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Monitoring and Evaluation Challenges for Licensing Reform Programs

December 11-12, 2007

IFC International Finance Corporation
World Bank Group

Overview

- The Asia Foundation's (TAF) Programs
- Indonesia's Business Climate
- Case Study: One Stop Shop Licensing Centers
  - Measuring performance of One Stop Shops
  - Monitoring systems for governments
- Challenges for OSS Impact Evaluation
  - Qualitative: broadly capturing OSS process and influence
  - Quantitative: Do OSS work? If so, does it matter for growth?
  - Methodological issues and opportunities

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Asia Foundation Programs

- 18 TAF offices, $100 million annual budget for development and philanthropic activities in Asia
  - BEE: Sri Lanka, Pakistan, Vietnam, Cambodia, Bangladesh, Philippines and Indonesia

- Indonesia largest TAF BEE program
  - $10 million USAID/CIDA, $2 million World Bank/MDF
  - Working in 60 districts within 13 provinces
- Partnerships with IFC:
  - 2004: IFC funding for OSS in Makassar and Balikpapan
  - 2006: IFC and Asia Foundation collaboration on national guidelines for OSS development
  - 2007: National advocacy coordination on OSS

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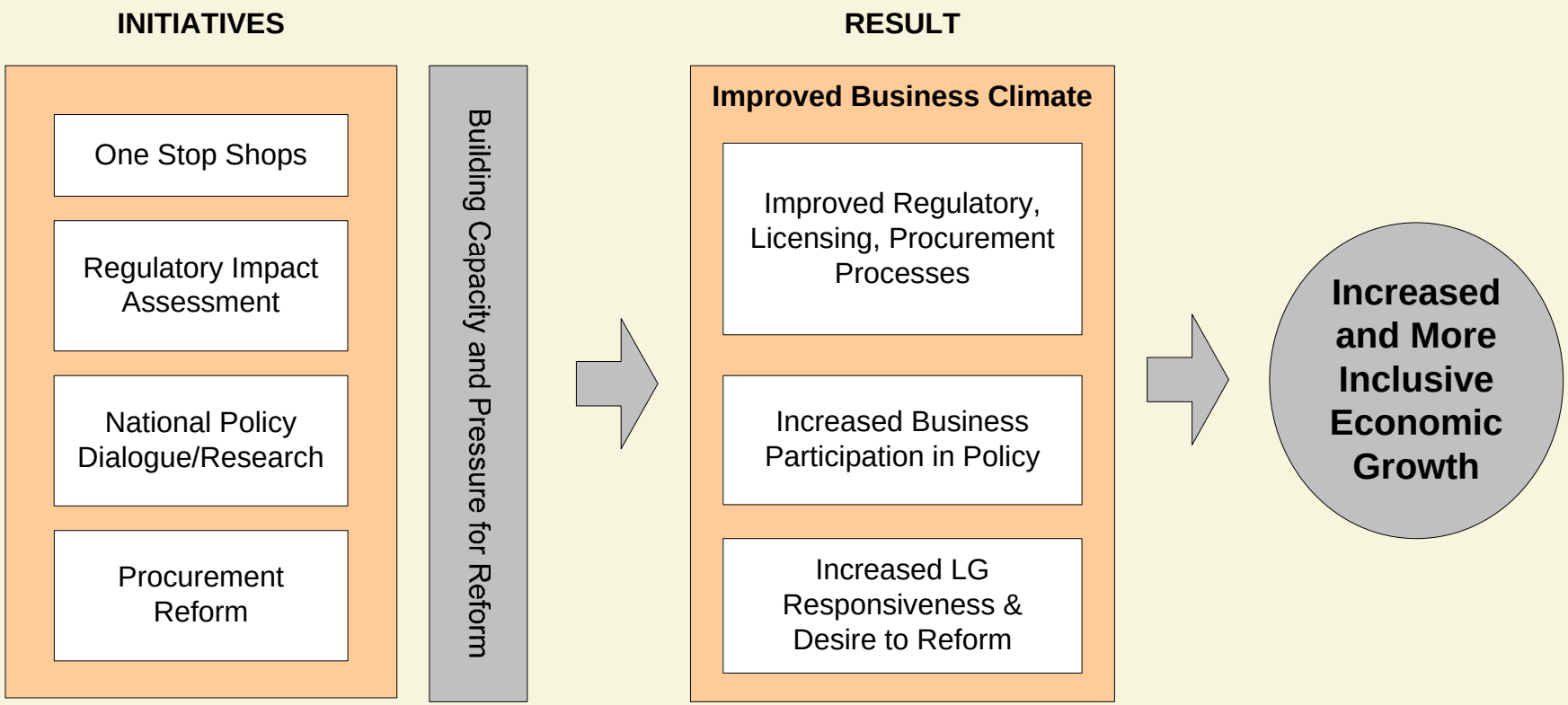
TAF Indonesia Economic Program



