DEVELOPMENT POLICY AND PROGRAMME ANALYSIS: AN INTEGRATED IMPACT ASSESSMENT APPROACH (IIAA)*

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***This paper draws on *Guidelines for Assessing the Impact of Enabling Environment Programmes:An Integrated Impact Assessment Approach (IIAA)*, a study prepared for DFID by WISE Development Ltd, April 2005 (available at www.enterprise-impact.org.uk)**

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*"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. INTRODUCTION

There is growing support for the use of impact assessment methods in evaluating the potential or actual effects of policy changes. In the European Community, impact assessment is now applied to all major policy proposals, which are assessed in terms of their likely impact on sustainable development (EC, 2004). In the area of development assistance, donors have given increasing attention to the effects and effectiveness of policy reform programmes. DFID, in particular, has undertaken several significant recent initiatives in this area, including a review of DFID activities in the enabling environment (White and Fortune, 2004), the establishment of a web based information and resources centre on impact assessment methods and case studies (www.enterprise-impact.org.uk), the commissioning of a source book for poverty and social impact assessment (Tools for Institutional, Political and Social Analysis, TIPS), and the commissioning of a Handbook and Guidelines for assessing the impact of business enabling environment programmes (the Handbook and Guidelines can be accessed at www.enterprise-impact.org.uk).

However, despite this growing interest, delivering good quality strategic level Impact Assessments is proving to be challenging. This paper focuses mainly on one area of concern, namely, the differences research and other technical contributions intended to strengthen assessment methodologies and the types of assessment methods needed and considered useable by practitioners. To address this concern, the development of a common assessment framework is proposed, which is based on a shared practitioner-researcher-stakeholder understanding of what constitutes a satisfactory impact assessment approach to development policy reforms. The paper outlines a possible framework for this 'fit- for-purpose' approach, which contains three interrelated elements – the context in which the assessment is to 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. The paper concludes with suggested 'next steps' by which the proposed Integrated Impact Assessment Approach (IIAA) might be tested and improved, and its subsequent use supported.[1]

2. POLICY REFORM, ENABLING ENVIRONMENT PROGRAMMES AND SUSTAINABLE DEVELOPMENT

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 Goals (MDG) by 2015. The policies needed to achieve the MDGs 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 supported 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

Consequently, if growth is to contribute to the ultimate goal of sustainable development, the results of policymakers' interventions needs to be assessed not only in economic impacts, but also in terms of the social, environmental and institutional impacts that affect (positively and negatively) the process of sustainable development.

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 market-led pro-poor growth. The move 'from projects to policies' acknowledges that the policy environment plays a fundamental role

[1] Here we follow Lee (2004) who advocates a similar approach to impact assessment of programmes, plans and policies in the developed country context. The IIAA framework builds on the sustainability impact assessment (SIA) approach that has been used to assess the impact of trade policy reform on sustainable development (George and Kirkpatrick (2004). Further details of the SIA methodology and SIA case studies are available at www.sia-trade.org

in determining the way in which markets work and contribute to economic growth and development. The term "enabling environment" is commonly used to describe all the factors external to the enterprise, that 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. Governments have two critical roles to play in creating an enabling environment. 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 and environmental consequences of markets, particularly in terms of their distributional effects. Strengthening the 'enabling environment' is therefore a core component of improving the quality of policymaking for sustainable development.

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. 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.

3. THE CHALLENGES OF ASSESSING IMPACT OF EE PROGRAMMES:

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 impacts of EE programmes present can be grouped into four interrelated categories:

- Going beyond performance measurement to assessment of outcomes and impacts
- Data availability and quality
- Demonstrating causality
- Institutional issues

Table 1 suggests ways of addressing some of these challenges.

