

**Integrating Qualitative Methods into Investment Climate Impact Evaluations:  
Entrepreneur Status in Benin<sup>1</sup>**

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Mixed-method approaches -the systematic integration of qualitative and quantitative methods- have become increasingly used in development impact evaluations. Qualitative methods can be integrated along each evaluation stage with the following objectives: expanding the scope of the research, refine the development of quantitative data collection tools and quantitative models, triangulate conclusions or complement empirical findings providing a comprehensive scope. In doing so, it helps improve both the evaluation and program design.<sup>2</sup>

An example of an on-going impact evaluation that has benefited from the integration of qualitative methods is the Entrepreneur Status impact evaluation in Benin. Through a random control trial and qualitative data collection methods, this impact evaluation is exploring which incentives are more impactful in changing firm's behavior towards formalization and furthermore, is assessing the effects of formalization in Benin. This note aims to highlight the usefulness of integrating qualitative methods into the impact evaluation, in this case, the qualitative data collection was conducted during the implementation of the intervention.

The Entrepreneur Status, launched in April 2014, is a simplified legal regime specifically designed for small entrepreneurs to facilitate the migration of informal businesses into the formal sector. In Benin, the informal sector accounts for two-thirds of the country's gross domestic product (GDP) and 90 percent of the working population.

The World Bank Group is supporting the government of Benin in the formulation and implementation of the legal and administrative regulations that will define the Entrepreneur Status. In collaboration with the United Nations Conference on Trade and Development (UNCTAD), this joint World Bank Group project is conducting a multi-year impact evaluation study on the various sets of incentives that can drive the formalization process.

***The Evaluation Design***

A sample of 3,600 informal businesses is randomly divided into four groups: three treatment groups and one control group. Each treatment group is exposed to three different packages of incentives that combine the components below:

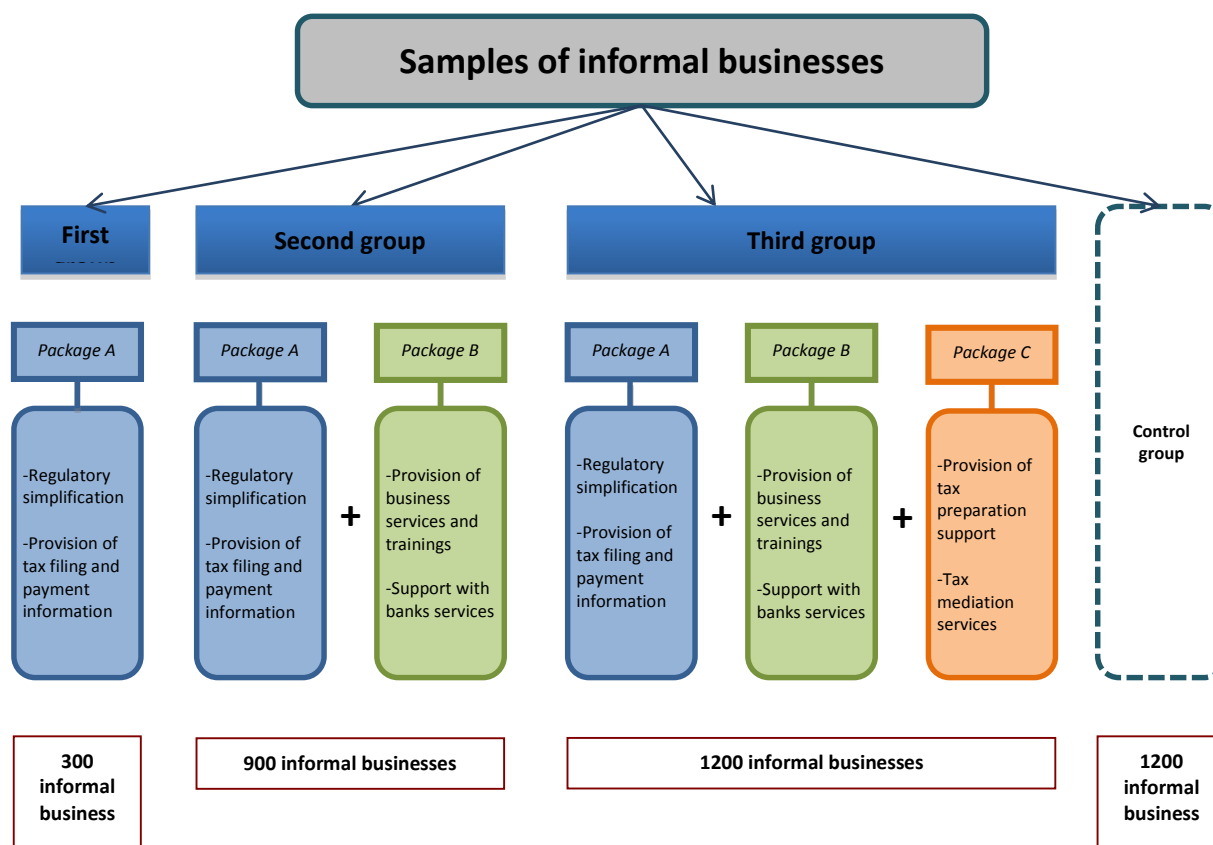
- Regulatory simplification: streamlining the business registration process, including reducing the number of steps, time and cost to register.
- Provision of information on the new registration system: information on how and where to register.
- Provision of tax filing and payment information: information on tax regimes applicable to entrepreneurs.

