



Business Environment Reform Facility

Cost of Compliance M&E Methodology for DFID Ghana BEEP: Final Report

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Business
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Abbreviations & Acronyms

ADR	Alternative Dispute Resolution
BEEP	Business Enabling Environment Programme
BDP	Building Development Permit
BOP	Business Operating Permit
BRC	Better Regulatory Committee
CJCE	Commercial Justice and Contract Enforcement
CCM	Compliance Cost Methodology
CIT	Corporate Income Tax
CSCs	Customer Service Centres
DB	Doing Business
DFID	Department for International Development
DRR	Diagnostic Review Report
GLSS	Ghana Living Standards Survey
GIZ	Gesellschaft für Internationale Zusammenarbeit, German International Development
GRA	Ghana Revenue Authority
IRS	Internal Revenue Service
MDAs	Ministries, Departments, and Agencies
M&E	Monitoring and Evaluation
MLGRD	Ministry of Local Government and Rural Development
MTO	Medium Taxpayers Office
OECD	Organisation for Economic Co-operation and Development
PAYE	Pay-As-You-Earn
PSPF	Private Sector Policy Facility
RIA	Regulatory Impact Assessment
SMEs	Small and Medium Enterprises
STO	Small Taxpayers Office
TA	Technical Assistance
TIN	Taxpayer Information Number
ToC	Theory of Change
ToRs	Terms of Reference
VAT	Value Added Tax

1. Introduction

The UK Department for International Development (DFID) is providing up to £10 million over the period 2015 to 2019 for a Business Enabling Environment Programme in Ghana (BEEP). After an assessment of options, DFID has decided to target its support to those Ministries, Departments, and Agencies (MDAs) which have the greatest potential for improvement as well as previously having demonstrated engagement with regulatory reforms.¹ Currently the programme has four components:

- Commercial justice and contract enforcement, including arbitration (Commercial Courts of the Judicial Service and relevant agencies)
- Improving tax payer services particularly for SME and the informal sector (Ghana Revenue Authority and other relevant agencies)
- Local level business licensing fees, operating permits and building/construction permits (Ministry of Local Government and Rural Development, and related regulatory agencies)
- Providing support for public-private dialogue around government regulation of businesses (Private Sector Policy Facility).

It should be noted that components could be changed or added during the programme period.

We concluded in Phases 1 and 2 of this assignment that monitoring and evaluation (M&E) within the targeted MDAs was generally weak and that M&E proposals for the different components had not been synthesised and rationalised into a coherent M&E plan for the programme as a whole.

Phase 3 support of BERF aims to help design an M&E framework and plan to underpin the programme and the workplans that will facilitate reporting on implementation progress at the output and outcome levels. The ToRs are in Appendix 1.

¹ DFID was part of a donor consortium that helped the Government of Ghana implement its first Private Sector Development Strategy (PSDS 1), which ran from 2005 to 2010 and helped Ghana improve 27 places in the Doing Business rankings from 2007-2011. The Business Case identified the current MDAs as among those which had engaged substantially during this programme.

2. Summary and Next Steps

2.1 Summary

The research and fieldwork of the assignment have indicated that compliance cost methodology is an appropriate way to aggregate the results of the regulatory reforms that Ghana BEEP is trying to achieve. The Doing Business indicator methodology does not adequately reflect the range of reforms sought by the BEEP programme, and whereas MDAs have some embedded M&E capacity, existing M&E mechanisms do not provide a sufficiently representative sample of the range of potential beneficiaries for the programme. Ghana BEEP therefore needs to commission representative business and staff surveys in order to derive a baseline of the current cost of compliance for both regulated and regulating agencies and demonstrate compliance cost reduction over the life of the programme. In addition, Ghana BEEP should build upon the existing Better Regulatory Committee and user committees to form consultative user panels that can be used to advise future government and donor led regulatory reform.

2.2 Recommendations and Next steps

- Identify and contact businesses to participate in the roster of consultative user groups.
- Identify a pipeline of relevant new regulations or regulatory reforms for which BEEP can convene the consultative user groups.
- Design the content of representative business surveys and representative staff surveys, with input from component level TAs and an M&E specialist.
- Write Terms of Reference for a data collection firm for the scope of work outlined in Section 5.3.2, and begin the tendering process.
- Prioritise the list of additional research questions (informal sector tax burden, small claims procedures, and one-stop shops), write a Terms of Reference for each, and identify suitable experts who can answer these.
- Write Terms of Reference for a consultant to estimate the total reduction in cost of compliance using available macroeconomic data.
- Use additional research to inform decisions on components set to begin after the November 2016 elections.

3. Cost Compliance Methodology for BEEP

3.1 Rationale for a unifying approach for M&E

We found in Phases 1 and 2 that M&E for different components had not been synthesised and rationalised into a coherent M&E plan for the programme as a whole. The 2015 DFID Annual Review of Ghana Business Enabling Environment Programme recommended that the programme use ‘cost (of regulatory) compliance methodologies’ to measure programme effectiveness. The workplans for the Commercial Justice and Contract Enforcement (CJCE) and Taxpayer Services components of the programme also reference ‘cost compliance methodologies’.

Following these recommendations, the updated BEEP programme logical framework includes an indicator on compliance cost savings (Outcome 2). The scope of work of the M&E specialist included developing a compliance cost methodology and how it will be calculated for all the reform areas (See ToRs, Appendix 1).

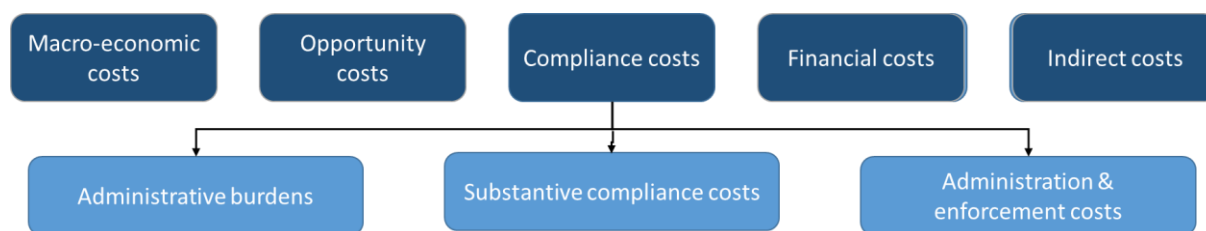
3.2 Introduction to Compliance Cost Methodology and Regulatory Impact Assessment

Compliance cost methodology (CCM) is an approach to measuring one type of costs associated with a new or modified regulation. It sits within a broader approach of policy analysis called Regulatory Impact Assessment (RIA), which is a type of cost-benefit analysis that compares the costs and benefits of a proposed new or modified existing regulation. In theory, both costs and benefits will be assessed and weighed, but in practice, regulatory impact assessment focuses on minimising costs associated with a regulation, because costs are easier to measure, quantify, and monetise.

According to the Organisation for Economic Co-operation and Development (OECD) Framework for Regulatory Impact Assessment,² regulatory costs include compliance costs as well as opportunity costs, macro-economic costs, financial costs, and indirect costs. Compliance costs are further subdivided into administrative burdens and substantive compliance costs, which are borne by the entities being regulated, and administration and enforcement costs, which are borne by the regulating entities. The OECD document gives further detail on areas of regulatory costs.

² OECD (2014), OECD Regulatory Compliance Cost Assessment Guidance, OECD Publishing.
<http://dx.doi.org/10.1787/9789264209657-en>

Figure 1: Hierarchy of costs associated with regulation



Source: OECD Regulatory Compliance Cost Assessment Guidance (2014)

3.3 Adapting Compliance Cost Methodology to the Ghana BEEP programme

Compliance cost methodology (CCM) provides a unified approach to monitoring the efficiency and effectiveness of Ghana BEEP at programme level. CCM allows the programme to quantify / monetise the costs of selected regulations and cost savings associated with various intervention areas. CCM can also be used to aggregate outputs across components for a measure of programme level outcomes.

Some intervention components, such as the current Commercial Courts and Justice component, are not actually regulatory in the sense that they do not apply to all businesses and alternatives for resolving commercial disputes are available. However, cost compliance methodology can still be applied to understand the costs, including opportunity costs, of court delays for claimants and the court itself.