Table 1: Addressing the Challenges of Assessing Impact of EE Programmes:

Going beyond performance measurement to assessment of outcomes and impacts:

- ***Timescale of assessment***: Assessing outcomes entails looking at changes in business behaviour; assessing impacts entails looking at how those changes in business behaviour have affected the wider socio-economic goal 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 goal level 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 as a result of the reformed enabling environment. (For a full discussion of indicators, see section 5.2 of the Handbook)

- ***Scale of the assessment***: Because most enabling environment programmes deal with a web of linked policies and regulations, it is 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, e.g. registration procedures; inspection procedures; revenue collection procedures. Each should then be treated as a boundaried subject, 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.

Data availability and quality:

- **Absence of a baseline** is a common problem in assessment of development programmes, and emphasises the importance of conducting a 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.

- ***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 to getting a full picture as to what is happening, and why.

Demonstrating causality:

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 in business behaviour (outcome) or a change 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 purpose and goal levels?

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 the Handbook:

- ***Causal chain analysis*** *(CCA)* helps to identify the significant cause-effect links between a proposed legislative, policy or regulatory change, or other form on intervention in the enabling environment, and its eventual impacts. (see Handbook Section 5.3)

- ***Risk assessment:*** helps identify and grade the potential impacts of known external threats (see Handbook Section 5.5)

Institutional issues:

- ***Programme ownership:*** EE programmes need to be 'owned' by governments as it is governments who have the responsibility for their implementation. Rigorous consultation with stakeholders is essential to understanding open and hidden interests and agendas, and to facilitating programme ownership.
- ***Loss of institutional memory:*** It is important to put in place management information systems that track programme history from the start, and to disseminate programme reports widely amongst all interested parties.
- ***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.

4. AN INTEGRATED IMPACT ASSESSMENT APPOACH (IIAA)

4.1 Types of Integration

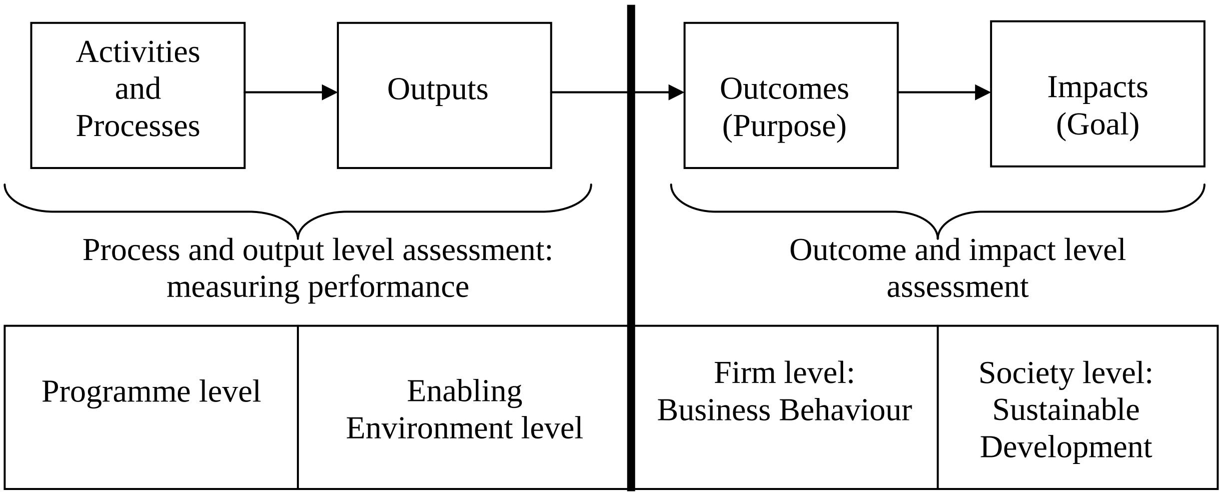
The IIAA framework covers three types of integration:

- Vertical integration of assessments i.e. linking together separate impact assessments which are undertaken at different stages in the IIAA cycle (ex ante appraisal, implementation and monitoring, ex post evaluation)
- Horizontal integration of assessments i.e. bringing together different types of impacts (economic, social, environmental) into a single, overall assessment
- Integration of assessments into decision-making i.e. integrating assessment findings into different decision-making stages

4.2 Impact Assessment

Assessment of EE programmes can take place at various levels, as can be seen from Table 2. Much of the assessment work to date has been at the activities and process, and outputs levels, that is, measuring programme and organisational performance.