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<sup>2</sup> For more information about mixed methods and investment climate impact evaluations see: [Integrating Qualitative Methods into Investment Climate Impact Evaluations](#)

- Provision of business services and trainings: basic accounting and firm management as well as help in drafting financial statements, business plans, and bookkeeping.
- Support with bank services: creation of bank accounts.
- Provision of tax mediation services: safeguarding firms against disputes with tax authority through mediation services.



Preliminary findings point out that formalization rates increased and so far formalization rates are not very different across groups receiving the program, although the rate is slightly higher for businesses in group 3. In comparison, the formalization rate in the control group is close to 0 with very few businesses formalizing in the absence of any program. The team will conduct two follow up surveys to evaluate the full impact of the three versions of the Entrepreneur Status on formalization decisions and business performance. Once the evaluation is completed, the Government will scale up the version that best incentivize businesses to formalize and grow.

### **Monitoring the quality of implementation using qualitative methods**

Qualitative research methods are especially useful when the interventions to be evaluated increase in complexity as a result of the type of outcomes to be evaluated, the transaction intensiveness (i.e. require many discretionary and face-to-face transactions), how controversial the program is given the social norm or political implications, etc.

For example, the evaluation design of the Entrepreneur Status program poses several challenges and sources of complexity. One of them is that different stakeholders are responsible of the program delivery (CGA -Centres de Gestion Agréés-, GUF -Guichet Unique de Formalisation des

Entreprises-, Bank of Africa, and Orabank). For instance, CGA will visit all businesses in the three treatment groups to provide information about the program and will come back a second time in group two and three businesses to deliver business training. Therefore, the quality of implementation relies on several human interactions making it difficult to assess what happened during the process of project implementation and how it might affect the evaluation design and the expected outcomes.

Another challenge is the risk of “contamination” or externalities that can bias the results of the evaluation: firms in the control group start to see the benefits of formalization by observing other firms in the treatment group. Particularly in the case of Benin, the risk of *contamination* increased when the government advertised the launch of the program.

Given these challenges the evaluation team decided to conduct qualitative research to monitor the implementation of the program with the following objectives:

- (i) Check whether the program was properly implemented and the study design respected;
- (ii) Assess program understanding by beneficiaries;
- (iii) Understand whether beneficiaries were interested in the program and its perceived benefits;
- (iv) Get feedback from implementing partners on program delivery;
- (v) Assess whether businesses not selected to receive the program were aware of the program.

Following these goals, different types of qualitative data collection methods were conducted:

- Semi-structured qualitative interviews with program participants few days or weeks after they received visit 1 or visit 2 from CGA (22 interviews completed mainly on businesses in group 2 and 3);
- Field visits with CGA advisors during visit 1 or visit 2 (29 visits);
- Semi-structured qualitative interviews with informal businesses not selected for the program (61 interviews completed);
- One focus group with all CGA advisors and the CGA supervisor;
- One focus group with GUFÉ staffs in charge of the Entrepreneur Status;
- One focus group with BoA and Orabank staffs in charge of entrepreneur accounts;

Some of the firms were selected randomly, but the majority of them were selected because owners speak French.