In theory, CCM measures only substantive compliance costs associated with regulations. An assessment of Ghana BEEP shows that interventions may affect not only direct substantive compliance costs, in the form of fees and information required, but also opportunity costs incurred through delays in processing applications or rendering judgments. Moreover, efficiency gains in administration and enforcement processes may have significant impact on the regulating agencies themselves.

The methodology for measuring compliance cost savings at outcome level has therefore been widened to assess other costs associated with the regulatory environment. These include other costs borne by the businesses being regulated, including opportunity costs incurred by regulatory delays. They also include measuring the cost of administration and enforcement of the regulation by the agencies themselves.

CCM represents best practice in a developed country context (OECD countries) and assumes that macroeconomic data are available and of an acceptable quality to inform CCM analysis. CCM will have to be adjusted when applied in a developing country context, and estimates may not be as accurate or robust as can be achieved in OECD countries. Although Ghana BEEP has provided for M&E capacity building amongst target MDAs, the programme will need to be realistic about the range and quality of available data, and accept that estimates, while based on the best available evidence, may be less accurate than CCM in developed contexts.

3.4 Calculating the cost of compliance for all reform areas

The programme will calculate the cost of compliance in all reform areas using a structured survey administered to a representative sample of businesses. See Section 6 for more details. The topic guides will be developed with guidance from component level Technical Assistance (TA). They should cover the following areas.

3.4.1 Compliance costs for the CJCE component

For the CJCE component, compliance costs to be measured include:

i) Substantive compliance costs: Court fees.

As there is no minimum threshold for commercial claims at the lowest level, court fees, along with attorney's fees, disincentivise bringing small or frivolous claims to court. When the court lowered court fees it saw an increase in the number of claims filed.

It should be noted that the burden of court fees is generally less of a burden to large companies than to small companies, and that these will be generally less than the anticipated value of a judgment.

ii) Substantive compliance costs: Presence at hearings.

Stakeholders suggests that current administrative processes place a substantial burden on management time, as a company representative needs to leave their duties for at least half a day to be present for all hearings, even if these result in an adjournment or postponement. Streamlining or shortening the hearings process will save management time.

iii) Administrative burdens: Required information.

Although not explored in much detail, burdens of discovery and other gathering of information throughout the commercial courts process incur a cost in terms of staff time. Any reduction in the information required by the commercial courts process, whether by increasing the number of cases settled through alternative dispute resolution or small claims courts could increase productivity.

iv) Opportunity costs: Reduced time to judgment and enforcement.

Cases brought before the commercial courts can involve large financial amounts. Anecdotal evidence suggests that claimants may incur a substantial opportunity cost in waiting to recover money owed, and debtors may incur the same owing to interest due on the principal which has accumulated during the process, which is significant given interest and inflation of around 25% per annum. A reduction in the time taken to dispense of cases will result in decreased opportunity costs and greater economic benefits for both sides involved in a commercial dispute. Given the large numbers involved, opportunity costs may be the largest quantifiable reduction in the cost of compliance for the CJCE component.

3.4.2 Compliance costs for the tax component

For the tax component, specific compliance costs to be measured include:

i) Administrative burdens

Component interventions will only actually reduce administrative burdens for entities already registered and paying taxes. The Doing Business Indicators methodology calculates that it takes a medium sized business around 224 hours per annum to comply with tax requirements,³ under the self-assessment scheme. This figure may not include time taken to create and organise records.

Efficiency gains through taxpayer sensitization about record keeping, use of e-filing and distribution of tax preparation software may reduce this burden. Reducing the actual or perceived administrative burdens for tax compliance may also increase voluntary compliance.

It should be noted that small taxpayers currently use provisional assessment, where records are not required. As the government moves small taxpayers to self-assessment, their administrative burden will increase, and then reduce as a result of taxpayer sensitization, e-filing, and tax preparation software.

ii) Opportunity costs

Entities that over-pay taxes incur an opportunity cost waiting for a refund, while entities that under-pay taxes incur a cost in penalties charged and may trigger expenses associated with audits. Penalties are assessed when end-of-year figures exceed self-assessments by more than 10%. Accuracy of self-assessment and e-filing tools and minimising delays in tax refunds minimises opportunity costs associated with over- and under-payment.

iii) Financial costs

Entities making use of some activities meant to reduce administrative burdens may incur financial costs. For example, small businesses wanting to undergo self-assessment may need to purchase record and receipts books, and those wanting to e-file may need to pay for a computer, internet connection, and appropriate software. The GRA may also need capital investment and upkeep for activities like developing additional taxpayer modules and 'one-stop shop' Customer Service Centres (CSCs). The financial costs associated with individual activities need to be understood in order to understand whether they add value.

³ <http://www.doingbusiness.org/data/exploreeconomies/ghana/paying-taxes>

iv) Administration and enforcement costs

As outlined above, component activities should demonstrate added value to the GRA. This requires a calculation of the resources needed for administration and enforcement of individual components at local level.

3.4.3 Compliance costs for the local licenses component

Specific cost elements which could be measured include:

i) Opportunity costs

The opportunity costs to applicant businesses of delays for issuing Business Operating Permits (BOPs) and Building Development Permits (BDPs) can be quantified by asking the businesses. Stakeholder interviews indicated that medium sized businesses incur an opportunity cost when waiting to move into bigger premises, whether in terms of additional staff or additional business. Delays in issuing BDPs and BOPs may have additional opportunity costs for the construction sector, who are not able to start or continue work while waiting for the permit.

ii) Administration and Enforcement costs

Local offices can be supported to collect data about the real cost of administration and enforcement of their respective steps in the licensing processes. This data can be used to make the fee setting process more transparent, and to drive efficiency gains from the BEEP programme which can be passed onto agencies as cost savings.

iii) Substantive compliance costs: Application fees

Stakeholders suggest that the cost of licensing affects small and medium businesses more than large businesses. Ghana BEEP funded data collection from affected businesses could inform development of a sliding scale for licensing fees based on turnover or size category. The overall amount of fees collected would not change, but could be more equitably distributed so that the overall impact of compliance costs is minimised.

iv) Administrative burdens: Required information

Efficiency gains in the licensing process may result in applicants being required to collect and submit less information in support of their application, thereby streamlining the process.

4. Diagnostic Review Reports for Current Components

4.1 Introduction

As part of the assignment, the consultant was required to produce Diagnostic Review Reports (DRRs) for each of the current components (see consultant ToRs, Appendix 1). The structure of these reports is as follows:

- The background of the component;
- Additional findings from fieldwork and other research;
- Discussion of the component level theory of change;
- An assessment of the data available for component level M&E;
- Agreed output level indicators.

4.2 Methodology

DRRs were informed by a review of the programme documentation, including the Business Case and programme logframe, as well as individual design documents⁴ and follow-up Internet-based research. They were further informed by a series of semi-structured stakeholder interviews and focus groups conducted in Accra with component leads, embedded Technical Assistance (TA), and MDA staff during 7-15 April 2016, as well as a series of one-to-one interviews with component leads and TAs during 4-6 July 2016.

4.3 Commercial Courts and Justice Services DRR

4.3.1 Background

The Business Case for BEEP identified contract enforcement as one of three initial areas for targeted reform. According to the Doing Business survey, contract enforcement is one of Ghana's three worst performing areas, with the average time to enforce a contract in Ghana being 710 days, a substantial increase from the previous year's assessment of 495 days. The Business Case also noted the Commercial Court's enthusiasm and engagement for regulatory reforms during the first round of private sector reforms under the Private Sector Development Strategy (PSDS 1).

The design document for the Commercial Justice and Contract Enforcement (CJCE) component of Ghana BEEP identifies three intervention areas:

- Institutional strengthening for the Commercial Court system.

⁴ Support to Finalise Work Plan for the CJCE Component, Tax Component, and Licenses Component.

- Piloting small claims procedures in selected District Courts.
- Strengthening Judicial Services M&E systems.

4.3.2 Additional findings

Stakeholder discussion concerning the commercial courts system has highlighted a good understanding of the perceived causes for delays in the court system. However, the rationale for the small claims procedures is currently unclear, and there is evidence that the CJCE component has added an activity around 'small claims procedures' without demonstrated evidence of need in order to tick the box on the 2016 Doing Business methodology for contract enforcement.