Table 2: Linking assessment levels to the programme logframe



Very little work has been undertaken to assess the *impacts* of EE programmes, that is: attempting to answer such questions as “what will be / has been the effects on sustainable development as a result of the programme?

The Integrated Impact Assessment Approach (IIAA) is concerned primarily with conducting assessments of programme ***impacts***, i.e. whether, and to what extent, programme ***goals*** will be or have been achieved. However, given the difficulties in identififying the causal chain from the initial policy intervention to the ultimate impact on sustainable development, and also the timescale needed for assessing actual impacts on sustainable development (see Table 1 above), the IIAA framework also includes the assessment of programme ***outcomes*** i.e. to what extent programme ***purposes*** will be or have been achieved. Table 3 provides a example of the application of assessment at the four levels, using the example of a EE programme to reduce legal and regulatory barriers to enterprise development.

Table 3: Assessment of an Enabling Environment Programme to Reduce the Legal & Regulatory Barriers to Enterprise Development

Process and output level: measuring performance		Outcome and impact level assessment	
Activities and Processes	**Outputs**	**Outcomes (Purpose/s)**	**Impacts (Goal/s)**
What did we do? How did we do it?	Did the quality of the enabling environment improve?	Did it achieve the desired change in business and economic performance?	Did that change contribute to poverty reduction and sustainable development?
Conducted a survey of current constraints on SMEs in the existing procedures: e.g. - Lengthy time to get registered having to visit up to a dozen different government offices - Cost of paying a fee at each govt office - Numbers of days taken up with inspection in first year of business operation - Indirect costs of time spent on start up and inspection Reviewed all related policies and regulations: **challenged**: where are the blockages? Can registration & 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 Brought in new legislation for simplified procedures, system of unified charges and specification of occasions for inspection. Regulated for municipal councils to set up one-stop service for business registration; established procedures to ensure participation of all govt ministries in these. Provided finance to municipal councils for core capital and one year revenue costs of one-stop service. Produced leaflets and media notices of the changes and one-stop service Established M&E unit to track use of service; set up policy impact tracking with panels of key informants and	Reduced the number of days it takes for a small business to register and get started, from x to y Reduced actual cost of charges for registration, from x to y, as well as indirect cost of time saved.	More enterprises start up and get into business more quickly Increased annual turnover and profit rates Increased firm-level productivity Increase in private sector domestic investment.	Economic: Increased employment Increase in investment (foreign and domestic) Social: Reduction in income poverty due to increased employment Increase in asset accumulation amongst poor people More women register businesses Environment: Reduced income poverty results in better use of non-renewable resources (by change in fuel use patterns) Governance: Improved capacity for managing policy change Improved transparency and accountability Reduction in rent-seeking and corruption

