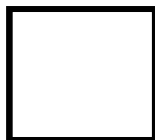


# ENTREPRENEURSHIP POLICY TOOLKIT

## PART 2: ASSESSING YOUR ECOSYSTEM



Prepared by:



**INNOVATION  
FOR POLICY  
FOUNDATION**

Supported by:



Implemented by



**Make-IT  
in Africa**

# Why you should read this?

This toolkit is designed for **forward-thinking policymakers** that want to transform their entrepreneurial ecosystems, as well as **startup founders** and other key **ecosystem players** that want to support their governments with policy reform through deliberation and cutting-edge evidence.

Seasoned policymakers and those new to the area of entrepreneurship will find value in this kit. The toolkit is:

- 1) A one-stop-shop for information:** Aggregates research from multiple resources (development organizations, entrepreneurs, academia, policymakers, etc) on entrepreneurship policy, centralizing information in one place. Interventions are structured around seven core challenges entrepreneurs face that policymakers seek to solve.
- 2) User-centered:** Designed with users in mind, it addresses many considerations a policymaker must evaluate (Part 1), provides an assessment approach (Part 2) and a catalogue of interventions and best practice examples (Part 3) to learn from. Future versions of this kit will provide an interactive platform to aid navigation.

## Why you should read this?

This toolkit provides **technical know-how** regarding the tools and processes that policymakers across Africa need to develop policies and legislation that support the growth of businesses. We know that no policies can be made without consideration for the political economy and the socio-economic context in which they are made.

Questions of **policymaking processes and politics are beyond the scope** of this toolkit. These will be addressed in depth by a forthcoming Policymaking Handbook that the Innovation for Policy Foundation is developing. This Policymaking Handbook will address:

- the process of policymaking, e.g participatory approaches;
- navigating the political landscape;
- the design of good public policies, and more.

Keep an eye out for this work on our ecosystem.build platform!

**Did you already read Part 1?  
Skip the context and head straight into the content of Part 2!**



# TOOLKIT OUTLINE

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## Overview

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### Part 1 - Key Considerations in the Development of Entrepreneurship Policy

1. The Business Case for Entrepreneurship Policy
  2. Types of Policy Instruments
  3. Beneficiary Targeting
  4. Developing Inclusive Policies
  5. Evidence, Monitoring & Evaluation
- 

### Part 2 - Assessing Your Ecosystem

1. Components of the Ecosystem
  2. Ecosystem Challenges
  3. Assessing your Ecosystem
  4. Key Performance Indicators
- 

### Part 3 - Policy Interventions by Topic Area

1. Finance
  2. Market Access
  3. Business Support
  4. Governance
  5. Culture
  6. Infrastructure
  7. Human Capital
-



## Context

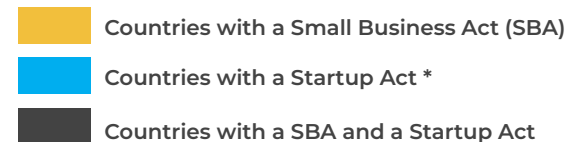
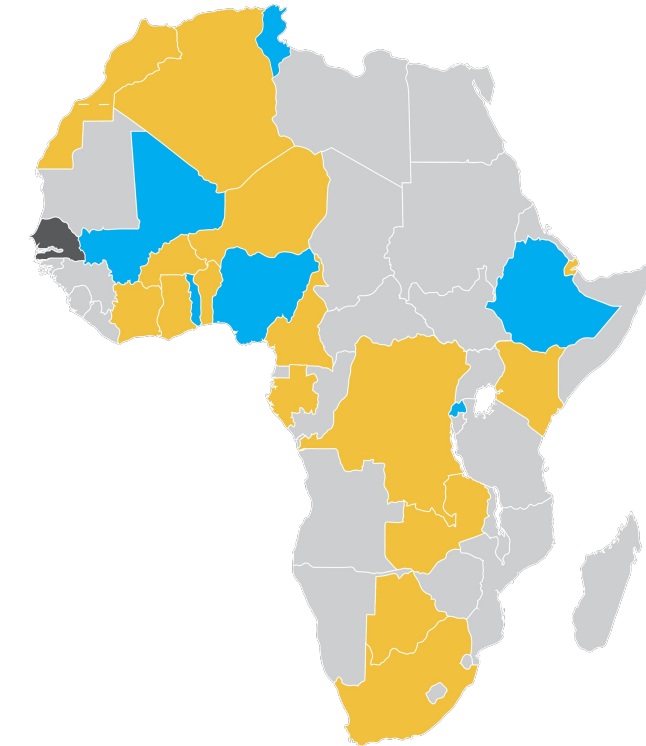
- Entrepreneurship Policy in Africa
- Objective of the Toolkit
- Who should use this Toolkit
- How to use this Toolkit
- Key Definitions



# Entrepreneurship Policy in Africa

African governments have increasingly begun to focus on entrepreneurship as a means of creating quality jobs, boosting the wider economy's productivity and growth, and delivering market-based innovations to development challenges.

However, the full potential of entrepreneurship is often left untapped. This is due to the existence of a number of constraints hampering the development of the private sector, including unfavorable legal and regulatory frameworks, underdeveloped infrastructure, lack of business development services, limited access to finance, limited supply of skilled labor, and weak cultural support, that tend to affect SMEs and startups even more than large, established companies.



\* Startup Acts in Ethiopia, Nigeria, Rwanda and Togo have been drafted and are currently in the process of being finalised or adopted in Parliament.

# Objective of the Toolkit

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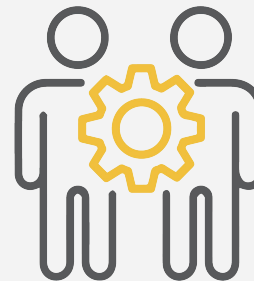
The objective of this toolkit is to provide policymakers with a range of policy solutions that is practical and easy to use as they navigate strategic decisions on entrepreneurship policy and digital transformation.