4.3.3 Theory of Change Discussion

The programme design document recognises that the Commercial Court serves only larger firms in Ghana and its performance is unrelated to the World Bank's Doing Business score. However, the Commercial Court is seen as a flagship court by the Judiciary System, and reforms here have the potential to be rolled out to the rest of the court system. The intervention logic therefore implies that the intervention will exhibit a demonstration effect which will have knock-on effects for the rest of the court system.

An examination of compliance cost methodology, the methodology recommended for results monitoring of the programme as a whole, shows that the approach is part of regulatory impact assessment and is best applied to regulations. Initial interviews with Commercial Court stakeholders illustrate that the Commercial Court system is not actually a regulatory body. Crucially, local businesses can choose whether to use the court system. Stakeholder consultation has provided some evidence that although businesses recognise that the Commercial Court system is preferred in terms of its experience, they sometimes elect to settle out of court in order to resolve claims more quickly. The programme design document recognises that foreign investors also have a choice of jurisdictions, and often elect not to use the Ghana Commercial Court system, citing issues around timeliness and transparency of judgments.

Compliance cost methodology can be used to measure the extent to which reforms have reduced the burden of those businesses using the Commercial Court system and to encourage other businesses, both local and foreign, to choose the Ghana Commercial Court system over other alternatives. Because commercial court cases tend to be relatively high-value, infrequent events, and because Ghana's high interest rates are applied to the final judgment amount from when the claim was first submitted, the greatest measureable gains in reducing the cost of compliance for using the commercial court system are likely to be around reducing the time to execute judgments.

4.3.4 Existing M&E systems

The commercial courts service has developed a paper-based *Commercial cases monthly returns* form. This collects data on:

- cases by court type
- case category
- nature and gender of plaintiff and defendant
- fees paid to court and bailiff
- number of processes and adjournments
- time to dispensation at pre-trial / Alternative Dispute Resolution (ADR) or trial stage
- judgment amount

The consultant recommended that the form also track time to execution of judgment. This form can be used to aggregate data on cases by type and time to dispensation on a monthly basis.

The World Bank is developing an electronic case management system (CMS) which may be used in addition or in place of the paper based form detailed above. The CMS will also be able to check whether procedures remain within statutory limits, one of the output indicators proposed below.

The approach to small claims courts is still at early design stage so M&E of small claims courts was not evaluated.

4.3.5 Output indicators for the Commercial Courts component

The following output indicators were agreed during discussions.

Table 1: Agreed output indicators for the commercial courts component

Original Indicator	Revised Indicator	Comments
1.1 Backlog of commercial cases in commercial court and pilot district (small claims) courts	1.1 Backlog of commercial cases in commercial courts	This indicator measures a major contributing factor in delays to disposal. Although it overlaps with Output Indicator 1.2 below, case backlog is of importance for the Commercial Court's own management objectives and can be kept to show synergy between the objectives that both organisations are trying to achieve. Because the rationale for small claims courts or procedures is not well developed, this language has been removed from the indicator. A separate indicator for small claims courts will be developed when this is made clearer.
1.2 Average time for case disposal in targeted courts - Commercial and Small Claims	1.2 Average number of days for case disposal in targeted courts (disaggregated by cases disposed of through ADS / Pre-trial settlement and trial, and time to execute judgment)	Average time for case disposal will be tracked by different stages in order to identify potential bottlenecks. Data can also be disaggregated by other factors to identify what characteristics are associated with greater delays.
1.3 N/A	1.3 % of cases with all procedures disposed of within statutory limits	This indicator represents the effective functioning of the electronic Case Management System, which is meant to flag when procedures have overrun. The number and length of procedures were also identified as contributing to court delays.
1.4 N/A	1.4 Extent to which issues raised in the court-administered user survey have been addressed	While the commercial court system seems to have a good idea on the current drivers of delays, consultation with frequent users can help the court understand additional drivers or the likely effectiveness of proposed reforms.

It was agreed that the programme should incorporate an indicator on small claims courts or small claims procedures once this activity has been developed further.

4.4 Tax Component DRR

4.4.1 Background

The Business Case for BEEP identified taxpayer revenue collection as another of the initial areas for targeted reform. The Ghana Revenue Authority has separate taxpayer offices set up for large, medium, and small taxpayers. Under the previous round of reforms (PSDS 1), the GRA was able to develop self-assessment software for distribution by CD-ROM, and Pay-As-You-Earn (PAYE) tax helper software was made available on the Internal Revenue Service (IRS) website.

The design document for the tax component identifies the following intervention areas:

- Develop self-help software for taxpayers,
- Promote recordkeeping culture among the informal sector.
- Establish one-stop customer service centres.
- E-services.
- Timely issuance of permits, licenses and certificates.

4.4.2 Additional findings

Discussions with stakeholders concerning a Small Taxpayers Office (STO) and Medium Taxpayers Office (MTO) in greater Accra have expanded the rationale put forth in the taxpayer workplan. According to these stakeholders, taxpayer offices are driven by GRA revenue collection targets, with Corporate Income Tax (CIT) and Value Added Tax (VAT) the most important sources of tax revenue. However, the projected growth differs between the two offices. For the STO, most increased tax collection comes from start-up small companies registering to pay taxes for the first time, whereas for the MTO, an estimated 85% of increased tax revenues comes from increased revenues from registered companies. For both offices, about 20% of registered businesses were late filers and another 20% were 'dormant', meaning that they had not filed tax returns either because they had moved or had not earned a profit over the year.

The taxation schemes also differ between offices. STOs currently use provisional assessment, where an estimate of final tax is based on estimated annual turnover. Most small businesses do not have adequate records to inform this estimate, and so under-report turnover and underestimate final tax. MTOs and LTOs use self-assessment, where accounts and records are required, and businesses are penalised if actual chargeable income varies from estimates by more than 10%. The GRA is looking to move small taxpayers to the self-assessment scheme but needs to ensure that accurate records kept beforehand.

4.4.3 Theory of Change

The Business Case and design document suggest that the emphasis of these interventions is on increasing voluntary taxpayer compliance, particularly among Small and Medium Enterprises (SMEs) and the informal sector. The theory of change assumes that by reducing the compliance cost for submitting tax returns and building capacity and sensitising SMEs and the informal sector in providing the required information, the component will increase

voluntary taxpayer compliance. The Business Case and design document also state that the tax component should lead to reduced informality within the business sector.⁵

Discussion with stakeholders has revealed several problems with these assumptions. First, the present model assumes that all target entities want to comply with paying taxes and that the cost of compliance is the only barrier dissuading them from doing so. In reality, entities may be motivated by a range of factors, including size, actual turnover and tax liability, registration status and need to obtain other government services or benefits,⁶ perceived and actual consequences of non-compliance, and levels of knowledge, information, and attitudes about paying taxes. Moreover, the motivations between entities which are 'visible', i.e. already registered with the GRA or another government agency, and 'invisible', or part of the informal sector and not known to the GRA, may differ substantially.

A more complete understanding of taxpayer motivation, including within the informal sector, may allow for better intervention design, identification of indicators to measure, and a more realistic target number of entities that will start paying taxes as a result of the intervention. The informal sector may have a role in contributing to newly registered small businesses, although medium sized informal businesses are also known to exist. The 'tax gap' project funded by GIZ is underway which may inform this understanding.

Second, all individual activities in the tax component should normally demonstrate that they have added value, that is, they bring in more tax revenue than they cost to administer. Compliance cost methodology under Ghana BEEP can help the Ghana Revenue Authority estimate the administration and enforcement costs associated with each component activity and set targets for revenue collection.

It is suggested that in addition to the M&E data outlined below, BEEP provide support for additional research, data collection, and analysis to help the GRA analyse whether proposed activities such as individual taxpayer assistance modules and Customer Care and Advisory Services 'one-stop shops' are likely to have added value. It might also help the GRA determine whether it is worthwhile to target the 'informal sector', entities which are not registered with the government and not paying taxes, as the administrative and enforcement costs may exceed the expected revenues.

⁵ BEEP Business Case, p.2., and Support to finalise workplan for the tax component, p.14.

⁶ A Taxpayer Identification Number is required only for certain transactions, including importing goods, registering title or interest in land, obtaining a Tax Clearance Certificate from the IRS (a prerequisite to applying for Building Development Permits and Business Operating Permits – see local licensing component below), and receiving payment for a government contract. The Ghana Living Standards Survey estimates that 88% of Ghanaians are employed in the informal sector, and therefore have no TIN and are not subject to taxation or government regulation.