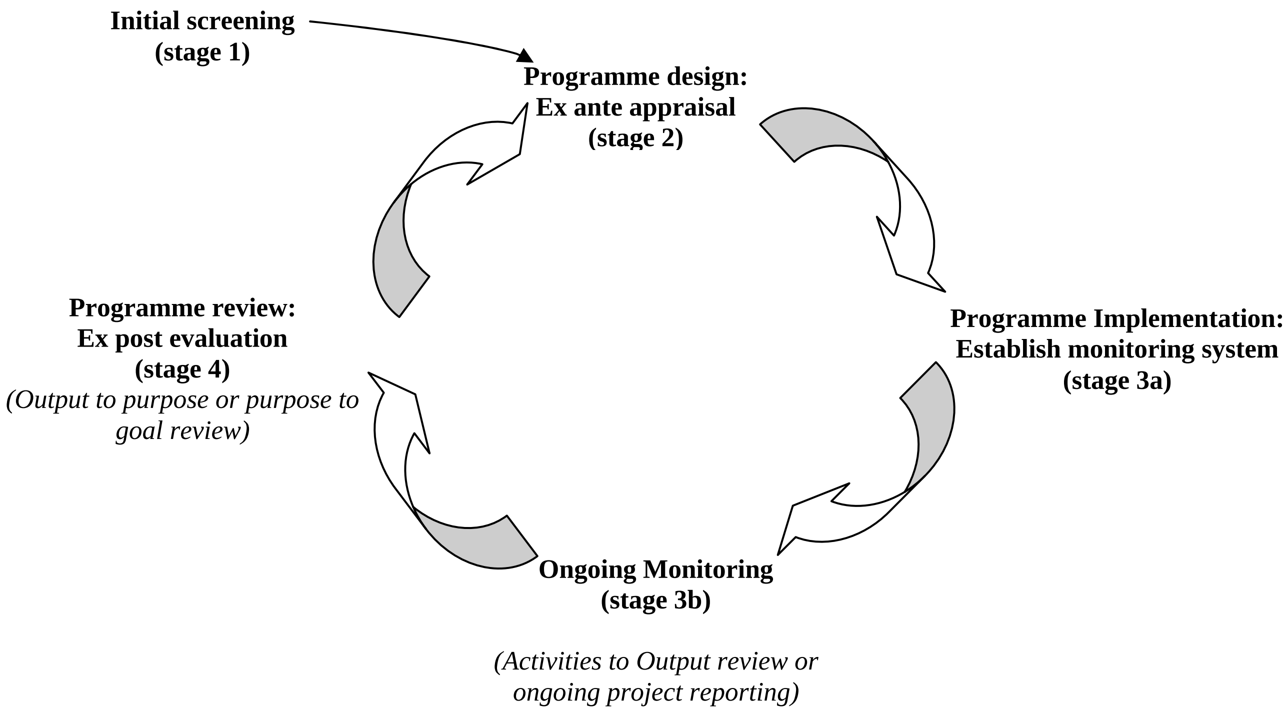
5. STAGES IN ASSESSING THE IMPACT OF EE PROGRAMMES

There are four stages to conducting an IIAA:

- Stage 1: screening
- Stage 2: ex ante appraisal
- Stage 3:ongoing monitoring
- Stage 4: ex post assessment

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 (Table 4)[2].

Table 4: Linking IIAA to the Programme Management Cycle



[2] Annex 1 provides a detailed summary of the tasks undertaken at each of the four stages in the IIAA

5. THE STAGES IN THE IIAA CYCLE

5.1 Stage 1: Initial Screening

Stage 1(a): 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.

Stage 1(b): 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).
Outputs of Stage 1 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 (e.g. a programme concept note) setting out which areas it has been decided to focus on, and how reform of these might be achieved.

5.2 Stage 2: Ex Ante Appraisal

The objective of an ex ante appraisal[3] is to assess the *potential* impacts of an intervention or programme on the goal of sustainable development. It will focus on the programmatic areas selected from the Stage 1 Screening process, and should be integral to the programme design process.

Stage 2(a):

(i) Review the existing legislative, policy and regulatory environment

[3] 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. Further information is available on the EDIAIS website at http://www.enterpriseimpact.org.uk/informationresources/application/regulatoryimpactassessment.shtml and http://www.enterprise-impact.org.uk/informationresources/application/regulatoryframeworks.shtml.

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

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

Consultation with stakeholders should aim to:
- Identify and define the characteristics of key stakeholders.
- Assess the way in which they are presently affected by business policies and regulations, and how they might affect, or be affected by, the proposed programme

- 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

Consultation is critical to understanding the potential impacts of a change in the enabling environment, and should be the basis for constructing a stakeholder analysis that describes:

- *which businesses are* likely to be affected, e.g. 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.

Consideration should be given to how the actions and reactions of the various business types, size and sectors will affect the implementation and outcome of the programme, i.e. how they are likely to respond to the proposed programme or policy change. It is also necessary to understand how wider social groups (who may be indirectly affected), e.g. employees and consumers, will both respond to, and be affected by, the changed business environment, as they too can influence the outcome of the programme. Social exclusion and gender analyses should be undertaken as enabling environments impact differently on women and men, and vulnerable social groups may be excluded from full participation in the economy and markets due to their age, physical capability, religion or caste.