The toolkit will seek to build upon available work, and its primary contribution will be in the aggregation of existing research and guidance, user-friendly design and navigation, and its dissemination to a wide community of policymakers and stakeholders across Africa.

# Who should use this Toolkit



**Policymakers**



**Development Partners**



**Entrepreneurial Ecosystem  
Partners**

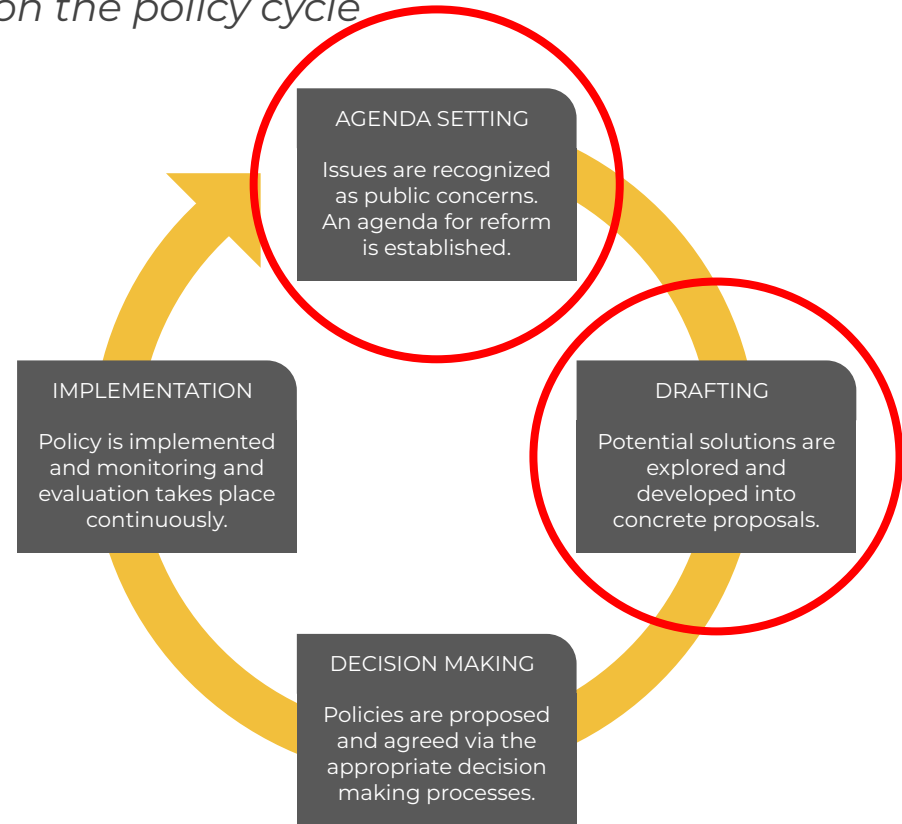


**Academia &  
Civil Society Organisations**



## How to use this Toolkit | *Location on the policy cycle*

- The focus of this toolkit is to provide a menu of instruments and tools that can be adapted to suit local needs and to assess your business ecosystem.
- This means that the toolkit fits best in the **'agenda-setting'** and **'drafting'** phases of a policymaking process, or policy cycle as depicted on the right.
- We depict the policymaking process as a cycle, because making policy is a continuous process without a clear start and end.
- Policymaking is a fluid and iterative process, where policymakers continue to make choices on policy design and implementation based on the impact of previous decisions.



<sup>1</sup> See for a detailed explanation of the Innovation for Policy Process: <https://participedia.net/method/6426>

# How to use this Toolkit | *Finding the Information You Need*

This toolkit is a compilation of multiple interventions from various sources. Use the following questions to help you navigate.

## Where are you in your policymaking process?



Start Here

I know my policy objectives, but need to learn about specific types of interventions and how to use them

I am just beginning to learn about various reforms. Where do I start?

### Part 1 Considerations for the Development of Entrepreneurship Policy

1. The Business Case for Entrepreneurship Policy
2. Types of Policy Instruments
3. Beneficiary Targeting
4. Developing Inclusive Policies
5. Evidence, Monitoring & Evaluation

### Part 2 Assessing Your Ecosystem

1. Components of the Ecosystem
2. Ecosystem Challenges
3. Assessing your Ecosystem
4. Key Performance Indicators

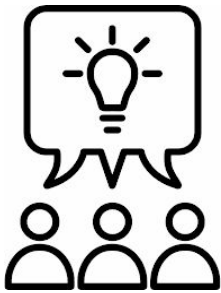
### Part 3 Policy Interventions by Topic Area

1. Finance
2. Market Access
3. Business Support
4. Governance
5. Culture
6. Infrastructure
7. Human Capital

## **How to use this Toolkit** | *Considerations to Note*

- There is no one size-fits-all approach to the selection of policy reforms appropriate for your country.
- The objective of this toolkit is to provide a menu of potential options that can be adapted to suit local needs.
- Policymakers are encouraged to consult with stakeholders within their local ecosystems to determine the appropriate reforms for individual country contexts.

## How to use this Toolkit | *Types of Content Included in this Document*



### Learning

*Key concepts on thematic area*



### Example

*Showcases a Country example*



### Actions

*Considerations for implementation*



### References

*Further Reading & Additional Information*

# Key Definitions

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## Entrepreneurship ecosystem

- Entrepreneurs thrive in collaborative environments where multiple factors and stakeholders (public and private) work together. Challenges and interventions are distinct but interdependent and intertwined: each can impact the other, in positive or negative ways.
- 

## Small and Medium Enterprises (SMEs)

- There is no universally accepted definition of SMEs however countries' regulations often set their own definition through a combination of size related (e.g. number of employees) and financial criteria (e.g. annual turnover, assets, etc).
- 

## Startups

- Startups are generally defined as companies in their first stage of operations with the ability to scale and grow rapidly through utilisation of new technologies. All startups are SMEs, but not all SMEs are startups due to differences in set-up, growth potential, and vision.
- Growth trajectory: Startups are engineered to grow quickly and significantly. Successful startups will be 'gazelles'.