4.4.4 Existing M&E systems

Ghana has no single identification number for individuals or businesses. Instead, entities have separate identification documents for different government departments, i.e. a Taxpayer Identification Number (TIN), National Identification Card, Driver's License Number, and National Health Insurance Scheme card.

For entities that have registered with the government and are paying taxes, the GRA will have unique taxpayer identifying information (TIN), contact details, information about the business including size category, number of employees, and turnover, amount of tax paid, and history of tax payment.

For entities that have registered but are not paying taxes, it is unclear whether the GRA is able to aggregate or cross-reference this information. TIN applications are processed by four departments⁷ and it has not been confirmed whether the GRA maintains a consolidated list of TIN registered entities. For entities that have not registered to pay tax but have registered for other government services, it seems there is currently no practical method (i.e. electronic database) of cross-referencing individuals by National ID card, National Health Insurance Scheme, or Driver's License. Identifying and contact information for these entities can be obtained but this may require substantial resources.

Entities that are not registered with government services are part of the so-called 'informal economy'. The Ghana Living Standards Survey (GLSS) estimates that up to 85% of Ghanaians are involved in the informal economy⁸. The GRA holds no data on these entities, however, it seems that substantial academic and other third-party research is available on the sector. Stakeholders also mentioned an ongoing 'tax gap' project commissioned by another donor, but it is not clear whether this will address the informal economy.

The GRA is best placed to provide information on taxes and other revenues collected from small, medium, and large businesses. From initial stakeholder consultations, it was unclear whether the GRA has the ability to aggregate information such as the average amount of over- or under-payment by business category, average time to process refund claims, percentage of tax returns that are audited, and result of audits.

The GRA does not seem to be able to produce information on the numbers of businesses using the e-filing system, although this was rolled out under PSDS1. Likewise, although taxpayer offices can give the number of staff working in compliance, taxpayer services, and

⁷ The Register General's Department, Domestic Tax Revenue Office, Custom Division Office, and Large Taxpayer Unit. *Ibid.*

⁸ See, e.g., Haug, J. (August 2014). 'Critical Overview of the (Urban) Informal Economy in Ghana'. Friedrich Ebert Stiftung.



audit, and there is currently no system to track or aggregate time spent processing individual returns.

4.4.5 Output indicators for the tax component

The following output indicators were agreed during discussions.

Table 2: Agreed output indicators for the tax component		
Original Indicator	Revised Indicator	Comments
	2.1 % of tax returns with final figures within 90% of initial estimates (STO, MTO, LTO)	This indicator is introduced as a measure of the success of various activities in increasing the capacity, recordkeeping, and accuracy of taxpayers.
2.1 Number of hours to comply with tax payments per annum		This will be measured under Outcome Indicator 2 to calculate compliance cost savings.
2.2 Number of small and medium tax payers preparing tax returns with ITREP systems	2.2 Number taxpayers preparing returns with iTAPS self-service tax preparation system/software	
	2.3 Number of visits to CSCs (monthly rolling average)	This measures usage of Community Service Centres as an intermediate indicator to accurate tax returns.
	2.4 Number of previously dormant or unregistered businesses submitting tax returns through iTAPS or CSCs	This tests the effectiveness of voluntary compliance as a result of regulatory reforms, a key assumption in the theory of change.

4.5 Local Licenses, Fees, and Permits DRR

4.5.1 Background

Local licenses, fees, and permits was the third reform area identified. The Business Case notes that according to the Doing Business methodology it takes an average of 201 days to complete the process to obtain a construction permit and 12 days to obtain a Business Operating Permit (BOP), and that both of these affect the time it takes to start a business in Ghana. The component will reduce the time it takes to:

- Obtain a Building Development Permit (BDP) or construction permit;
- Obtain or renew a BOP in order to operate locally.

4.5.2 Additional findings

The local licensing team recently made their own calculation of the number of days required to obtain a construction permit in order to inform target setting. The team estimated the average number of days to be 140, with a target for reducing this to 90 by the end of the programme period. This evidences the limits in using the Doing Business methodology to represent progress in this component.

4.5.3 Theory of Change Discussion

The Business Case and design document state that interventions for local licenses, fees, and permits are aimed at reducing delays and making licensing processes more efficient, thereby reducing fees. Reduced delays affect the opportunity costs for businesses unable to operate without BDPs or BOPs. Reduced fees affect substantive compliance costs. Although not mentioned, making the licensing process more efficient may also reduce the information required from applicant businesses, and the staff time required from the Ministry of Local Government and Rural Development (MLGRD) and associated agencies to process licenses.

Although this logic seems straightforward, there are several issues to consider. First, the targets for BOPs are reducing the processing time from 10-14 working days to 5 working days. This affects only start-up businesses, as existing businesses can presumably re-apply for their BOPs at the end of the year. It seems that the opportunity cost for businesses applying for a BDP are overlapping and far more substantial, as potential new businesses may go for more than half a year without premises from which to operate. Delays in the issuing of BDPs have potential chilling effects on the construction sector as well.

Second, the ToC assumption that efficiency gains in the licensing process will be passed on to applicants in the form of reduced fees is not well evidenced. Consultation with stakeholders reveals that local government is under increasing pressure to raise money from local businesses through these fees and remit a portion of their revenues to the national offices. Fees and licensing may therefore be meant to generate revenue for local government and may not represent the actual cost of administration and enforcement.

Third, the cost of fees has different impacts on different sizes of businesses. Fees generally impact small and medium businesses more than large businesses, because they are a greater percentage of their operating budget. For large companies, the amount of fees may be less significant than the perceived lack of transparency and consultation in setting fees or in putting this revenue towards local development projects.⁹ The Association of Ghana

⁹ Fees tend to have more of an impact on smaller businesses than larger ones.

Industries (AGI), a group that represents mostly larger businesses, as noted that local government has apparently agreed to one fees regime and then increased it through a Fee Fixing Resolution. A business leader noted that local governments sometimes effectively single out individual businesses for substantial fee increases.¹⁰ Support to local government in fixing fees that represent the actual cost of administration and enforcement may address issues of transparency but ignore pressures on local government to raise revenues through fee setting.

4.5.4 Output indicators for the local licenses component

The following output indicators were agreed during discussions.

Table 3: Agreed output indicators for the local licensing component

Original Indicator	Revised Indicator	Comments
N/A	3.2 Proportion of BDP applications deferred or rejected because of incomplete or improper submission	Several of the activities in the local licenses component are geared towards streamlining the BDP process. Applicants who submit incomplete or improperly supported applications is a major cause of delays. This indicator measures the effectiveness of activities such as DAMS and citizen information initiatives to inform applicants of application requirements.

4.5.5 Existing M&E systems

For the BDP, several local offices are involved in different stages of the process, including the Town and Planning Commission, Land Commission, Fire Department, Environmental Protection Agency, building inspectorate, and water commission.¹¹ Initial approvals come together as separate documents to support the application as submitted to the Town and Country Planning Department. While individual offices keep track of the average time taken to process applications at each stage, it does not seem like there is a way for the agencies to track the overall time taken to process an application from start to finish. The case is similar for the BOP, where agencies involved keep track of the average time taken to process applications at each stage, but none are responsible for the overall process.

Data on the cost of administration and enforcement is not aggregated nationally but may be available at local level. This will be addressed in a follow-up visit. It is in the interest of both businesses and agencies to increase the efficiency of the process, however, as mentioned in the previous section, there is an issue as to whether fees are meant to generate revenue for local governments or to represent only the actual costs of administration and enforcement.

¹⁰ Although business licensing and operating fees are set by business category, in some localities there is only one business operating in a specific sector beyond a given threshold.

¹¹ Source: Doing Business methodology/ <http://www.doingbusiness.org/data/exploreeconomies/ghana/dealing-with-construction-permits/>

Applicant businesses are best placed to report on the impact of cost of fees and of collecting required information, as well as the opportunity cost for waiting to receive the license.

4.6 Private Sector Policy Facility (PSPF)

The Private Sector Policy Facility (PSPF) is the fourth programme component, but its activities are geared towards influencing how government engages with the private sector in implementing regulation. A Diagnostic Review Report was not required for this component and no workplan was shared.

