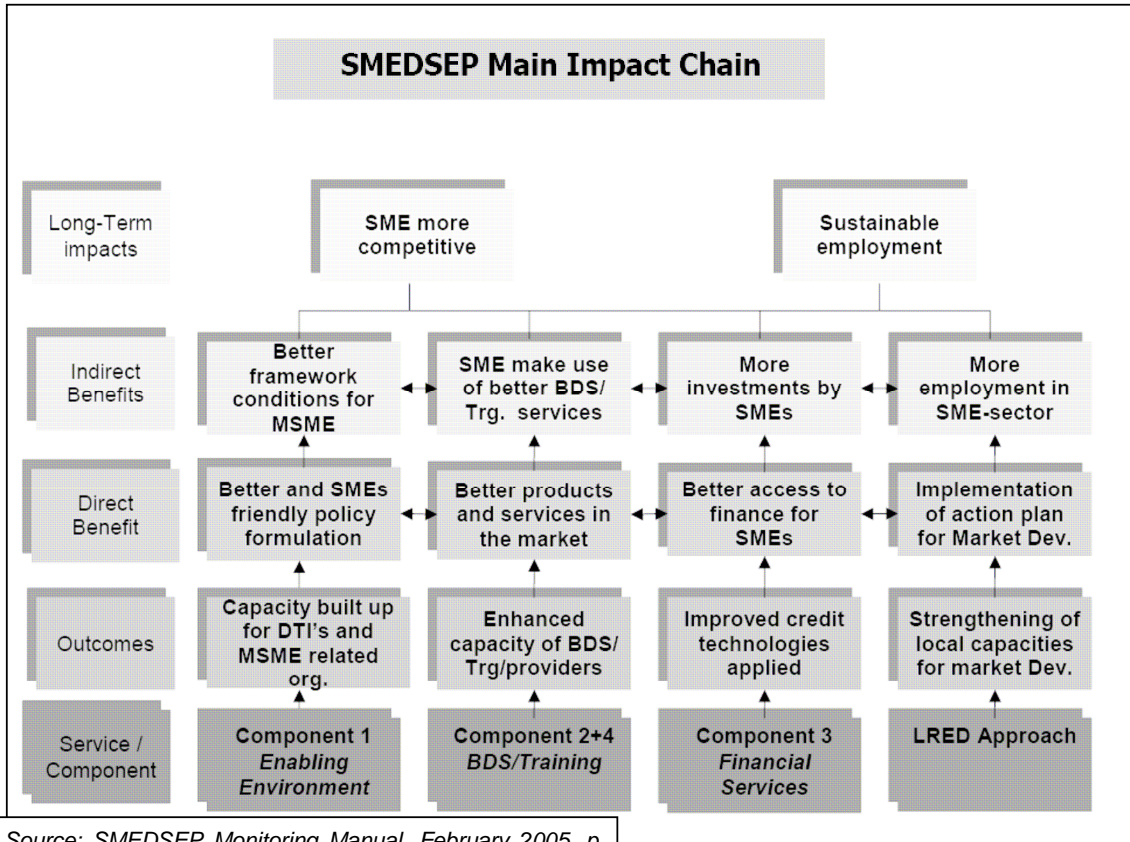
In the course of the design of the programme as well as of the monitoring system elaborate chains of impact were developed (cf. chart of main impact chain below). Also indicators were defined.

This manual is a hands-on example on how the development of new thematic instruments can be combined with the challenges of impact monitoring for SED programmes as such, and EE components in particular.

SMEDSEP collaborates with the **Asian Institute of Management (AIM)** policy centre for monitoring and assessing impact. A major source of information are the results of the regular **CITY COMPETITIVENESS SURVEYS**. With the progress towards political decentralization and the growing significance of local entrepreneurs as prime movers in local development, the City Competitiveness Surveys look beyond national competitiveness and focus on the role of cities in furthering development. Factors are studied that influence the competitive potential of 'secondary' urban centres, such as comparative advantages, infrastructure gaps, and local government dynamism, and puts forward recommendations to enhance their competitiveness. This programme also encourages government – business collaboration for the formulation of individual cities' strategies directions.