# Key Definitions

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## New or Young MSMEs (Micro, Small and Medium Enterprises):

- **New subsistence micro-businesses**

- Youth, marginalized, unemployed, and/or underemployed individuals who start micro-businesses generally for reasons of self-employment. The businesses are usually low skill, they may be engaged in simple retail activities, and they are likely to stay informal.
  - Growth trajectory: Unlikely to ever grow.
- 

- **New competency-based MSMEs**

- The establishment of small businesses by entrepreneurs who have a skillset – a technical trade, profession, or work experience – around which the business is formed. Such enterprises are found in all sectors and generally do not involve a new business model or innovation.
- Growth trajectory: Can potentially grow significantly if they have an entrepreneurial owner and/or right market conditions, although the owner may lack broad skillset to manage this growth.

# Key Definitions

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## Established SMEs

- Existing SMEs older than 3–5 years with some scale, usually mature ‘competency-based MSME’. They are found across the economy in all sectors, and are often family businesses.
  - Growth trajectory: Most probably do not have growth aspirations, either because they provide a sufficient lifestyle to their owners or because of limited capabilities and market opportunities. Others will grow opportunistically but are not actively strategizing for it. However, their interest in growth can change, for example, when there is generational change in family business.
- 

## Established, growth-focused SME

- Existing SMEs older than 3–5 years with some scale, with growth aspirations and business model based (at least partially) on new product, business model development, or new market entry.
- Growth trajectory: Generally have growth intent and hence they may invest in innovation. Growth can occur organically (for example, through new products/new market entry) or through mergers and acquisitions or a combination.



# What will I learn?

## Part 2 - Assessing your Ecosystem

In this section, you will learn:

- What makes up the typology of an entrepreneurial ecosystem;
- How to collect data and benchmark with others to improve your ecosystem;
- Which indicators are used as best practice when measuring against an ecosystem challenge area;
- Where to source further reading in this area.





## Part 2

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## Part 2 - Assessing Your Ecosystem

- 2.1 Components of the Ecosystem
  - 2.2 Ecosystem Challenges
  - 2.3 Assessing your Ecosystem
  - 2.4 Key Performance Indicators
-

# Assessing Your Entrepreneurial Ecosystem



A key step before starting the process of deriving any policy change is a proper diagnostic of the current barriers and challenges faced by entrepreneurs. After this assessment, specific interventions to address these barriers can be designed. A menu of such interventions will be discussed in Part 3 of this toolkit. However, before addressing the challenges that entrepreneurs face, it is necessary to identify, know, and assess the entrepreneurial ecosystem you're addressing.

## What is an entrepreneurial ecosystem?

Beyond the identification of entrepreneurs' challenges and sub-challenges, it is crucial to understand the notion of the “ecosystem”. This notion stems from life sciences and is now widely used when designing entrepreneurship interventions. The components, challenges, and interventions of the entrepreneurial ecosystem, while distinct, are interdependent and intertwined.<sup>1</sup> Each can impact the other, in positive or negative ways. Chain reactions, unintentional consequences, and externalities are common.

Crucial to understand is hence that the success of startups and SMEs is not dependent on just themselves, but also on the ecosystem that supports them.

<sup>1</sup> Isenberg (2011). *The Entrepreneurship Ecosystem Strategy as a New Paradigm for Economic Policy: Principles for Cultivating Entrepreneurship*. Institute of International and European Affairs.



# Assessing Your Entrepreneurial Ecosystem

## Structure of Part 2 of the toolkit

- Entrepreneurs thrive in environments where multiple factors and stakeholders (public and private) work together to form an entrepreneurship ecosystem composed of governance, markets, financing, human capital, culture, infrastructure, and support mechanisms - components of the ecosystem will be detailed in Section 2.1.
- In a benchmarking study conducted by i4Policy, fourteen entrepreneurial ecosystems have been identified and studied. This analysis led us to identify seven typology of challenges they face - these will be detailed in Section 2.2 and further in Part 3 of the toolkit.
- To help you identify your own entrepreneurial ecosystem and the challenges it faces, a methodology has been developed under Section 2.3.
- KPIs are objective indicators that can be used in policies to assess the current level of the entrepreneurial ecosystem in your country as well as assess the impact of your entrepreneurship-focused policy. In order to make your policy operational, specific, tangible and measurable, KPI indicators have been provided under Section 2.4.