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Indonesia business climate

- **Good news:** macro-economic stability, political decentralization, democratic elections
  - 40% of state budget spent by regions
  - Political and economic success interlinked
- **Bad news:** persistent corruption, inconsistent policies, poor business climate
  - $4 billion annual lost to corruption in government procurement
  - Doing Business: Indonesia's system still one of the most cumbersome: starting a business slower from '07 to '08

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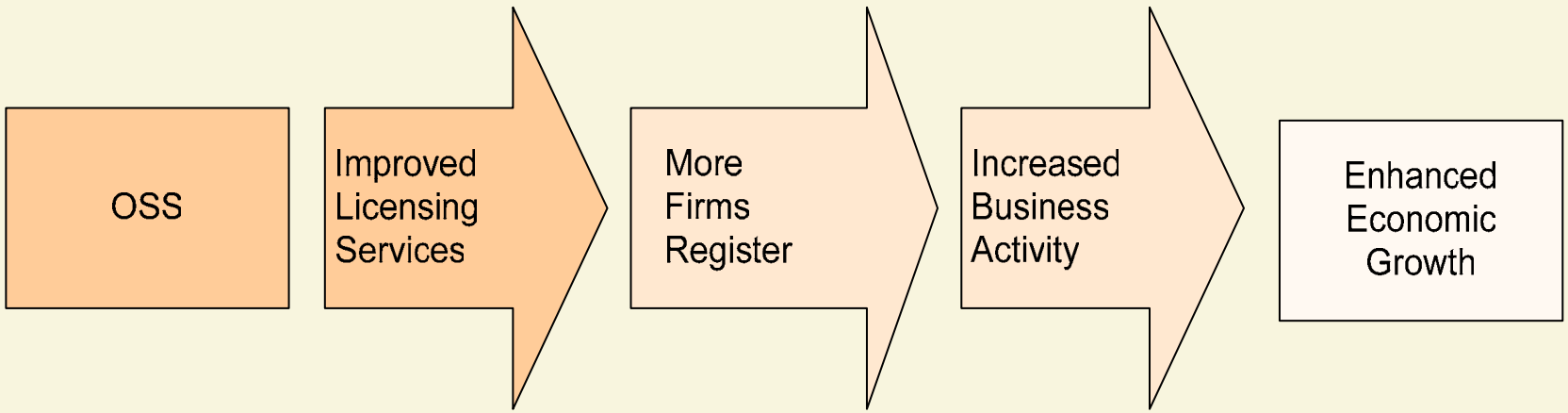
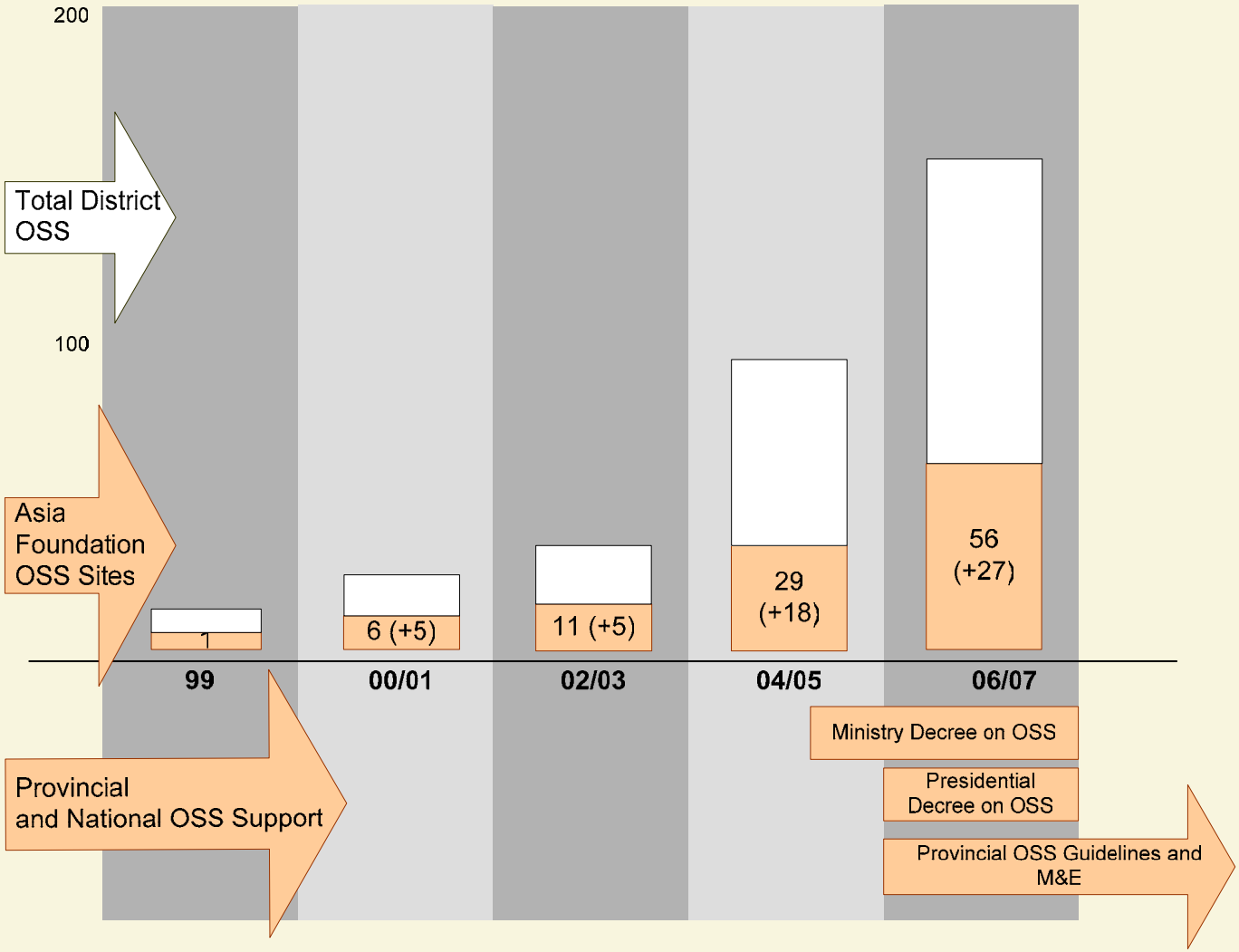
Case Study: One Stop Shops

- OSS consolidate licensing services from technical departments, reducing corruption and improving services
- The primary goal is to facilitate business development:

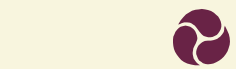


OSS Development in Indonesia



OSS Measurement Challenges

- Baseline survey: OSS performance inconclusive
- Initial assumptions were often wrong/incomplete:
  - Legal Status vs. Authority
  - Time, Cost and Requirements
- Finding the right recipe: What changes are most likely to bring about faster, cheaper, more transparent, and consistent licensing services?
- Anecdotal successes and failures, lack of standards: difficulty of quantifying OSS performance