Outputs of consultation should include (at least):

- stakeholder analysis setting out groups of people with an interest and the strength of that interest in relation to the programme
- a map of their influence on the programme, and the importance of the programme to their interests.

Consultation processes and stakeholder analysis (and examples) are discussed further in the Handbook at 5.4, and on the EDIAIS website at:

www.enterprise-impact.org.uk/informationresources/toolbox/stakeholderanalysis.shtml

(iv) Risk assessment

Risks that might prevent the EE programme from achieving the anticipated positive impacts should be identified and assessed according to how likely they are to occur, and the scale, or gravity, of the impact they will have on the private sector and the enabling environment if they do. It is important to do a risk analysis at the ex ante stage because those risks found to be most grave and/or most likely to arise will affect the various policy options offered to decision-makers. Risk assessment should be accompanied by consideration of mitigation options, i.e. to what extent can the risk be minimised or managed? Also, how can the effects of the policy be enhanced to overcome the effect of the risky circumstances if they should arise? Section 5.5 of the Handbook gives an example of a risk assessment and mitigation matrix.

<u>Stage 2(b):</u>

(i) Selection of policy options and scenarios

The above data collection and analysis should then be followed by development of a limited number 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 below, and in the Handbook 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.

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’[4] scenario describes the situation that will pertain if there is no change in the existing state of the enabling environment, i.e. if the policy reform or programme does not take place.
- The ‘intervention-on’ scenario describes the situation that is predicted will exist after the enabling environment programme or policy reform has been implemented.

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

(ii) Causal chain analysis (CCA):

CCA should be undertaken before the start of a programme to identify the cause-effect links of the proposed EE programme and its eventual outcomes and impacts. It can also be used to provide a structured framework for monitoring the outcomes and impacts during and after the programme. CCA should focus on significant links, and attempt to scale these according to their significance. CCA comprises several types of tools which should be used in combination to draw out different aspects. These include:

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

Further discussion on CCA is contained in the Handbook, Section 5.3 and Appendix H.

[4] 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’, i.e. 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 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.”)

(iii) Selection of indicators:

Impact indicators should be built into programme design. They should emerge from the ex ante appraisal process and be determined by programme objectives (goal level) i.e. the effect of the policy intervention on sustainable development.

The following general *criteria* can guide the selection of indicators. They should be:

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

Indicators also need to considered and weighted for their ***significance***, as some will be more critical than others as evidence of the programme's impacts. The following factors need to be taken into account in assessing the significance of the impact:

- 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

Often impacts cannot be quantified so a judgement must be made of how likely they are to be significant. These judgements will be informed by established norms and standards, levels of public concern, and, where available, scientific knowledge.

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

Impact level indicators:

Choice and relevance of ***impact*** level indicators will be affected by broader socio-economic issues, according to the programme‘s goal, e.g. poverty reduction, sustainable development. Some impact indicators that might be used in assessing the impact of EE programmes are set out in Table 5 below.

Table 5: Sustainable Development Core Impact Indicators for Enabling Environment Programmes

Economic	
Macro economic performance	Private sector output Private investment
Employment	Total private sector employment SME employment
Social	
Poverty Reduction	Absolute number of households below the poverty line Access of poor to basis services
Social equality	Gender equality Social exclusion
Environmental	
Resource Stocks	Use of natural resources Waste
Environmental quality	Air, water, land pollution Biodiversity
Governance	

Better governance	Transparency and accountability in government decision making Transparency and accountability in corporate governance
Institutional capacity	Capacity for ensuring regulation compliance Capacity for stakeholder consultation and participation

Further discussion of indicators is contained in the Handbook (5.2) and on the EDIAIS website:
http://www.enterprise-impact.org.uk/informationresources/toolbox/selectingindicators.shtml

Outcome indicators:

Some ***outcome*** indicators that might be used in assessing the main areas of focus of EE programmes are set out in Table 6 below, but it should be stressed that indicators should be varied according to country and programme context. Selection and relevance of outcome indicators will also vary according to, for example, firm size, locality, sector, form of ownership.