## 2.1 Components of the Ecosystem



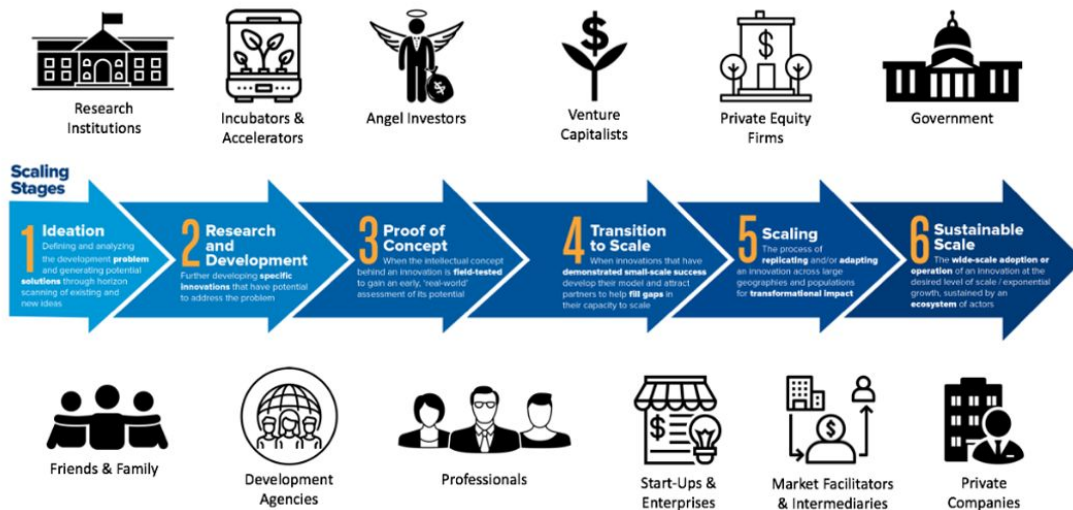
# 2.1 Components of the Ecosystem



**"It takes a village to raise a child, and it takes an ecosystem to scale an innovation."**

The entrepreneurial ecosystem consists of numerous stakeholders and actors along the growth trajectory of a business.

They include actors from private sector, academia, development partners, government, etc.



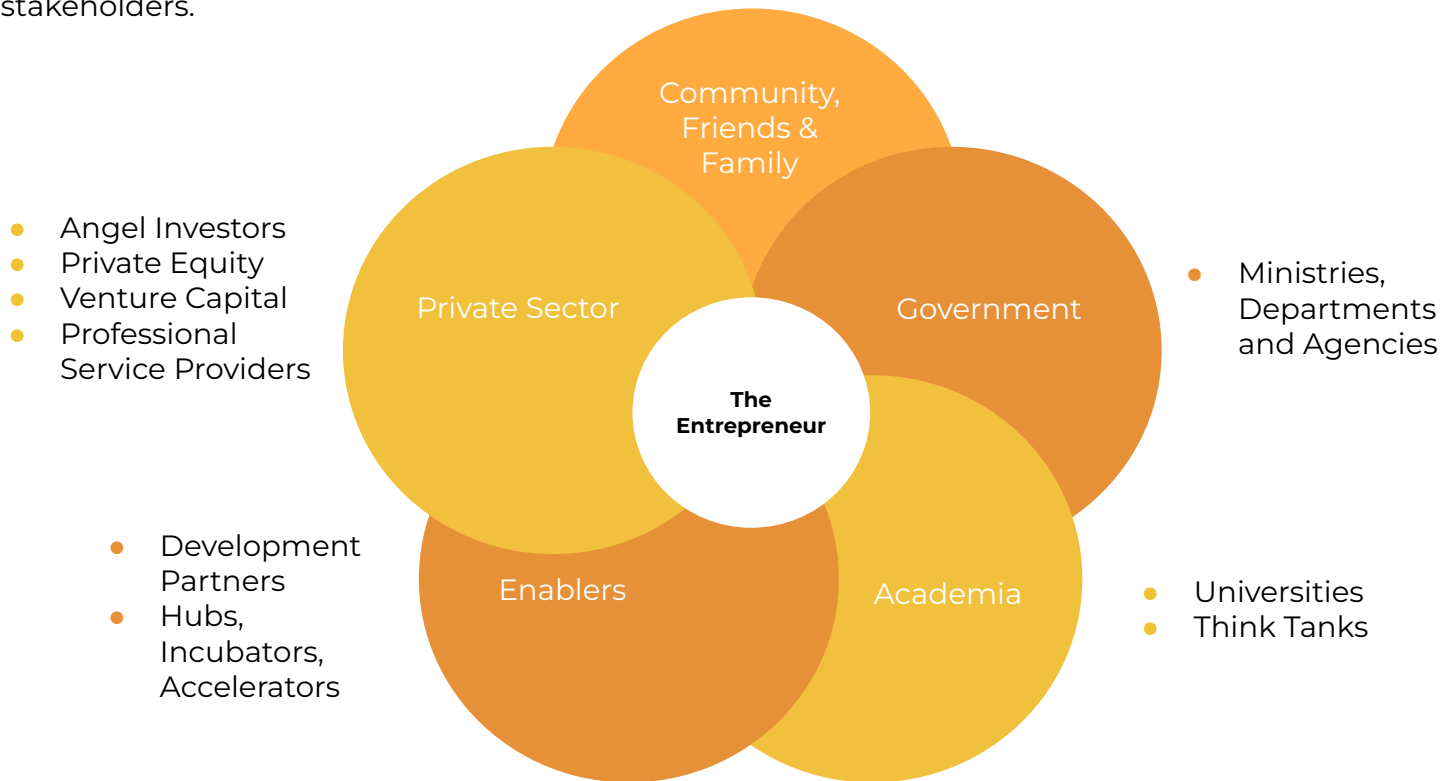
**Typical Ecosystem Actors along the IDIA Scaling Pathway**