Overall, qualitative findings confirmed that protocols were respected by the different stakeholders. The research allowed the quick identification and correction of minor mistakes (but critical), for example GUFÉ staff was not clear if they were supposed to offer help to business owners in filing the declaration form. This was clarified during the first weeks following the program rollout. In addition focus groups with the staff responsible of the implementation brought to light implementation challenges such as system capacity, logistics and costs that will be relevant to take in consideration when scaling up the program.

On the other hand, regarding quality of implementation, interviews with beneficiaries revealed that program understanding was sufficient. For example, 80% of respondents in group 2 and 3 understood well the banking component and said that the program will allow them to open a bank account once they become formal. Group 3 have a better understanding of the fiscal aspect

of the program: 60% of them were able to detail how taxes are working under the program vs. 25% from group 2.

Moreover, two thirds of business owners that were interviewed after the visit from a CGA advisor mentioned their interest in the program. Critical challenges were identified through the interviews such as: women had first to ask for their husband's permission before they could formalize. Furthermore, 30% of the respondents in both groups (2 and 3) stated that it would be difficult to formalize because they did not have any ID card. This can be a major issue preventing the full impact of the program on formalization.

Some of the firms interviewed haven't formalized because they are waiting for the second visit (business training) of the CGA before formalizing. This finding can potentially explain the low differences in the preliminary formalization rates across groups, indicating that for groups 2 and 3 it may take longer than group 1.

For those firms not interested in the program, the explanation provided was mainly that they consider that their business is too small to benefit from the program.

The research also brought to light that perceived benefits are maybe not the same for all sectors due to a "special card" granted to traders that allows them to have a formal status with some benefits. The entrepreneur card could be a good option for firms in other sectors which do not have access to the "trader card".

Finally, the team confirmed that there is no serious threat of contamination or externalities. Following the program launching ceremony, only four of 50 respondents not selected for the program mentioned that they heard in TV about new regulations targeting small entrepreneurs, none of them was precise about the reform. In addition, 11 business owners were interviewed months after the program rollout and none of them heard about it. Business located near treated businesses had ever heard of any program related to formalization.

### ***Understanding impact: how and why***

Results obtained from qualitative analysis may support the conclusions obtained from the quantitative research and enables researchers to provide evidence of how and why impact was achieved (or not). The team conducted a second round of qualitative data collection, six months after the roll out of the program with the main objective of understanding firm's main rationale for formalizing, the role of the program and assess changes in behaviors that could potentially lead to long term impacts (assessment of the causal chain).

Eight semi-structured interviews were conducted to firms that became formal and were identified in the GUFÉ database. Five firms are treated under group 2 and three under group 3. Six of these firms were selected randomly and two of them were selected because they can speak French.

The eight respondents said that the administrative process to get the entrepreneur status is simple, almost free (only a small cost for two folders) and only taking few days.

All firms interviewed indicated that they formalized because of the program, three of them pointed out that they did not formalize before because of the administrative burden. The majority of the firms (60%) mentioned access to credit and bank accounts as main reason for formalizing. Four of them mentioned their motivation given that the procedure is free.

In addition, 3/8 respondents said that because of the business trainings they received, they improved their business practices. For example, two of them are keeping record stocks or doing accounting consistently. Another respondent pointed out that now he can issue invoices instead of paying a fee to another company to get them.

Two of the firms stated their intention to open a bank account, while other two opened an entrepreneur bank account stating that with the entrepreneur card it was cheaper and easier. 75% of the firms said they understand better the tax situation and while dealing with tax authorities (who sometimes do not know about the program) they consult their CGA advisors.

### ***Main takeaways***

Findings from this qualitative work are an example of the usefulness of the integration of qualitative methods into impact evaluations. Relevant insights such as advisors not helping to filling in forms are critical for the quality of implementation and the team was able to improve the delivery of the services based on the qualitative conclusions.

Even more, findings from the qualitative study will feed into the next steps of the evaluation. As an example, questions related to ID possession will be included in the next survey questionnaire. This will allow to control for this factor when analyzing impacts. Findings such as gender as a hindrance, or specific sectors being already benefitted by other status will allow to specify the research question and pre-specify group analysis by sector. Furthermore, if it is found that impact on formalization is not high, findings from this qualitative approach can contribute to identify and explain those factors that affect the magnitude of the impact and that should be considered when scaling up the program.