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OSS Performance Index (OPI)

- Challenge of developing the index
  - Process, outcome, impact variables
  - Variations in licensing practices
    - Intermediaries, total license types, cost efficiency
  - Inconsistent data sources

- Selection and weighting of key indicators using survey research and focus group discussions
  - Simplicity vs. comprehensiveness

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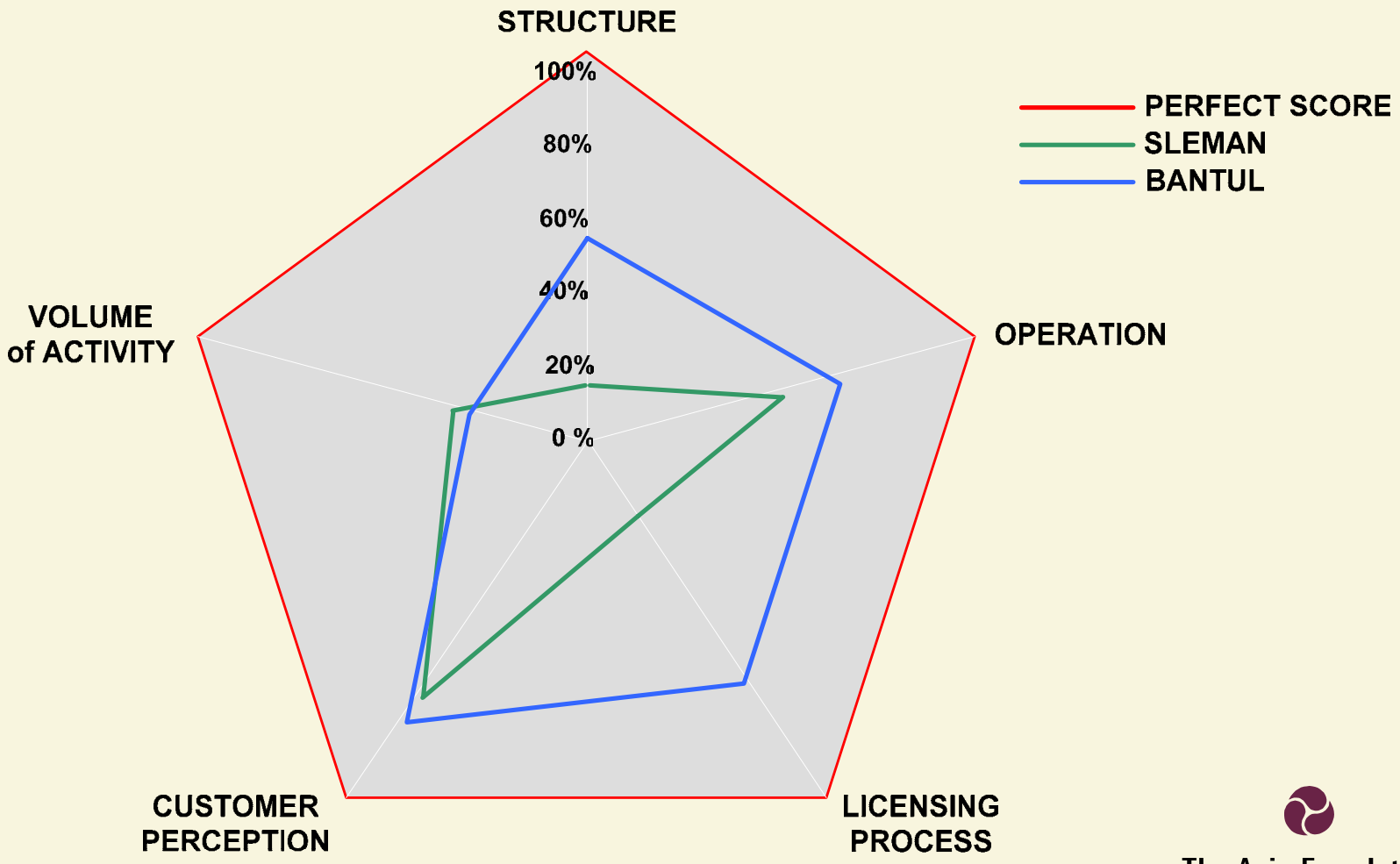
OPI dimensions