*Positions are indicative relative to stages*



## 2.1 Components of the Ecosystem

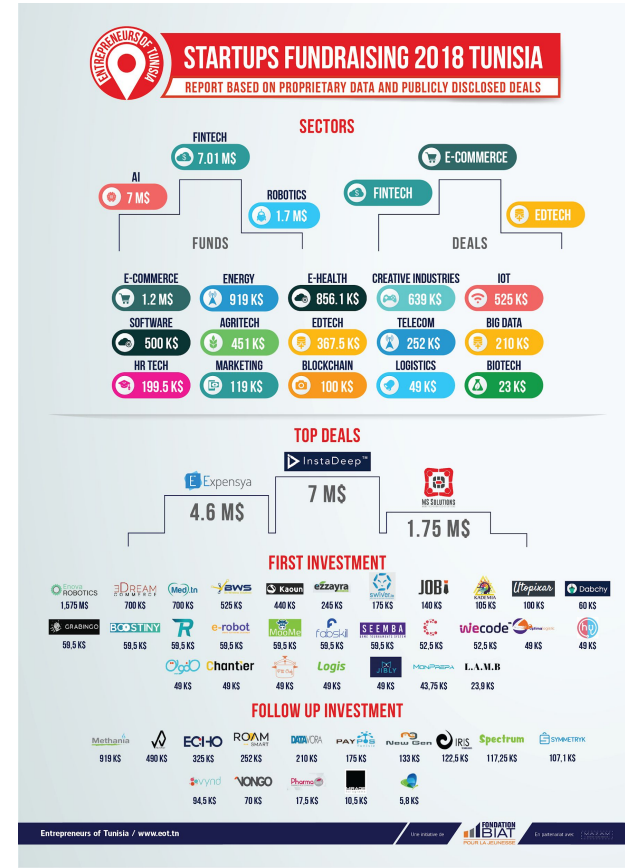
There are a number of stakeholders in the entrepreneurial ecosystem who are critical to the success of any intervention. When assessing the ecosystem, policymakers may consider the influence and impact of interventions on these stakeholders.





# The Tunisian Ecosystem

- Incubators/ Accelerators
- Working Spaces
- Public Services
- Investors
- Media
- Enablers





# The Thai Ecosystem

- Global Partners
- Corporate
- Incubators & Accelerators
- VC, Banks, Financial Institutions
- Universities
- Government
- Associations







## 2.2 Ecosystem Challenges

## 2.2 Ecosystem Challenges



- Several constraints hamper the development of entrepreneurs and their businesses, thereby limiting job creation and innovation.
- In Kenya for example, 78.1% of SMEs surveyed in 2021 said they need a loan, but are unable to borrow enough money because of difficulties in obtaining or preparing documents that the lenders need (indicated by 38.8 % of the enterprises); a poor financial situation of the borrowers (20.6 %) or lack of collateral (6.2%).<sup>1</sup>
- Similarly, in a survey conducted across 14 African countries among the youth (18-24 yrs), 53% report lack of access to capital as the biggest challenge to starting a business.<sup>2</sup>
- Thirdly, in South Africa, 1 in 10 entrepreneurs reported exiting at an early stage due to reasons such as lack of profit, problems accessing finance, taxes, bureaucracy, or an incident. Moreover, while 68% of adults in South Africa agree that it is relatively easy to start a business, only 20% have the intention to do so.<sup>3</sup>

<sup>1</sup> Kenya Bankers Association (KBA) and Japan International Cooperation Agency (2021). *Micro, Small, Medium Enterprises Survey Report*. <https://www.kba.co.ke/downloads/MSMEs-Survey-Report.pdf>

<sup>2</sup> Ichikowitz Family Foundation (2020). *African Youth Survey 2020 – The Rise of Afro-Optimism*. <https://ichikowitzfoundation.com/wp-content/uploads/2020/02/African-Youth-Survey-2020.pdf>

<sup>3</sup> GEM (2022). *Global Entrepreneurship Monitor 2021/2022 Global Report: Opportunity Amid Disruption*. London: GEM. <https://gemconsortium.org/report/gem-20212022-global-report-opportunity-amid-disruption>

## 2.2 Ecosystem Challenges



- Literature on assessments of entrepreneurship ecosystems and the challenges faced by entrepreneurs across the world is abundant.
- The next slide presents a review of fourteen existing assessment frameworks of entrepreneurial ecosystems. This review emphasizes the need for a multi-dimensional approach to ecosystem assessment.
- That means taking into account all the various challenges (e.g. financing of businesses, governance, community support, infrastructure) that can affect entrepreneurship in a region, and how they interact with each other.

## 2.2 Ecosystem Challenges



	Babson	Council of Compet.	GEDI	Rain forest	6+6	GSMA	GEM	WEF	UNCTAD	GII	GCR	Enterprise Surveys	Doing Business	OECD	i4Policy
Finance	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓		✓	✓
Market Access	✓		✓			✓	✓	✓		✓	✓	✓		✓	✓
Business Support	✓	✓	✓		✓	✓								✓	✓
Governance	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Culture	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓			✓	✓
Infrastructure		✓				✓	✓	✓		✓	✓	✓	✓		✓
Human Capital	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		✓	✓

**Babson** College - Babson Entrepreneurship Ecosystem Project, **Council on Competitiveness** - Asset Mapping Roadmap, **GEDI** - Global Entrepreneurship and Development Index, **Rainforest** - Innovation Rainforest Blueprint, **6+6** Koltai and Company - Six + Six, **GSMA** - Information and Communication Technology Entrepreneurship, **GEM** - Global Entrepreneurship Monitor, **WEF** - World Economic Forum - Entrepreneurship Ecosystem, **GII** - Global Innovation Index, **GCR** - Global Competition Index, World Economic Forum, Enterprise surveys - World Bank, Doing Business - World Bank, **OECD** - Organisation Economic Co-operation and Development - Entrepreneurship Measurement Framework

Source: The Aspen Institute (2013). *Entrepreneurial Ecosystem Diagnostic Toolkit*.

<https://www.aspeninstitute.org/publications/entrepreneurial-ecosystem-diagnostic-toolkit/>

Analysis by The Innovation for Policy Foundation.








More information to be found in a forthcoming report "Benchmarking Small Business Acts and Startup Acts in Africa".



## 2.2 Ecosystem Challenges

i4Policy has analyzed the challenges covered by all 14 entrepreneurial ecosystem diagnostic tools. We found that, despite wide variation in sources, the evaluative approaches are relatively consistent.