Table 6: Some Possible Outcome Indicators relevant to EE Programmes

Focus of EE programme	**Suggested outcome indicators relevant to specific programme focus**
General reform of the enabling environment, including - reforms to the legal, policy, regulatory and	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

institutional framework - government capacity to analyse, plan, develop and implement strategies that promote and support PSD	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 (e.g. 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)
Competition policy	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)
Financial sector reform	Range of financial products and services Access by population to these products and services Terms and Costs of finance Accounting standards / disclosure standards
Investment flows	Increased investment in productive assets Increased flows of incoming foreign investment Introduction of new technology / know how Planning horizons
Trade facilitation	Export development and competitiveness by international standards Customs processing: time, costs and compliance Transaction costs in domestic and international trade
Commercial justice	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
Labour laws and standards	Labour intensity by sector Knowledge of labour legislation Compliance with minimum core labour standards (ILO)
Tax reform	Wider base for business taxation Increased tax revenue (resulting from improved tax collection methods) Transparency in collection
Privatisation and parastatal reform	Increased spread of private ownership Levels of productivity and profitability of privatised former-SOEs
Infrastructure conditions	Access to basic infrastructure for productive and marketing purposes Participation of PS in supply of physical infrastructure
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

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 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

5.3 Stage 3: Ongoing Monitoring and Evaluation

An ongoing monitoring and evaluation system should be set up at an early stage of implementing the enabling environment programme or policy reform 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 (Stage 4). It may also contribute to ex ante and ex post assessments taking place in relation to other programming or policy areas. Some ongoing monitoring methods are listed in Table 7.

Table 7: Some simple, relatively cheap and rapid-result methods for keeping an ongoing 'watchful' eye on what is happening:

Focus groups	These may be arranged on a regular basis with business association members, and by meetings with the general business community (e.g. public meetings)
Impact panels	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.
Point of delivery surveys & score cards	These can be simple tick-box cards placed at the exit of the point of delivery, e.g. a one-stop shop for business registration, or a short form to be completed (usually anonymously) following an inspection.
Phone surveys	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, e.g. a change in method of VAT collection, or inspection process.

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

5.4 Stage 4: Ex Post Evaluation Stage

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 (i.e. what the programme has actually achieved – its outcomes and impacts – against its purpose and goal)

- the comparison of the actual impacts and 'intervention-on' scenario also provides a check on the quality of the ex ante assessment (i.e. 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.)

In both 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.

6. DATA SOURCES AND EVIDENCE GATHERING

6.1 Data Sources

Data requirements will vary depending on the focus of the programme and the analytical methods to be applied. Primary data will include all the monitoring and progress reports, and other documentation produced by the programme's implementers. Main sources of secondary data include:

- 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

Drawing on existing, readily available data as far as possible, will keep costs down. Donor co-ordination can help with this, as reports can be shared.

6.2 Common Methods of Data Collection Suitable For IIAA

The types of tools required for assessing impacts of enabling environment programmes are the same as for any impact assessment, and the main ones are summarised in Table 8.

Table 8: Commonly used data collection tools for impact assessment

Method	Key Features
Sample surveys	These may either be structured (choice boxes or scaling) so the information they provide is quantifiable, or they may be semi-structured with some open-ended questions which enable qualitative analysis that 'gives the story behind the figures.'
Key informant interviews	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.
Case Studies	Detailed studies of a specific type relevant to the programme focus (e.g. a group of businesses by locality, size and sector) involving open-ended questioning and the preparation of 'histories'.
Focus groups	As with focus groups used for ongoing monitoring, these may be with specific affected groups (e.g. 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.
Other methods	Can be the same as, or extended versions of all the tools suggested for ongoing monitoring, e.g. phone surveys, point of delivery cards or questionnaires. The media can also be used, e.g. radio phone-in discussions.