- **Structure:** Legal basis, authority, bureaucratic level, license types handled
- **Operations:** Service standards, HR, financial reporting, payments, IT quality
- **Customer perceptions:** availability of information, satisfaction with service, complaints
- **Licensing process:** Official and actual licensing time, cost and requirements, plus variance
- **Volume:** total number main business licenses issued relative to GDP

OPI Examples: Bantul and Sleman



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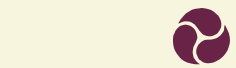
OPI: Institutionalization

- OPI addresses the issue of what is a good OSS and how it can be quantified
- Measures assistance programs, and can be adopted by provinces to track OSS performance independently
- Examples: West Java and Central Java; IFC Bali Province OSS Monitoring
- Issues:
  - Standardization vs. government adoption
  - Multiple evaluation initiatives with different methodologies
  - Incentive systems



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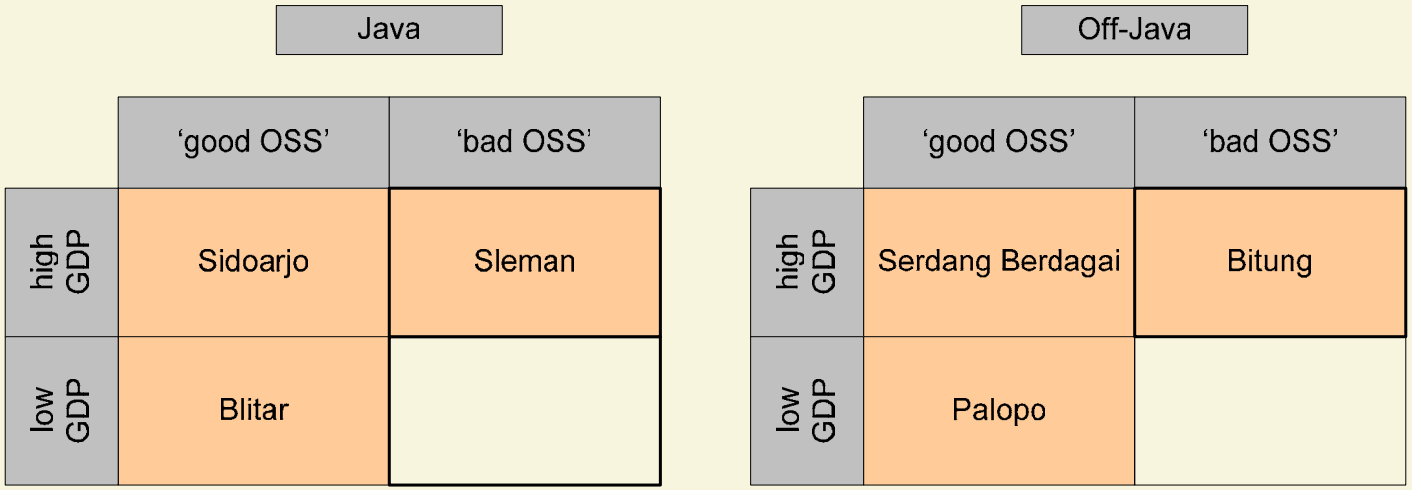
OSS Qualitative Impact Evaluation

- Focusing on 6 OSS assistance sites, selected by region, GDP, and OSS quality



- Opportunities to explore motivation of businesses to register, importance of OSS, and possible impact across a wider range of stakeholders