We concluded that seven challenges are considered the main categories in most of the fourteen methodologies reviewed. These seven provide us with a well-researched typology of challenges faced by entrepreneurs across the world:

						
Finance	Market Access	Business Support	Governance	Culture	Infrastructure	Human Capital
<ul style="list-style-type: none"> <li>• Pre-seed finance</li> <li>• Private equity &amp; Venture capital</li> <li>• Bank finance</li> <li>• Capital markets</li> <li>• Alternative finance</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic market</li> <li>• Internationalization</li> <li>• Equipment &amp; Inputs</li> <li>• Procurement</li> <li>• Innovation adoption</li> </ul>	<ul style="list-style-type: none"> <li>• Growth support</li> <li>• Operational support</li> <li>• R&amp;D</li> <li>• Collaboration within ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory quality</li> <li>• Enforcing contracts</li> <li>• Political &amp; economic environment</li> <li>• Business procedures</li> <li>• Digital governance</li> </ul>	<ul style="list-style-type: none"> <li>• Personal development</li> <li>• Community support</li> <li>• Networking</li> <li>• Women entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>• Digital infrastructure</li> <li>• Utilities</li> <li>• Logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Basic skills</li> <li>• Advanced skills</li> <li>• Business skills</li> <li>• Labour market</li> </ul>



## 2.2 Ecosystem Challenges

A short description of each of the seven challenges is provided below. **Part 3 of the toolkit** will discuss these in depth. Every subsection will address per challenge a) the relevant policy objectives, b) the expected impacts of entrepreneurship policy and c) appropriate KPIs to include. Moreover, case studies are used to analyze and present existing policy interventions across the region.

1. **Finance:** Entrepreneurs face a lack of financing options for starting and growing their firm. This includes financing mechanisms such as debt, equity, grants, and blended financing.
2. **Market Access:** Entrepreneurs face challenges in acquiring customers and gaining access to distribution channels, suppliers and entrepreneurial networks.
3. **Business Support:** A lack of available business support, or a lack of quality of available services, prohibits entrepreneurs from scaling their business.
4. **Governance:** Unclear laws and regulations, high business costs and a lack of available information can hamper the growth of startups.
5. **Culture:** Unfavorable societal attitudes toward entrepreneurship, the unavailability of role models, a low tolerance of risk and a low level of confidence among entrepreneurs hamper development.
6. **Infrastructure:** Entrepreneurs can face a lack of accessible or reliable infrastructure, including electricity, telecom, transportation, and logistics.
7. **Human Capital:** A lack of skills and aptitudes needed to start and grow firms can be challenging for potential entrepreneurs themselves as well as their possibilities to hire skilled employees.





## 2.3 Assessing Your Ecosystem

## 2.3 Assessing your Ecosystem



We propose a three-step process for assessing your ecosystem:

### Step 1 – Collect benchmarkable data of your country and relevant peers

Use internationally renowned data sources to identify key challenge areas such as, the Global innovations index, Network Readiness index, Global competitiveness index, Doing Business index, Human capital index.



### Step 2 – Augment quantitative assessment with qualitative review

Complement and cross-check the picture arising from step 1 with micro-analysis arising from Worldwide enterprise or i4policy data, e.g. World Bank Enterprise Survey data (Top 10 Biggest challenges mentioned by entrepreneurs). Collect input from interviews, consultations, hackathons, meetings with local entrepreneurs and stakeholders.



### Step 3: Validate assessment through deliberation

Discuss a summary of the findings from step 1 and 2 with policymakers, regulators, agencies, citizens and the community involved. This will create awareness, a chance to make adjustments, informs them about ongoing reforms and importantly creates a support base for your assessment. Important stakeholders might include Chambers of commerce, Tax authority, Ministries of ICT, BEIS, Finance, EDUC, Labour, Competition and capital markets authorities, Entrepreneurial ecosystem and startups, etc.



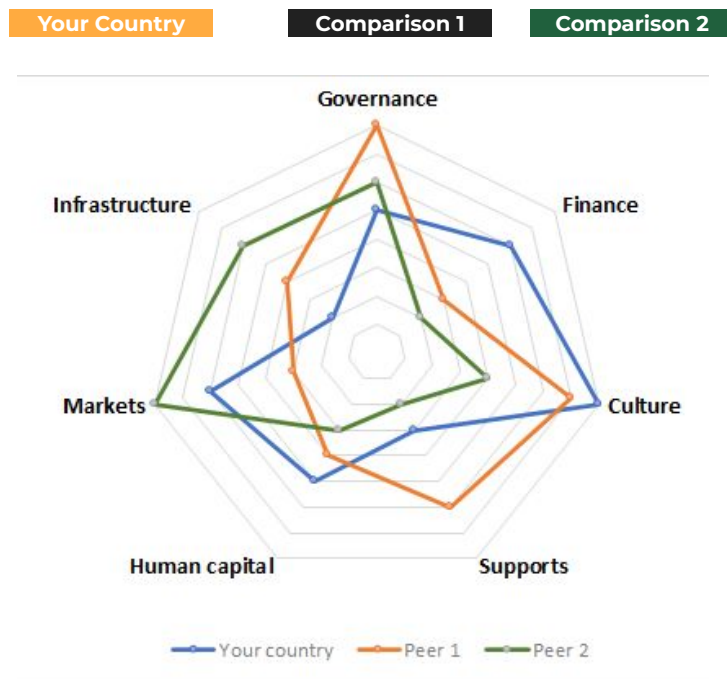


## 2.3 Assessing your Ecosystem

### Step 1 – Collect benchmarkable data of your country and peers

To develop a practical ecosystem diagnostic tool a magnitude of indicators of entrepreneurial determinants was identified and analyzed. Based on the relevance, availability, and quality of data the most relevant indicators for conducting ecosystem, analyses in developing countries are chosen.