4.6.1 Existing M&E systems

The PSPF has set up two levels of advisory facilities, the Better Regulatory Committee (BRC) and user committees for the various components. At the time of the assignment, the user committee for the local licenses component had been established.

The consultant recommends leveraging these existing resources to contribute to the M&E framework outlined in Section 6 below. In particular, the BRC can be used to provide independent evidence on the extent to which the Government of Ghana has improved its approach to regulatory reform as a result of BEEP activities (Outcome Indicator 4). The BRC and user committees have also been used as consultative user groups as outlined in Section 6.3.1, and it is recommended that the same businesses involved in user committees be included in the consultative user group panels. However, user committees have a different Terms of Reference and objectives than consultative user groups, so these activities should be kept separate.

4.6.2 Output indicators for the Private Sector Policy Facility

The following output indicators were agreed during one-to-one discussions.

Table 4: Agreed output indicators for the Private Sector Policy Facility

Original Indicator	Revised Indicator	Comments
4.1 Understanding amongst MDAs and private sector and media coverage of reforms	4.1 Quality of inputs generated by BRC and user committees	This indicator is meant to ensure that BRC and user committee input remains relevant and useful to the programme.
4.2 Number of MDAs and business groups introducing or tracking improved business processes as a result of evidence generated by the programme (cumulative)	4.2 Extent to which BEEP sponsored approaches are taken over by MDAs, business associations, and government	The original indicator is now reflected in Outcome Indicator 4 on influencing overall government processes. The new indicator is qualitative and represents the influence that BEEP has on other implementing partners. This indicator can be used to capture demonstration effects on other ministries, or the sustainability of capacity building activities such as cost-benefit analysis, improved business confidence surveys, and compliance cost methodologies.

5. Programme Level Theory of Change

5.1 Discussion of programme level theory of change

The Ghana BEEP programme level theory of change was first articulated in Figure 2 (paras. 38-41 and 63-64) of the Business Case, and underwent one further revision. The M&E specialist reviewed the Theory of Change and assessed that it was relatively strong for individual components but the programme lacked overall coherence at the outcome and impact level. The consultant noted the incongruity of including an indicator on Foreign Direct Investment when it was not clear that this was the programme's sole aim.

At output level, there is a clear practical rationale for selecting the current components for targeted reform. This is based on identified weaknesses and growth potential and demonstrated willingness for each of the agencies to engage with the DFID BEEP team, especially given that the BEEP programme may look to serve as a bridge between the first multi-donor business enabling development programme, PSDS1, and the anticipated follow-up to that programme, PSDS2. However, the three components selected do not have any particular coherence or synergy – the commercial courts component may most benefit large financial companies, while the tax component may most affect SMEs, and the local licensing component will affect start-up businesses – and in isolation may not achieve measureable effects at outcome level.

The rationale for Outcome Indicator 1, improving Ghana's rankings in the Doing Business survey, is not clearly articulated. It is understood that Doing Business Indicators are meant to be shorthand for improvement against different dimensions of the business enabling environment in Ghana. However, there are several methodological problems with using the Doing Business rankings as proxies for tracking progress at outcome level.

First, as the logframe acknowledges, because rankings are relative, changes do not necessarily reflect absolute improvements for Ghana in these areas, and could just as well represent deterioration amongst peer countries. The logframe originally referenced Doing Business Distance to Frontier scores, which measure the extent to which individual countries match up with the recent highest score, and could be used as a more absolute measure of improvement. However, discussions with the BEEP team have revealed that Ghana's position relative to its peer countries does feature in the programme theory of change.

Second, the selected Doing Business indicators change over time, with methodological changes introduced for the Enforcing Contracts and Dealing with Construction Permits indicators in 2016.¹² Changes in methodologies or estimates used to calculate the Doing Business rankings may themselves result in substantial changes in rankings without any underlying changes in the regulatory environment, or else provide incentives to improve rankings by 'gaming the system' rather than responding to needs. There is evidence from stakeholders that the CJCE component is focusing on small claims procedures and that the local licenses component is focusing on BDPs in part because of the weight these elements have in the 2016 Doing Business Rankings.

Finally, the assumption that BEEP will have demonstration effects for the wider sector is implicit in the Business Case and the selection of Option 2, targeted reforms, rather than the more comprehensive and coherent programme laid out in Option 1. Measuring demonstration effects allows the programme to demonstrate that it is leveraging impact outside of the original component areas.

5.2 Revised programme level impact and outcome indicators

A summary of revised BEEP logframe indicators at impact and outcome level, responding to the discussion above and agreed in the Theory of Change workshop with DFID on 4 July, is presented in the table below. Proposed changes at output level are presented in the respective Diagnostic Review Reports above.

The full revised BEEP programme logframe is included as Appendix 2 (separate attachment).

¹² In 2016 the Dealing with Construction Permits indicator is introducing a building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements. In 2016 the Enforcing Contracts indicator is introducing a quality of judicial process index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the commercial court system. (Source: World Bank Doing Business Indicator Methodologies, www.doingbusiness.org)

Table 5: Changes in BEEP programme impact and outcome Logframe Indicators

Original Indicator	New/Revised Indicator	Methodology	Rationale
Impact Indicator 1			
N/A	Number of active registered businesses (small, medium, and large)	The Ghana Integrated Business Establishment Survey (IBES) is a census of all active businesses in Ghana. It should be able to provide the number of active businesses from the Business Register by size and sector. IBES data is set to be released in December 2016.	The Ghana BEEP Theory of Change is aimed at improving the domestic business environment in Ghana, an extension of increased business confidence measured in Outcome 3 below. The number of active registered businesses is a proxy indicator for this growth which involves less assumptions and externalities than measures like GDP or jobs created.
Outcome Indicator 2			
% decrease in compliance cost in three targeted reform areas	Estimated compliance cost savings due to BEEP reforms	<p>Compliance cost savings calculated by net change in compliance cost x number of entities affected x number of times entities regulated.</p> <p>Compliance costs include:</p> <p>Substantive compliance costs, including any reductions in fees and monetised staff time.</p> <p>Administrative burdens, including estimated monetisation of reductions in staff time taken to comply with regulations due to reduced information requirements or other streamlining mechanisms.</p> <p>Opportunity costs, calculated as the monetised value of</p>	Measuring % decrease in compliance cost alone does not account for the number of entities benefitting from the reforms. The revised indicator captures the impact more fully and calculates compliance cost savings for sub-components of compliance costs.

Table 5: Changes in BEEP programme impact and outcome Logframe Indicators

Original Indicator	New/Revised Indicator	Methodology	Rationale
		the reduction in delays in the regulatory process which can be shown have prevented entities from using resources for more productive means.	

Table 5: Changes in BEEP programme impact and outcome Logframe Indicators

Original Indicator	New/Revised Indicator	Methodology	Rationale
Outcome Indicator 3			
N/A	Business confidence index (one-year rolling average)	Developed in conjunction with an M&E specialist, with preference on building on AGI's business confidence survey, one of the longest running in Ghana. The business confidence index should include objective measures such as business inventory levels and jobs creation as well as subjective measures on perceptions of economic conditions.	BEEP Ghana aims to improve the business environment in Ghana by making regulations more transparent and predictable, enabling businesses to better predict regulatory costs and have greater confidence to invest more money in growing their business. A business confidence index is an objective and subjective measure of the domestic business environment in Ghana. Business confidence indexes are used across OECD countries as a proxy for economic growth.
Outcome Indicator 4			
N/A	Extent to which Government of Ghana improves its approach to regulatory reform as a result of BEEP activities	Members of the Better Regulatory Committee will be asked to give evidence as to whether the Government of Ghana has improved its approach	Businesses currently perceive that the government does not take their concerns on board when making new regulations. A narrative measure of influence will illustrate the extent to which the programme has been able to change the way the Government of Ghana responds to business-led evidence and advocacy.

6. M&E Framework and Plan

An M&E framework and plan was one of the deliverables set out in the consultant Terms of Reference (Appendix 1).

6.1 Levels of rigour for compliance cost assessment

The OECD paper on compliance cost assessment (CCA) outlines four levels of rigour as outlined in table 6 below. The M&E framework incorporates elements from all levels of this framework.