These and other tools are all described in detail on the EDIAIS website:
http://www.enterprise-impact.org.uk/informationresources/toolbox/howdowefindout.shtml
There is also further discussion on data collection tools in the Handbook, Section 5.6

7. PRESENTING, REPORTING AND DISSEMINATING FINDINGS

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. Table 9 is an example of a format for summarising the findings from the IIAA analysis, which can be adapted to the particular needs and circumstances of the study in question. 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.

Table 9: Competition Law: Summary of Significant Impacts

Impact Indicators	Description of impact (outcome indicators)	Causal factors	Factors affecting significance	significance
Economic				
Macro economic performance	Consumer prices fall	Greater deterrence to cartelisation	Rule of law and effective enforcement	▲
Employment	Employment increases in formerly cartelised industries	Less incentive to engage in anti-competitive practices		▲
Social				
Poverty reduction	Lower prices for goods purchased by the poor	Greater deterrence to cartelisation	Independence of regulators from industry capture	△
Social equality	Reduced costs of state purchases from cartels releases funds for social spending	Less bid rigging	Independence of political process from capture and corruption	△
Environmental				
Resource stocks	Improved resource usage	Output resource efficiency	Environmental regulation enforcement	△▽
Environmental quality	Reduced air and water pollution	Increased transport and output		△▽

Impact Indicators	Description of impact (outcome indicators)	Causal factors	Factors affecting significance	significance
<u>Governance</u> Better governance	Transparency in contracting and less corruption	Legal investigations of anti-competitive practices	Independence of judiciary	△
Institutional capacity	Competition agency established and staffed	Investigation and regulation activities	Resources and independence	△

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

8. ORGANISING AN IMPACT ASSESSMENT OF AN EE PROGRAMME

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 factor should be that there is the capacity to undertake it efficiently and to standard, that the approach will be transparent and objective, and the findings accepted as credible by stakeholders. Table 10[5] 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.

[5] Table adapted from ILO Training Programme for Managers of EE Programmes (Richardson, P), 2005

Table 10: Pros and cons of internal and external assessment

Internal staff: positives	Internal staff: negatives
Greater know-how as they are close to or immersed in operational practice. Know who are the key stakeholders to consult and influence. More cost effective as already in the organisation. Take greater ownership of the assessment. Can implement the findings practically. Can ensure internal learning is taken on board.	May be biased, subjective or narrow in outlook. There may be pressure for them to favour certain people to keep their position. May not be cheaper if routine work is left undone. Findings may be conveniently 'lost' in bureaucracy if they perceive that their or other's power will be reduced by the findings. Can only ensure learning takes place if they are in a position to influence this.
External consultants: positives	**External consultants: negatives**
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. Able to talk to conflicting parties as they are not involved in implementation. Can address issues requiring specialist skills, such as gender or sector issues.	May not be well informed about the country or specific context of the programme. 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. May be open to bias from those who speak the loudest or are easiest to access.

Further discussion on this topic and factors to be covered in terms of reference for external consultants are contained in the Handbook (Section 6, and Appendix J contains a model set of TORs).

9. NEXT STEPS

There is growing support for the use of strategic level impact assessment as a tool for assessing the potential or actual impact of development policy reform on pro-poor growth and sustainable development. This paper has identified some of the challenges in developing a common approach to impact assessment at the strategic or policy level. In particular, it has highlighted the variety of methods being used by donors and the gap with exists between the models developed by technical experts and the needs and capacity of practitioners. We have proposed an approach – Integrated Impact Assessment Approach – which offers a possible ‘ fit- for-purpose’ framework based on a shared practitioner-researcher-stakeholder understanding of what is needed for a satisfactory impact assessment.