Besides collecting the data for your country, it is important to select relevant peers. For example, while the USA has the best entrepreneurial ecosystem according to StartupBlink, that does not necessarily mean it is the most relevant peer for your country.<sup>1</sup> The further away from the frontier, the more sense it makes to compare yourself to best-practice countries in the region or on the continent.



## 2.3 Assessing your Ecosystem



### Step 2 – Augment quantitative assessment with qualitative review

You can validate your findings under step 1 by cross-checking your quantitative findings with a qualitative approach. For example by gathering and analyzing survey-data and organizing consultations with local entrepreneurs and the ecosystem support services in your country.

Check if their perception and opinions match your results under step 1. Be aware of differing dates of data collection and overlapping indicators. To overcome these issues, it is important to discuss your findings with stakeholders and substantiate the findings.

To help you with steps 1 and 2, suggested Key Performance Indicators for each of the seven challenge areas have been included in Section 2.4 of this toolkit.



## 2.3 Assessing your Ecosystem

### Step 3 – Validate assessment through deliberation

The ultimate goal of your exercise is to identify key challenges for improvement and shift from analysis to action. It is important to start coalition building in this phase. Your partners, ecosystem and governmental actors need to buy in the assessment and agree with areas for improvement. To gain ample support it is recommended that time is spent discussing and fine-tuning results.








Also during this stage it's key to find out what reforms are ongoing in the different key areas. The end-result of the three-step-approach could look like a dashboard as pictured in the following slide:

- A green box depicts an *enabling environment* for firm's growth
- An orange box means the area *slows firm growth*
- A red box signals the area *halts growth*.
- A blue corner marks on-going reforms in the areas.

Take enough time to discuss these findings and labels with your stakeholders. The buy-in and recognition of work to be done will align interest for the actual policy reforms you will need to propose.

# Example: Qualitative Assessment (Category Level)



 Finance	 Markets	 Support	 Governance	 Culture	 Infrastructure	 Human capital
Pre-seed Finance	Domestic Market	Growth Support	Regulatory Quality	Personal Development	Digital Infrastructure	Basic Skills
Venture Finance	Internationalization	Operational Support	Enforcing Contracts	Community Support	Utilities	Advanced Skills
Bank Finance	Equipment & Inputs	R&D	Political & Economic Environment	Networking	Logistics	Business Skills
Capital Markets	Public Procurement	Collaboration within Ecosystem	Business Procedures	Women Entrepreneurship		Labor Market
	Innovation Adoption		Digital Governance			

**Labels**

Enabling Environment

Slows Firm Growth

Heavily Slows Growth

Halts Firm Growth

Undergoing reform

## Example: Validate Summary (Sub-Category Level)



At the sub-category level, policymakers may further assess the state of the ecosystem based on all data sources and expert opinion.

### Finance | Capital markets

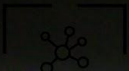


Country A's capital markets have developed rapidly in the past decade, with laudable gains. Several issues hold back growth in the sector. For example, insider trading, while illegal, is not enough to void a contract (which is a best practice internationally to send a strong signal about expected rule adherence). Overall market capitalisation is low and neither the primary or secondary markets are characterised by adequate liquidity. The range of products available on the market is limited. The overall cost of capital is considered high, and transaction costs continue to stifle rapid growth of companies.

Indicator	Country A	Country B	Country C	Country D	Scale	Year	Source
Risk capital	0.07	0.11	-	0.876	0-1	2018	The Global Entrepreneurship And Development Institute
Market capitalization	-	13.6	30.9		0-100	2020	Global Innovation Index
Ease of protecting minority investors' rights	32	102	45	82	0-100	2019	Doing Business



## 2.4 Key Performance Indicators





## 2.4 Key Performance Indicators

- Key Performance Indicators (KPIs) help to measure the success of an activity and serve two essential roles in the assessment of an ecosystem:
  - KPIs help to identify ecosystem problems, design policies, make predictions and determine resource allocations,
  - KPIs help to assess policy outcomes and provide success benchmarks to compare different policies within and across ecosystems.
- KPIs are useful if they are clear, relevant, adequate to assess performance and monitorable.
- An illustrative list of KPIs for each sub-challenge has been given in the following slides. These KPIs facilitate the assessment of the ecosystem.

**Accounting for Delays:** It is important to note that there can be a time delay between the moment that the KPI starts changing and the ultimate policy outcome. For instance, an increase in investment in early-stage startups may not affect profits of investors for several years as the startup needs some time to mature. Hence, the impact of increased investment will not immediately be reflected through increased profits. This shows that assessing and improving your ecosystem is a long-term activity, that needs to be continuously adapted and conducted.



## Finance KPIs



Sub Challenge	Description	Indicators	Source
<b>(Pre-)seed finance</b>	Captures the availability of finance for the earliest stages of entrepreneurship where the entrepreneur needs to test the viability of his business idea (prototyping), commercialize their innovation and establish their company. Typically includes a mix of “friends, fools and family funding” and money from grants, soft loans and entrepreneurship prizes.	Availability of entrepreneurship prizes	Expert opinion/survey
		Availability of prototyping infrastructure	Expert opinion/survey
<b>Private equity &amp; venture capital</b>	Measures the availability of risk finance, particularly equity finance (VC, business angels) but also venture debt. Crucial for high growth of unestablished businesses due to high risk appetite of investors.	Venture capital availability	<a href="http://www.weforum.org">www.weforum.org</a>
		Proportion of investment financed by equity or stock	<a href="http://www.enterprisesurveys.org">www.enterprisesurveys.org</a>
		Internally financing of fixed assets	<a href="http://www.enterprisesurveys.org">www.enterprisesurveys.org</a>
<b>Bank finance</b>	Encapsulates the availability and ease of attracting bank finance. Tailored bank products for young firms, the availability of working capital and the ease of getting loans are critical for the smooth functioning of businesses.	Domestic credit to private sector	<a href="http://www.data.worldbank.org">www.data.worldbank.org</a>
		Bank lending rate	<a href="http://www.data.worldbank.org">www.data.worldbank.org</a>
		% of firms whose recent loan appl. was rejected	<a href="http://www.enterprisesurveys.org">www.enterprisesurveys.org</a>