[www.policy.aim.edu.ph/Programs.htm](http://www.policy.aim.edu.ph/Programs.htm)

The **enterprise promotion (FOMEM) programme in Bolivia**, financed by SDC and executed by Swisscontact, has four distinct lines of action (i) value chain, (ii) BDS, (iii) LED and (iv) macro policy. The interventions' emphasis is on market mechanisms based on demand. Against this background, the creation of a favourable business environment for MSMED is considered not only as a subject of the macro policy component,

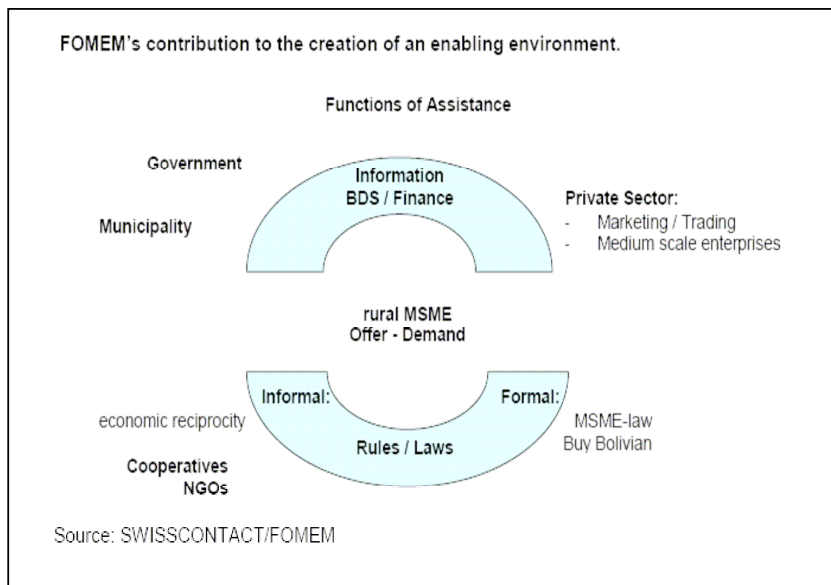


but also an underlying task of the other action lines.

FOMEM has established a **system for impact measurement (SMI)**. The SMI aims at determining the overall effects, direct or indirect changes, expected or unexpected, positive or negative results induced by the project. It is a participatory monitoring system. SMI covers all intervention functions during the programme cycle. It is considered to be flexible and applicable by all staff members. Its implications are systematically used in managing the programme. (For more informa-

tion contact: Marianne Sulzer, Knowledge and Content Management, ms@swisscontact.ch).

In 1999, Swisscontact - together with the Asia Foundation - has already designed an **SME Environment Rating System** as an instrument for strengthening SME's advocacy role and facilitating the policy dialogue in the **Small and Medium Enterprise Promotion Programme in Indonesia**. With the help of this instrument group of entrepreneurs assess 5 different aspects affecting their business environment: (i) bureaucracy, (ii) access to credit, (iii) access to input and output markets, (iv) infrastructure and (v) SME specific BDS. Indicators for assessing these aspects are defined so that comparison of responses from the groups (25 to 30 entrepreneurs) from each of the locations is possible. The results are analysed and discussed from a variety of angles, such as "relative perception of the importance of the 5 factors affecting the business environment in each location compared to the average of all locations", "assessment of the business environment by market orientation", or depending





on the “gender of the entrepreneur”, etc. Based on the results of these discussions, priorities are defined for further following up in a policy dialogue.

This SME Environment Rating Instrument is nowadays widely accepted in Indonesia by Business Membership Organisations, donors and government institutions alike. It is applied as a basic instrument for developing the policy dialogue agenda for an EE. In addition, the Regulatory Impact Assessment (RIA cf. below) is applied by the programme since recently (for more information cf. [www.swisscontact.or.id/](http://www.swisscontact.or.id/)).