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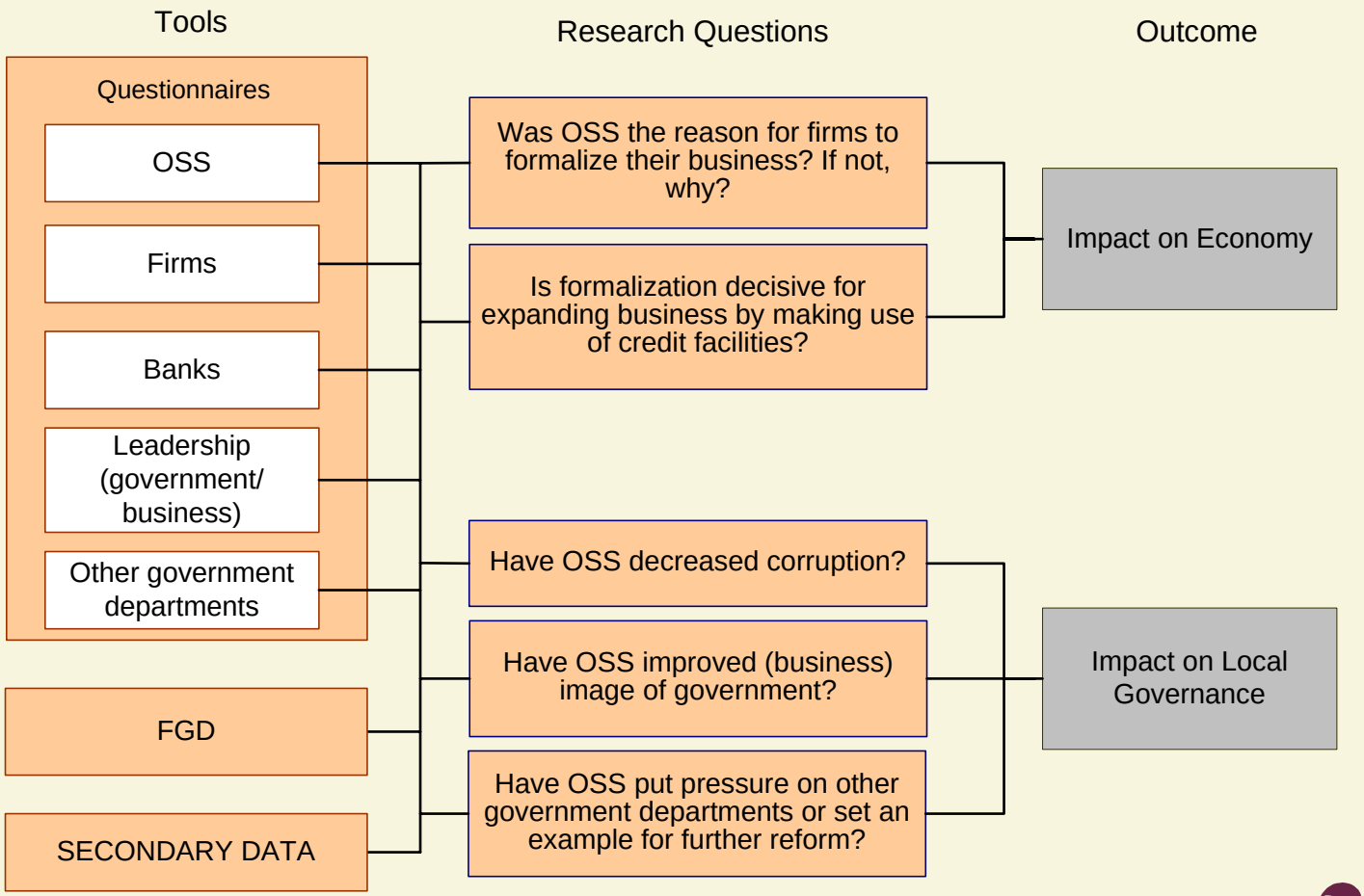
OSS Qualitative Evaluation



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Quantitative Evaluation

- Qualitative can illustrate how OSS work, and suggest paths of influence and effects, but cannot draw significant conclusions about impact