Level	Revised Indicator	Description	Methodology
1	Qualitative analysis	Asks targets (businesses) to identify full range of compliance costs to rank them as minor, moderate, or major.	Interviews or focus groups with user associations or focus panels.
2	Basic Quantitative CCA	Asks purposively selected groups of businesses for rough estimates of key compliance costs.	Interviews or surveys with members of user associations, focus panels, or representative samples of businesses.
3	Medium-scale CCA	Substantial quantification of the costs. May use ranges, benchmarks, or rules of thumb based on stakeholder consultation.	Above combined with available third-party economic data from Ghana, particularly by sector of interest.
4	Major CCA	Uses stakeholder surveys and workshops, and research of similar regulation in other countries.	Above combined with available macro-economic data and comparison with other countries.

Source: OECD (2014).

6.2 Representativeness of M&E data

One of the primary weaknesses identified in the current approach to M&E is that members of the Better Regulatory Committee (BRC) and component user committees are not necessarily representative of the full range of programme beneficiaries. Initial engagement with potential beneficiaries through the Association of Ghana Industries (AGI) resulted in businesses with a similar profile: medium or large businesses that had been established for 15-25 years. While these types of businesses will benefit from BEEP reforms, small, start-up businesses will also benefit in different ways. DFID has identified both groups as potential beneficiaries of BEEP, alongside the MDAs themselves. A mapping of the different categories of programme beneficiaries can be found in Table 7 below.

The programme level M&E framework broadens the range of programme level beneficiaries from which M&E data will be collected. The M&E framework now includes provisions for

gathering data on the cost of compliance from MDAs themselves, as well as from certain types of businesses, including small and start-up businesses, which were not included in initial programme level M&E.

Table 7: Identified beneficiary groups (businesses and MDAs)

Target group	Likely impact areas	Description	Available data
Informal sector Start-up businesses Registered small businesses	<ul style="list-style-type: none"> • Business Operating Permits • STO self-assessment • Small claims courts 	These three groups face common problems navigating regulatory systems because they are new or inexperienced operators. Many new businesses start out registered as small businesses and use the presumptive income tax method. Informal and start-up businesses are harder to identify because they may not have registered.	Low or none Low Medium to high
Medium and large businesses	<ul style="list-style-type: none"> • Building Development Permits • MTO self-assessment • Commercial courts 	Have significant turnover and staff numbers and the greatest potential to expand. Commercial disputes are infrequent but have high value.	High
Financial sector / frequent commercial court users	<ul style="list-style-type: none"> • Commercial courts 	The financial sector brings most of the commercial court claims, especially through debt recovery. These entities tend to be known and registered.	High
Construction sector	<ul style="list-style-type: none"> • Building Development Permits 	Has a particular stake in the time taken to issue BDPs. Construction companies may range from informal to large, and may vary in terms of their knowledge of the regulatory regime.	Low to high
Foreign owned businesses Female owned businesses	<ul style="list-style-type: none"> • Business Operating Permits • Building Development Permits • Commercial courts 	These groups are alike in that because of their 'outsider' status they may find it harder to access and navigate the regulatory regime.	Medium Medium
Greater Accra area	<ul style="list-style-type: none"> • Building Development Permits • Commercial courts • Taxpayer services 	Due to the concentration of businesses and the piloting of several interventions in the Accra area, Accra is likely to have the greatest potential for impact. Licenses are more expensive and complex, and there is a greater volume of high value commercial activity.	Medium
Local level MDA offices	All	Implementing partners (MDAs) may also benefit from improved operational efficiency and increased revenues. This data will be gathered at local level and passed up the management chain.	Medium
National level MDAs	All		Low to medium

6.3 M&E baseline data collection plan

The programme will collect baseline data on the cost of compliance using consultative user groups and representative surveys of businesses and MDAs.

6.3.1 Consultative user groups

Level 1 qualitative analysis is used to identify whether the impact of proposed regulatory reforms is likely to be low, medium, or high for selected beneficiary groups, and to solicit feedback as to how the burden can be minimised. This method was used to map out the impact of the existing set of proposed regulatory reforms. Note that data gathered at this level is not representative and cannot be used to quantify the cost of compliance.

The BEEP programme should put together a roster of businesses matching the profile outlined below. A wider roster of businesses should be identified from which the programme can compose panels on specific regulations, in case some are unavailable. When the BEEP programme or the Government of Ghana proposes new regulations or regulatory reforms, businesses can be empanelled and consulted on the likely effects of the proposed regulations, either as distinct panels representing particular business sub-types or as an overall panel with representation from different categories. Membership of the panel can be drawn from existing user groups from the various components and topped up with other businesses matching the profiles needed. Businesses on the roster can fulfil different roles, i.e. a small start-up business working in the construction sector could be called on for the small business panel, start-up business panel, or construction sector panel.

Table 8: Sampling strata for consultative user groups (businesses)

	Strata	Panel	Roster
Size	• Registered small businesses	2-3	4-5
	• Registered medium and large businesses	4-6	8-12
Sector	• Financial sector / frequent commercial court users	2-3	4-5
	• Construction sector	2-3	4-5
Type	• Start-up businesses	2-3	4-5
	• Foreign owned businesses	2-3	4-5
	• Female owned businesses	2-3	4-5
Admin	• Local level MDA offices	6-9	12-15
	• National level MDAs	3	3
Location	• Within Greater Accra	12-16	20-24
	• Outside Greater Accra	6-8	10-12
Total		18-24	30-36

6.3.2 Representative surveys of businesses and MDAs

The basic level 2 quantitative methodology allows the programme to monetise compliance cost savings to aggregate into the impact of the programme. It does so by estimating cost savings within each sector and then using macroeconomic data to estimate the total impact. The accuracy of these estimates depend on the quality of the data gathered about each sector, including the representativeness of the sample. The accuracy also depends on the quality of the macroeconomic data available in Ghana.

Research specification

The programme will commission a research firm to administer a representative business survey to gather baseline data on the cost of compliance. The representative business survey will include structured and systematic questions around the cost of compliance for each regulatory reform area, identifying which personnel are best placed to answer these questions and walking respondents through all potential areas of cost, including opportunity

costs, financial costs, and substantive compliance costs. The survey may also include business confidence or satisfaction questions.

The programme will also commission a research firm to administer a representative MDA staff survey at local level. This survey will ask structured and systematic questions around the time taken on administration and enforcement of activities covered by the reform areas, as well as the level of staff covering these responsibilities.

Both surveys will be developed by an M&E consultant with input from the component level TAs. Enumerators will be trained in administering the survey and in clarifying questions respondents may have and definitions used.

Sampling size and strategy

The required sample size should be able to demonstrate whether broad reductions in compliance cost are achieved across categories of interest from the baseline (Q3 2016) to after reforms are embedded (Q2 2019).

Sample for the representative business survey

Because of concerns over business turnover and sample attrition, no efforts will be made to follow up individual businesses within the sample, so two independent samples will be drawn and an independent means test will be used. Using standard parameters,¹³ in order to measure the target of a 40% reduction in the cost of compliance, two waves of 78 businesses are required for each category of interest. The research specification is outlined in Table 9 below, with a total sample size of around 260 businesses per wave. Quota sampling, or choosing businesses according to a list of characteristics, may be used in order to achieve the desired distribution of businesses amongst selected categories. Note that as with consultative user groups, businesses can fill more than one slot in the sample. Results from the survey can be weighted by category based on national economic data in order to produce an overall estimate of compliance cost savings across the intervention areas, accounting for any overlaps in categories.

The sampling frame can be complete lists of registered taxpayers held by the Ghana Revenue Authority (GRA), according to business size, location, and other desired strata.

¹³ Assumptions are power = 0.8, $p < 0.05$, one-tailed hypothesis as the regulatory burden is expected to decrease, effect size 0.40. Calculated using G-Power 3.1.9.2.

Informal sector businesses are of interest to the programme, but due to sampling and other methodological issues, they will not be included in the representative business survey. The informal sector will be researched using different means. See Section 7 below.