The IIAA framework needs to be further refined and tested. The ‘next steps’ might include the following initiatives in which representatives of practitioners, major stakeholders, researchers and trainers, should participate:

- A programme of ex ante and ex post case studies using the IIAA approach.
- An inter-donor working group on strategic-level policy reform impact assessment methods, with the objective of developing a common approach which would facilitate inter-agency comparisons and knowledge exchange
- Development of practical assessment guidance, supported by case study examples
- Development of short training courses in the application of IIAA using the above guidance and case materials.

It is important to have a realistic expectation of what to expect from assessments of EE programmes. 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, implementation and evaluation.

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Annex 1: Summary of the Stages, Tasks and Tools of IIAA

Stage 1	**Screening:**
a)	Initial overview of country enabling environment and economic context: • a list of the areas that need to be reformed with a brief description and why? • options and priorities for action within this list according to which areas are having the most damaging effect on business • 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
b)	Obtain agreement on which area of the enabling environment the programme is to focus.
Stage 2	**Ex ante appraisal:**
a)	In relation to proposed area of reform: • Review and map current policy, legal and regulatory framework and instruments • Review current and forecast country and regional economic, social, governance and environmental context and conditions • Consult with all interested parties -> stakeholder analysis, maps and influence/importance analysis • Draw up Risk Assessment: clarify risks, costs, benefits
b)	Based on analysis of above: • Develop policy options • Select indicators; conduct causal chain analysis; assess impact significance • Develop scenarios: i) Intervention-on scenario: - with the proposed policy/regulatory change ii) Baseline scenario: - without the proposed policy / regulatory change
Stage 3	**Ongoing monitoring**:
a)	Set up M&E system
b)	Routine / Ongoing monitoring and evaluation takes place: analyse for trends and adjust programme as required
Stage 4	**Ex post assessment:**
a)	• Compare actual impacts with baseline scenario = the impact of the programme: What has happened? Why? • Compare actual impacts with the intervention-on scenario = reflects accuracy of the ex ante process and its predictions
b)	Use findings and lessons to suggest further policy, legal or regulatory changes needed to the enabling environment

Annex 2: RESOURCES HELD ON THE EDIAIS SITE RELEVANT TO ASSESSING EE PROGRAMMES:

- Stakeholder analysis
  http://www.enterprise-impact.org.uk/informationresources/toolbox/stakeholderanalysis.shtml

- Quantitative Methods
  http://www.enterprise-impact.org.uk/informationresources/toolbox/quantitivemethods.shtml

- Qualitative Methods
  http://www.enterprise-impact.org.uk/informationresources/toolbox/qualitativemethods.shtml

- Participatory Methods
  http://www.enterprise-impact.org.uk/informationresources/toolbox/particmethods.shtml

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

- Summary of Key Issues in Impact Assessment
  http://www.enterprise-impact.org.uk/informationresources/toolbox/summarykeyissues.shtml

- Selecting Indicators
  http://www.enterprise-impact.org.uk/informationresources/toolbox/selectingindicators.shtml

- How Do We Find Out? Issues in Collecting Information
  http://www.enterprise-impact.org.uk/informationresources/toolbox/howdowefindout.shtml

- What Do We Do With the Information? From Practical Solutions to Influencing Change
  http://www.enterprise-impact.org.uk/informationresources/toolbox/whatdowedo.shtml

- Using Diagrams in Impact Assessment
  http://www.enterprise-impact.org.uk/informationresources/toolbox/thinkingitthrough-usingdiagramsinIA.shtml

- Project Management Cycle
  http://www.enterprise-impact.org.uk/informationresources/toolbox/projectmanagement.shtml

- Common Methods in Impact Assessment
  http://www.enterprise-impact.org.uk/informationresources/toolbox/commonmethodsinia.shtml

- Summary of Key Issues in Impact Assessment
  http://www.enterprise-impact.org.uk/informationresources/toolbox/summarykeyissues.shtml

- Selecting Indicators
  http://www.enterprise-impact.org.uk/informationresources/toolbox/selectingindicators.shtml

- How Do We Find Out? Issues in Collecting Information
  http://www.enterprise-impact.org.uk/informationresources/toolbox/howdowefindout.shtml