- Quantitative goal: Measure the impact of OSS (and OSS technical assistance) on business registration rates
  - Not to focus on proving registration-growth linkage

- Quantitative research design considerations:
  - What to compare
  - Sampling
  - Issues and Questions

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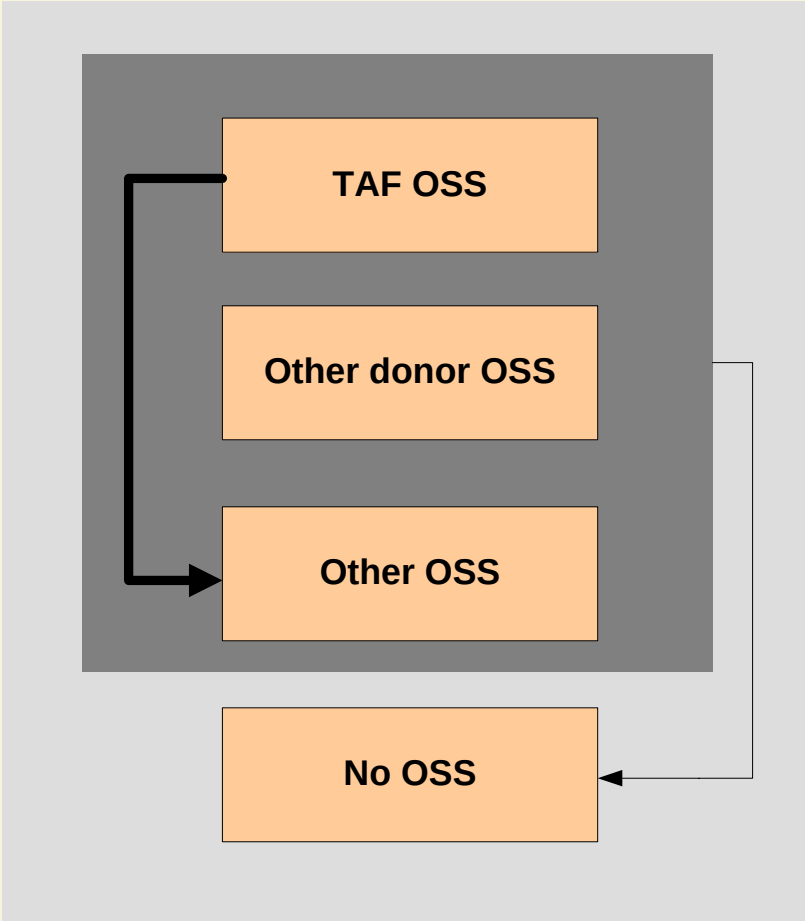
Quantitative: what to compare



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Quantitative: Sampling (TAF vs Other OSS)

- Ideal: randomization—of how we pick districts, or how OSS are created (by government mandate)
- Reality: we try to pick winners, based on “committed leadership”
- Assumption: this criteria influences program success and the impact variable (registrations)
- Consequence: valid comparisons can only be made with non-assisted sites that have committed leadership
- Challenge: create a control group by identifying similar leadership commitment in non-TAF OSS sites

Quantitative: Issues and Questions

- How can we find proxies for commitment?
  - Media coverage for other OSS launchings
  - Election results, strength of mandate
- This proxy is difficult, but just the beginning of complexity if other known and unknown ”confounding factors” affect registration
- More generally, how can we better define selection criteria for “best” and “most promising”?
- How can donors and implementers better incorporate evaluation design in program planning?

Closing thoughts

- TAF and IFC can develop and disseminate better performance monitoring tools for government OSS programs
- Potential for PSD donor coordination and joint funding of an OSS quantitative evaluation in Indonesia
- Development of OSS globally presents an excellent opportunity to use an Indonesia impact evaluation more broadly

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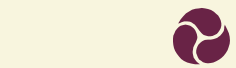
Thank You



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