

A GLOBAL PROGRAM EVALUATION OF IFC'S INVESTMENT CLIMATE "BUSINESS OPERATIONS" PRODUCT (RELATING TO STREAMLINING LICENSES, PERMITS AND INSPECTIONS)

Project Summary

Assess whether IFC's global efforts to reform and introduce more efficiency into business operations by reducing regulatory barriers and simplifying procedures such as licensing and inspections have resulted in measurable improvement, and identify what worked and what did not work in producing the best performance.

What IFC expected

IFC has been involved since 1995 in trying to reduce barriers to business investment stemming from excessive regulation and complexity in operating areas, including obtaining business licenses and permits, and has sought a measure of how effective its interventions have been in reducing those impediments. In addition to easing the burden of rules and regulations, IFC seeks ways to modify how rules are implemented, with a goal of improving the quality of regulation. There are examples of successes, such as a comprehensive reform of Latvia's business licensing regime, and IFC wanted a deeper understanding of how effectively and efficiently its portfolio of projects was performing.

What happened and why

Documents covering a portfolio of 59 projects, interviews with IFC staff working on business operations initiatives, and field visits to four countries covering three geographic areas found significant differences in effectiveness among regions. The most successful projects were in more developed countries where there was a higher degree of political commitment to implementing reforms. In some developing countries, weaker project designs hampered efforts because it was harder to implement effective changes. The projects that were studied varied widely in size, ranging from as little as U.S. \$75,000 in value to nearly \$5 million, and they generally were expected to last an average 25 months but almost invariably were extended to an average 38 months. Only a few of the projects were devoted wholly or nearly wholly to improving business operations alone. While broad-based efforts such as promoting the simplification of business licensing regimes were generally successful in whittling down the stock of rules and regulations faced by private businesses, more narrowly focused efforts, such as intervening to make construction permits easier to get, showed little positive result in terms of time or cost savings. It was also difficult to determine the impact over time of regulatory changes by

measuring them against pre-established potential benefits. Existing methods for monitoring and evaluating projects appeared to overstate the degree of success achieved in streamlining business operations because there was not always a direct link between, for example, a lessening of the number of rules and an improvement in operating conditions for private contractors in terms of time or costs. A proposed pilot program of modified monitoring and evaluation rules may address some of these weaknesses, but it is not yet fully implemented.

Lesson for future operations

While the primary factor affecting whether efforts to reduce business impediments and improve the quality of regulations will produce positive results is the level of development in countries where the projects are located, improved project design and supervision on the ground from the start of a project can improve and broaden the chances of success. Project design should take into account institutional conditions and capabilities within individual countries in order to gain the fullest commitment from authorities and to ensure that targets set are realistically achievable. Identifying prospective beneficiaries of projects when they are still under design, in as much detail as possible, including where possible the numbers of anticipated beneficiaries, will make it easier to identify specific reforms that produce measurable positive results. Attention must be paid to whether there are institutional impediments within a country that make it harder to implement reforms, and projects must be tailored to take account of specific country conditions and kept simple enough so that chances of them being put into practice are improved. Management of any projects undertaken should have IFC staff or long-term consultants representing IFC on the ground from the start of operations to ensure that reforms are implemented as designed. A system for accurately setting budgets and tracking expenses by the work involved or the number of reforms is vital in order to establish a useful measure of the value for money spent in pursuing business operations reforms. A new monitoring and evaluation system developed by IFC in 2011 is being put in place, but it is at a pilot stage and may need improvement, including stronger supervision to ensure that indicators are designed for each project that will be measurable, and to ensure that any subsequent modifications to them are made only for justifiable reasons.

Related lessons

- Measures to improve business operations generally produce positive changes in laws and regulations but don't always help private business operators on the ground or reach a sufficiently large number of beneficiaries, underlining the need for careful design and firm management of projects to ensure those intended receive the benefits.
- The set of monitoring and evaluation indicators currently in use does not capture beneficial results for the public sector or for institutions that flow from improvements in business operations, such as improvements in efficiency that allow shifting public resources to better use. The pilot system of indicators should aim for a better measure of such institu-

tional benefits flowing from IFC projects to reduce business impediments. Alternatively, or as a supplement, pilot studies aimed at measuring the impact of improvements in business operations might be able to identify potential areas of public sector impact that could then be refined to yield useful indicators.

- It remains a question whether improvements in business operations such as reducing regulatory impediments and speeding up licensing will be sustained beyond the project stage. Evidence to date shows that only a few countries have rolled back changes in policy and other gains, but the risk remains, and follow-up is needed to gather information to assess the long-term durability of gains made.



THE RESULTS MEASUREMENT NETWORK
Using Results Measurement to Increase
Development Impact

About the Results Measurement Network:

IFC's Results Measurement Network is a global network of approximately 100 professional results measurement staff from Advisory and Investment Services. It covers all IFC regions, industries and Advisory business lines, in addition to staff in the Development Impact Department based in Washington DC.

The Results Measurement Network seeks to improve IFC's development impact by setting standards and ensuring consistency in results measurement. The network also works ensure that results continuously inform strategy, operations, and incentives.

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