

BizCLIR Data Collection, Scores and Limitations

Data Collection:

Data for the *Business Climate and Institutional Reform* (BizCLIR) Diagnostic is collected in a standardized but non-random way. We rely on consultants knowledgeable of local policy and business networks to arrange meetings with diverse actors in the economy who can inform our analysis of the business environment. We find and meet people that have known insights on their community or who maintain a particularly influential role in the community to ensure rich and detailed data are collected to inform reports whose primary use is programmatic support for USAID missions and whose secondary use is to inform local governments, donors and others interested in economic and policy analysis of the economy. Information is gathered to provide a 360 degree view on the subject at hand. People from all angles of the business environment are interviewed, including members of the private sector, government, nongovernmental associations and academia. We interview these “key informants” based loosely on the key informant methodology¹ frequently used in the social sciences. The information derived from these interviews is reported both qualitatively and quantitatively. The remainder of this document describes the process of scoring the quantitative report and its limitations.

BizCLIR Indicator Scores:

A set of “indicators” is used in all BizCLIR reports. Each indicator acts as proxy for an attribute deemed essential to development in a given area of the business environment (e.g., the trade regime, the tax system, etc.). Each of these “attributes” is scored based on our ranking system described below. BizCLIR indicators are a mix between expert opinion and fact-based findings. In the former, BizCLIR indicators quantify expert opinions on various aspects of the business environment, where the quality of the data depends on the expertise brought to bear by the assessment team. In the latter, assessors are responsible for researching and calculating BizCLIR indicators based on the best available information. These scores provide a baseline understanding of how a country fares according to “expert analysis” and provide a quick and easy way to diagnose where problems (or strengths) exist in core legal, regulatory, institutional or social areas. For example, the indicator below comes from the Getting Credit section. A score of 1-5 is given to each “Key Question” based on the criteria set out in the sub or “supporting” questions.

L. The legal framework pertaining to commercial dispute resolution is readily available, clearly drafted, and easy to use.

1. Print copies of law pertaining to commercial dispute resolution are readily available to members of the legal profession, the business community and the general public, including in rural areas.
2. New laws are published according to a uniform, timely and consistently implemented procedure (such as through regular publication of an Official Gazette).
3. Law is published in all official languages of the country.
4. The law is user-friendly -- clearly drafted, well-organized by subject, with a table(s) of contents at the front, and with article headings.
5. Law pertaining to all aspects of commercial dispute resolution is available on a regularly updated Internet site.
6. Courts post or otherwise very clearly identify the fees and costs involved with commencing commercial cases.

¹ See MN Marshall, “The Key Informant Technique” *Fam. Pract.* 13: 92-97, 1996

Indicator scores are used to assist interested readers in understanding relative strengths and weaknesses of a given area of the business environment. In all cases, indicator scores should be considered in conjunction with the written analysis provided in each diagnostic report. The score awarded each key indicator aligns with the following conclusions as they relate to specific questions that constitute each indicator:

- 1 = strong negative
- 2 = moderate negative
- 3 = neutral (or having some negative and some positive qualities)
- 4 = moderate positive
- 5 = strong positive

Uses of the data:

There are a number of constructive uses for the BizCLIR indicators. By quantifying broad concepts of importance to businesses, the indicators can help decision-makers assess progress toward the achievement of intended development goals. Following an assessment, we create a scorecard that is useful in prioritizing areas for reform and, potentially, to track progress over time. This scorecard can be used to help design programs by highlighting areas that are particularly deficient or by showing which areas are worthy of particular praise or replication.

Limitations of the quantitative data:

The ordinal data produced in the process of assessing the 1,000+ BizCLIR indicators has a number of important limitations that should be stated explicitly. Using experienced practitioners to score each of the indicators, readers get expert analysis on the strength of particular aspects of a business environment. It should be noted, however, that the subjectivity in indicator design and lack of precision in ordinal data² limits the reliability of these data for regression analysis. Similarly, a changing roster of team members over time limits the comparability of scores across countries. Finally, it has been the case that certain indicators have been revised to reflect recent development experience over the course of the BizCLIR project. Although an effort is made to build in consistency within regions, we do not encourage comparisons of the *quantitative* component of BizCLIR assessments across countries, and in particular between years, without the prior understanding of what indicators and assessors have changed in the meantime.

Interviews and report writing:

Interview subjects are invited to participate in the assessment interviews first by letter, then by a telephone call to arrange a convenient time and place for the meeting. The duration of the interviews is typically 1-1.5 hours and is attended by team members with a specific expertise in the relevant subject area. For instance, team members interviewing the head of Business Registration and Licensing in the Ministry of Trade and Industry would probably include the authors of the Dealing with Licenses and Starting a Business sections of the report. Meetings are usually limited to 1-2 of the team members.

² BizCLIR indicators produce “ordinal” data. That is, the indicator scores represent a classification of answers from highest to lowest based on a continuum where a five is the best possible scenario and one the worst. Ordinal data allow for comparisons (much like the A through F grading system) but do not offer the level of precision necessary to quantify the level of difference between categories.

Interviewers are encouraged to establish a rapport with their interview subjects. All BizCLIR interviews are off the record and not for attribution, which is key to garnering frank and honest assessments of the business environment in many countries. The BizCLIR indicators³ serve as a guide to conducting an interview with an individual or group of people who have knowledge of the targeted topic. Assessors do not bring indicators and supporting criteria into a meeting; they do, however, anticipate how each interview can contribute to understanding one or more key indicators. No single meeting provides answers to all key indicators. Strong advance planning and sound knowledge of the issues facilitate the most effective use of limited meeting time.

The BizCLIR indicators serve as a substantive guide to the diagnostic process, from the pre-travel planning stage to time spent by a diagnostic team in country to the drafting of the report. Assessors collate their notes from meetings and are encouraged to translate their raw notes into more summarized descriptions of the meetings on a nightly basis. Reports are due to the team leader three weeks after the assessment is completed. Each report is read, validated by the team leader and either returned to the assessor for further work or integrated with the other chapters to form the final report within 6-8 weeks after the initial assessment.

³ See *The BizCLIR Indicators: A Short Explanation of Methodology (2008)* for a full description of the BizCLIR indicators and their transformation over a ten year period of USAID implementation.