Table 9: Representative business survey sample frame

Base group	Subgroup 1	Subgroup 2	Businesses per wave
Registered small businesses	• Construction	Within Greater Accra	39
		Outside Greater Accra	
	• Financial	Within Greater Accra	39
		Outside Greater Accra	
	• Other Sectors	Within Greater Accra	62
		Outside Greater Accra	
	• Women owned		39
• Foreign owned		39	
• Recent start-up		52	
Subtotal: Small businesses			130
Registered medium and large businesses	• Construction	Within Greater Accra	39
		Outside Greater Accra	
	• Financial	Within Greater Accra	39
		Outside Greater Accra	
	• Other Sectors	Within Greater Accra	62
		Outside Greater Accra	
	• Women owned		39
	• Foreign owned		39
• Medium	Recent start-up	19	
	Established	20	
• Large		39	
Subtotal: Medium and large businesses			130
Across all size categories	• Subtotal: Women owned		78
	• Subtotal: Foreign owned		78
	• Subtotal: Financial owned		78
	• Subtotal: Construction sector		78
	• Subtotal: Recent start-up		78
	• Subtotal: Within Greater Accra		174
	• Subtotal: Outside Greater Accra		87
Total			260

Sample for the MDA staff survey

Because of difficulties in following up with individual staff members, two independent samples will be drawn and an independent means test will be used. The staff survey will be administered to all judges and staff working in the commercial courts, tax, and local licensing components in the pilot areas.

6.3.3 Macroeconomic data to estimate overall cost reduction

In order to estimate the total compliance cost savings in each regulatory area, the difference in the total number of hours spent on compliance should be multiplied by the value of staff time and the number of businesses affected. The programme can draw on third-party macroeconomic data to provide these estimates.

Available benchmark figures for cost of staff time

Benchmark figures for the cost of staff time can be used instead of asking regulating and regulated entities for wage data, which may be considered sensitive, or to sense-check wage data received from focus groups or surveys. This data helps calculate macroeconomic estimates of cost savings on a regional or sector-wide basis. In order to estimate the cost of staff time in complying with regulations, the OECD compliance cost assessment guidance recommends applying a discount or premium of around 25% to average wage costs depending on if the information requirement is easier (low skilled or junior staff time) or more complex (high skilled or senior staff time) to complete.

Estimating private sector staff costs

Private sites seem to collect private salary data by sector for Ghana. Mywage.org gives the following monthly salary range estimates for Ghana:

Table 10: Monthly Salary Range Estimates	
Skill level	Monthly salary range (GHS)
Low	320 – 480
Medium	310 – 640
High	600 - 1030

Source: Mywage.org. Accessed June 2016. <http://www.mywage.org/ghana/home/salary>

Estimating public sector staff costs

For regulating entities, the 2010 Single Spine Pay Policy (SSPP) can be used to estimate the wages of public sector employees at different levels. This can be combined with focus group or survey questions under Level 2 asking MDAs what grades of staff are generally involved in administration and enforcement.

6.4 Making international comparisons and factoring in other macroeconomic variables

6.4.1 International comparisons

The OECD approach is a common agreement between countries, and is informed by the European Union Common Market for standardising definitions and methodologies. Comparison of the costs of similar regulation in developing countries is difficult if standardised methodologies are not used. However, several options are available.

The Ghana BEEP programme has a built-in international comparator in the form of the Doing Business Indicators. The limitations of these indicators are discussed above and in the Stage 1 and 2 report, but the strength of the Doing Business Indicator is that it applies standard definitions and methodologies to a wide range of developing countries.

Individual component workplans have also identified similar regulatory reforms against which progress can be benchmarked. These are:

- Commercial contracts component: The Uganda Commercial Court; countries in Sub-Saharan Africa improving their Doing Business indicator rankings from 2006-2015, of which Rwanda is foremost; approaches to mediation in Kenya, Mauritius, Nigeria, and Rwanda; simplified small claims proceedings in Burundi, Kenya, and Uganda
- Tax component: Improvement in Rwanda's Doing Business indicator rankings through the introduction of quarterly filing of VAT for SMEs; web resources to provide tax calculators; and Business Development Services centres
- Local licenses component: Regulatory guillotine approach in Kenya, Rwanda, Egypt, and Tunisia; best practice in Doing Business rankings from Namibia and good practice in Kenya

Ghana BEEP can compare the extent to which various reform areas have achieved as much as the regulatory reforms identified through a series of short commissioned research pieces.

6.4.2 Estimating other key macroeconomic variables

For a large scale quantitative assessment, the OECD compliance cost assessment guidance recommends modelling results taking into account key macroeconomic variables such as the discount rate, proxied by inflation rate.

In Ghana, the other key variable to consider is the prime lending rate. At 23-25% annually, it is one of the highest in the world. This affects the opportunity cost incurred by businesses waiting for the issuance of a permit, tax refund, or court judgment. The prime lending rate affects and is a proxy for both interest rates on loans for businesses and interest rates charged on the principal of a commercial court judgment. The Bank of Ghana calculates both of these indicators and they are publically available.

7. Capacity Development Plans

The consultant Terms of Reference deliverables include capacity development plans for the three components.

7.1 Capacity development plan for Commercial Justice and Contract Enforcement (CJCE) component

The CJCE component has a dedicated M&E function and has recently developed a monthly returns sheet that should be able to collect all required data at output level.

To build capacity for the CJCE component, Ghana BEEP can:

- Support CJCE data collection priorities of tracking case load and soliciting responses from its User Committee by ensuring these indicators are reflected in the Ghana BEEP logframe under Output 1.
- Help CJCE analyse the data it has collected to determine where the primary causes of delays in commercial court cases are, and help CJCE design additional activities and interventions to address these causes of delay, supported by qualitative research as appropriate.
- Ensure that CJCE User Committees are broadly representative of commercial court users, although these may be weighted towards frequent users of the court, so that feedback represents the full range of court users rather than those who are the best connected or the most opinionated.
- Support qualitative research on likely users of ‘small claims’ or expedited commercial procedures in the commercial court in order to help CJCE make the case for this activity to the Chief Justice of the Commercial Court.
- Liaise with the World Bank team responsible for the electronic Case Management System to ensure that the CMS is fit for purpose and fits in with existing CJCE priorities.
- Facilitate access to the Better Regulatory Committee, User Committees, and consultative user groups to test out regulatory reform which affects commercial court users and ensure the CJCE understands how reforms will affect the burden of commercial court users.

7.2 Capacity development plan for tax component

The Ghana Revenue Authority (GRA) gathers data on all registered taxpayers and is developing systems to share the data among taxpayer offices across the country. However, they have limited information on the informal sector and have not been able to produce convincing usage statistics for the first phase of the iTAPS taxpayer assistance software.

In order to build capacity for the tax component, Ghana BEEP can:

- Help the GRA perform cost-benefit analysis on proposed activities to determine whether they are likely to have added value. This analysis can show the value for money of activities such as individual taxpayer assistance modules and Customer Care and Advisory Services ‘one-stop shops’. The GRA can then submit a business case about the cost-effectiveness of these initiatives to Ghana BEEP before or after a pilot phase to justify expenditure.
- Work with the GRA to write Terms of Reference for a research piece on whether it is worthwhile for the GRA to target the ‘informal sector’, entities which are not registered with the government and not paying taxes. Although the informal sector was emphasised within the BEEP programme, and stakeholders consulted were in favour of widening the tax net, it is not clear whether the administrative and enforcement costs may exceed the expected revenues. A GIZ research paper on ‘tax gaps’ will contribute to this discussion.
- Share the results of the representative business survey with GRA, which can be administered to small and start-up businesses when they move from provisional assessment to self-assessment, to see where the greatest regulatory burden lies and what the GRA can do to ease this burden.
- Facilitate access to the Better Regulatory Committee, User Committees, and consultative user groups to test out regulatory reform which affects small, medium, and large taxpayers and ensure the CJCE understands how reforms will affect taxpayer burden.

7.3 Capacity development plan for local licenses component

Data on Business Operating Permits is collected by the Metropolitan Assemblies, while data on construction permits, including the Building Development Permit component, is tracked once the application is submitted to the Town and Country Planning Department. The local licenses component has convened a User Committee under the PSPF and the Technical Assistant has calculated a baseline for the time needed to obtain the Building Development Permit in order to refine the output level target.

In order to build capacity for the local licenses component, Ghana BEEP can:

- Ensure that the local licenses component tracks the time taken to submit an application at pre-application, application, and post-application stages, to understand the cause of most delays.
- Share the results of the representative user survey, so that the component understands what kinds of businesses experience greater delays in the construction permit process, and considers a sliding scale of local licensing fees based on business size or turnover, so that fees are distributed more equitably among applicants.