**Regulatory Impact Analysis** (RIA) is a tool widely used in developed countries to improve understanding of the impacts of a law and other forms of regulation on business costs and opportunities. It is increasingly – often with the assistance of donors - applied in developing countries and countries in transition such as Vietnam, Serbia, Bangladesh. However, implementation of regulatory impact analysis is not only a technical issue of the right methodologies. Design of an appropriate RIA process that integrates regulatory and sustainable impact analyses also requires broad knowledge of government procedures and values, of policy priorities, of transparency tools, and of the consequences of regulatory choices in dynamic and global economies. Moreover, adaptation of impact analysis to the unique institutions in any country and the formidable challenges faced by domestic regulators requires familiarity with the richness of practices in various institutional settings. RIA contributes to improving the transparency of decisions, and enhances consultation and participation of affected groups.

([www.regulatoryreform.com/Publications-Reports.htm](http://www.regulatoryreform.com/Publications-Reports.htm) or [www.competition-regulation.org.uk/publications/policy\\_briefs/pbd/issue%2003.pdf](http://www.competition-regulation.org.uk/publications/policy_briefs/pbd/issue%2003.pdf))

### A NEW WEBSITE

from **GTZ-Community on Results-Based Monitoring and Evaluation** was recently launched ([www.gtz.de/monitoring](http://www.gtz.de/monitoring)). The site is open to all practitioners, counterparts, research institutions and interested consultants worldwide. It provides recent news and best practices from GTZ as well as from other development agencies and research institutions. Its core is a comprehensive database with more than 200 online documents covering various aspects like

- Concepts, Key Terms, Approaches
- Tools & Methods
- (Results-Based) Monitoring by Technical Field

- Selected GTZ-Experiences

It has also a distinct section on economic development and employment, covering also private sector development, small enterprise development, vocational training etc.

### LINKS

Below is a selection of links to reports, databases and rankings on the **overall business and investment climate**:

The World Bank's **Doing Business** database ([www.doingbusiness.org/](http://www.doingbusiness.org/)) provides measures of business regulations and their enforcement. The Doing Business indicators are comparable across 155 economies, indicating the regulatory costs of business.

The **World Business Environment Survey (WBES)** Interactive Dataset is a survey of over 10,000 firms in 80 countries that examines a wide range of interactions between firms and the state. The WBES generated measurements in such areas as corruption, judiciary, lobbying, investment climate and the quality of the business environment.

[info.worldbank.org/governance/wbes/index2.html](http://info.worldbank.org/governance/wbes/index2.html)

**Investment Climate Surveys (ICS)** provide both quantitative and qualitative information on a wide range of investment climate conditions and links them to their impact on firm productivity, investment and employment. The ICS - including the Business Environment and Enterprise Performance Surveys (BEEPS) - report results from surveys of over 30,000 entrepreneurs in over 50 countries.

[iresearch.worldbank.org/ics/jsp/index.jsp](http://iresearch.worldbank.org/ics/jsp/index.jsp)

The **Business Environment and Enterprise Performance Survey (BEEPS)**, developed jointly by the World Bank and the European Bank for Reconstruction and Development, is a survey of over 4000 firms in 22 transition countries conducted in 1999-2000 that examines a wide range of interactions between firms and the state. BEEPS is designed to generate comparative measurements in such areas as corruption, state capture, lobbying, and the quality of the business environment, which can then be related to specific firm characteristics and firm performance.

[info.worldbank.org/governance/bpees/front.htm](http://info.worldbank.org/governance/bpees/front.htm).

Transparency International's **Corruption Perceptions Index (CPI)** ranks a record 146 countries [www.transparency.org/cpi/2004/cpi2004.en.html#cpi2004](http://www.transparency.org/cpi/2004/cpi2004.en.html#cpi2004)