- Incorporate members from the local licenses user committee in the programme level consultative user groups, and share access to consultative user groups with small businesses, start-up businesses, and businesses from the construction industry that may be disproportionately affected by regulatory reforms in this area.
- Share the results of the representative staff survey and discuss how efficiency gains in processing BOP and construction permits can influence the amount of revenue collected at local level.

Appendix 1: Terms of Reference – DFID Ghana Design of a Monitoring and Evaluation Framework for the Implementation of BEEP

1. Overview

DFID Ghana is seeking to engage the services of a consultancy firm, consultant or organisation to help design a monitoring and evaluation framework and plan to underpin the BEEP programme and the work plans that will facilitate reporting on implementation progress at the output and outcome levels. The scope below indicates how the BERF programme would assist DFID Ghana in meeting this need by carrying out this work in three stages, detailed further below in the scope section. The first stage of the project will be to put together proposals on how to change the monitoring framework, the second stage will assess the existing monitoring systems and log frame, and undertake an analysis on cost compliance savings. The third stage will be to undertake a theory of change workshop and ensure stakeholders are aware of what will be required in order to measure results. The plan must be proportional to the size of the programme and be cost effective as well as represent value for money.

2. Objectives

The UK will provide up to £10 million over 2015-2019 through the BEEP to help improve the Business Enabling Environment in Ghana. Funding will support targeted institutions within the Government of Ghana to enact reforms; build the evidence base for reform through independent analysis and research; and support Public-Private Dialogue (PPD) to enhance the demand for and effectiveness of reform. DFID will also support the generation of evidence and research through direct commissioning and grants, as well as facilitate PPD mechanisms. The latter will be directly managed by DFID.

DFID support will be provided to targeted Government Ministries, Departments and Agencies (MDAs) that show a strong commitment to enacting reform, with tight financial controls. Additionally, the support seeks to improve evidence leading to better regulation and promote effective Public Private Dialogue (PPD) through implementation of the Private Sector Policy Facility work plan.

The BEEP reform areas are:

- Commercial justice and contract enforcement (including arbitration) - Commercial Courts of the Judicial Service and relevant agencies.
- Improving tax payer services particularly for SMEs - Ghana Revenue Authority (GRA) and other relevant agencies.

- Local level business licensing fees, operating permits and building/construction permits - Ministry of Local Government and Rural Development, and related regulatory agencies.
- Private Sector Policy Facility (PSPF) – Focuses on promoting PPD

Overall oversight of the programme is undertaken by DFID but with a project coordinator and reform technical advisers responsible for supporting Government implement work plans which were developed during the inception phase of the programme.

2.1 M&E within Targeted MDAs

- The Inception Phase of BEEP concluded that M&E within the targeted MDAs was generally weak and this is highlighted in the technical inception phase reports. Even though some MDAs undertake monitoring and evaluation activities, there are limited systems or capacity to consistently define data requirements, develop a sustainable system for collecting data and using this to guide management decisions. There was a distinct lack of data for a number of the reform areas with many of these focusing on activities rather than output indicators. In the inception phase analysis carried out in the four component areas highlighted some actions for taking forward monitoring and evaluation including set up of systems, technical capacity and surveys to help report on programme progress against the programme logical log frame and other sub-component targets not reflected in the log frame.
- At the inception phase , recommendation on BEEP monitoring and evaluation included a mix of systems developed, embedded M&E advisers recruited by the agencies, surveys and capacity building. The proposals under the different components are yet to be synthesised and rationalised into a coherent monitoring and evaluation plan for the programme as a whole. For cost effectiveness it is expected that other indicators in the logical framework and work plans that require surveys to be carried out should either be merged or rationalised.
- A key part of the monitoring programme outcomes include reporting on cost compliance savings as well as business satisfaction indexes or surveys. This is at the programme outcome level and further work is required on how this will be planned and sequenced.
- In delivering the assignment close collaboration and engagement with reform component technical advisers and project coordinator as well as Government counterparts.

3. Link with BER/investment/jobs/poverty (ToC)

This assignment will improve the measurement of results for the DFID Ghana BEEP programme, as well as provide an analysis on the cost compliance and the impact of implementing reforms on businesses and amongst government actors. This will inform the

programme design and also how it will be marked for the annual review grade. Ultimately, this will lead to better informed political and business actors on BE reform in Ghana.

4. Client and Beneficiaries

DFID Ghana – for the Government of Ghana.

The beneficiaries will gain from this assignment by being able to effectively measure and evaluate the impact of the work that is being done to reform the business environment in Ghana, as current data sets and M&E frameworks are poor. The support seeks to improve evidence leading to better regulation and promote effective Public Private Dialogue (PPD), and eventually leading to the implementation of the Private Sector Policy Facility work plan. This support will also provide an analysis on cost compliance and business satisfaction, informing the public and private sectors on the impact and benefits of Business Environment Reform. This will enable effective decision making for the project, and a keen understanding amongst both the public and private sectors of the impact of business environment reforms being conducted in Ghana,

5. Scope

The M&E specialist will be responsible for the following:

5.1 First Stage

- a. First stage will involve putting together proposals in the inception phase reports on monitoring and evaluation into a draft monitoring framework and plan making recommendations for changes in approach to monitoring where necessary. This will be done remotely.

5.2 Second Stage

- b. Undertake an assessment of the M&E systems in all the three implementing agencies (commercial courts of the Judicial Service, Ministry of Local Government and Rural Development and Ghana Revenue Authority). As part of the assessment, analyse the current capacity for data collection.
- c. Using the standard cost or other accepted methodology make proposals on how cost compliance savings can be calculated for all the reform areas and how . The proposal should include how and who will collect the data and report on it.
- d. Undertake an analysis of the BEEP logical framework (including the theory of change in the business case) focusing the analysis on any challenges to the theory of change and related outputs and outcomes and reporting on particular indicators. Obtain agreement

from DFID on this particular element of the assignment before proposing any fundamental changes.

5.3 Third Stage

- e. After the second stage organise a theory of change workshop for all reform partners to go through the BEEP theory of change, draft monitoring framework and plan development, discuss data requirements and implications for reporting. The workshop will also be used to present findings from stage 1 and 2 analyses and solicit feedback on the theory of change.
- f. Finalise the draft monitoring framework and plan incorporating information from steps (b), (c), and (d) and include
 - a. how data will be collected and by whom and the timeframes.
 - b. how baselines will be established and by whom and timeframe
 - c. a capacity development plan (including training and partnerships) where data will be collected by government
 - d. implementation plan that will outline timelines, activities, resources and responsibilities in the implementation of the monitoring framework and plan

6. Method

The consultant will be working for DFID Ghana and will be based in Accra during the assignment although some work remotely is envisaged in the initial phases of the assignment. The consultant is expected to work closely with the BEEP Programme Coordinator

The ultimate decision on whether the ToRs have been met will remain with DFID although the project coordinator will advise DFID in this regard. Therefore the consultants or organisation contracted will provide regular updates on the progress of work to the Programme Coordinator who will then make recommendations to DFID on satisfactory delivery of outputs.

7. Timeframe

It is anticipated that this assignment should be able to be delivered within 25 working days.

8. Deliverables

The outputs for this assignment are:

- M&E framework and plan
- Agreed compliance cost methodology for BEEP and how this will be calculated for all the reform areas.

- M&E Diagnostic Review Reports on all the targeted Agencies
- Baseline data collection plans
- M&E capacity development Plans
- Theory of change and monitoring and evaluation workshop

9. Dissemination

The dissemination of this work will be to DFID Ghana and the stakeholders DFID identifies within the Ghana BEEP programme. If considered appropriate by DFID Ghana, the study will also be published on the BERF website. The work conducted here will also provide a best practice template for how BEEP programmes around the world can conduct M&E on their projects.

10. Workplan (schedule)

Workplan			
w/c March 28th	April 4th to April 15th		April 18th to April 30th
Stage 1	Stage 2		Stage 3
Preparation	M&E system assessment	Theory of Change workshop and Report Finalisation	
5 days	10 days		10 days

11. Competencies Required

For this assignment, experience in M&E for investment climate reform programmes as well knowledge of compliance cost methodology and measurement will be essential. Work experience in Ghana and in particular working with government agencies here is a plus.