## Finance KPIs



Sub Challenge	Description	Indicators	Source
<b>Capital markets</b>	Tracks the development of a country's capital market. A well-developed capital market cuts transaction costs, lowers the cost of capital and provides opportunities for a rapid scale-up of companies. It includes the maturity of stock markets.	Risk capital	<a href="http://www.thegedi.org">www.thegedi.org</a>
		Market capitalization	<a href="http://www.globalinnovationindex.org">www.globalinnovationindex.org</a>
		Ease of protecting minority investor's rights	<a href="http://www.globalinnovationindex.org">www.globalinnovationindex.org</a>
<b>Alternative finance</b>	Gives insight into the volume of alternative finance sources used by SMEs in your country and in peer countries.	Volume of factoring	<a href="http://www.fci.nl/en/international-factoring-statistics">www.fci.nl/en/international-factoring-statistics</a>
		Volume of leasing	<a href="https://africalease.org/en/">https://africalease.org/en/</a>
		Revenue from donations (crowdfunding)	<a href="https://p2pmarketdata.com/crowdfunding-statistics-worldwide/">https://p2pmarketdata.com/crowdfunding-statistics-worldwide/</a>



## Market Access KPIs



Sub Challenge	Description	Indicators	Source
<b>Domestic market</b>	Captures the favorability of the domestic market in terms of size, the competitive environment and the fairness of competition. A level-playing field and a growing economy fosters growth of companies, competing on the merits.	GDP Growth %	<a href="http://www.theglobaleconomy.com">www.theglobaleconomy.com</a>
		Domestic market scale	<a href="http://www.globalinnovationindex.org">www.globalinnovationindex.org</a>
		Competition	<a href="http://www.thegeedi.org">www.thegeedi.org</a>
		Shadow economy	<a href="http://www.theglobaleconomy.com">www.theglobaleconomy.com</a>
		Extent of market dominance	<a href="http://www.thegeedi.org">www.thegeedi.org</a>
		Firms competing against unregistered or informal firms	<a href="http://www.enterprisesurveys.org">www.enterprisesurveys.org</a>
<b>Internationalization</b>	Tracks time and cost to export and import products. Ease of export and import creates bigger markets and hence fosters growth.	Trading across borders	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
		Internationalization	<a href="http://www.thegeedi.org">www.thegeedi.org</a>
		Applied tariff rate	<a href="http://www.globalinnovationindex.org">www.globalinnovationindex.org</a>
<b>Equipment &amp; Inputs</b>	Measures the availability of inputs on the market. The availability and access to equipment (e.g. offices, physical space, machinery or high-tech equipment), technical material (including packaging), and raw materials at the right quality, price and reliability supports business expansion.	Local supplier quantity	<a href="http://www.weforum.org">www.weforum.org</a>



## Market Access KPIs



Sub Challenge	Description	Indicators	Source
<b>Procurement</b>	Captures the ease for SMEs to access public and private procurement markets. Access to information, timely payments and contract sizes with attention to SMEs enhances opportunities for firms to win tenders, thereby opening up a new market segment for smaller firms.	Public procurement score	<a href="http://www.worldbank.org">www.worldbank.org</a>
		Private procurement: opportunities for SMEs	Expert opinion
<b>Innovation adoption</b>	Tracks the diffusion of new products and services and the capability of the consumer market to absorb them. The openness of consumers to use new services and solutions provides a good basis for business to get prototypes and ideas to the market.	Legal framework adaptability to emerging technologies	<a href="http://www.weforum.org">www.weforum.org</a>
		Knowledge diffusion	<a href="http://www.globalinnovationindex.org">www.globalinnovationindex.org</a>
		Adoption of emerging technologies	<a href="http://www.globalinnovationindex.org">www.globalinnovationindex.org</a>
		Technology absorption	<a href="http://www.thegedi.org">www.thegedi.org</a>
		Medium and High-tech industry	<a href="https://unstats.un.org">https://unstats.un.org</a>



## Business Support KPIs



Sub Challenge	Description	Indicators	Source
<b>Growth support</b>	Measures the maturity of business development services in an ecosystem. The availability of well-known and qualitative incubators, accelerators, business upgrading agencies, chambers of commerce help entrepreneurs reach the potential to scale and increase local productivity.	Availability, accessibility, and quality of incubators/accelerator programs	Expert opinion/survey
		Availability, accessibility, and quality of commercial BDS providers	Expert opinion/survey
		Number of networks, platforms, and associations	Expert opinion/survey
		Availability of mentoring programs	Expert opinion/survey
<b>Operational support</b>	Captures the availability and affordability of support services for young firms, such as accounting, legal and information services. If these services are widely available and affordable it helps entrepreneurs to focus on their core business and developing their ideas.	OECD SME Policy Index	<a href="http://www.oecd-ilibrary.org">www.oecd-ilibrary.org</a>
		Access to information for SMEs	Expert opinion/survey
		Costs of accountant	Expert opinion/survey
		Costs of legal aid	Expert opinion/survey



## Business Support KPIs



Sub Challenge	Description	Indicators	Source
<b>R&amp;D</b>	Measures the extent to which firms are involved in R&D and the results of the R&D, represented by patents and product innovations. R&D is important for longer-term survival and competitiveness of firms and the creation of new ideas. The presence of large R&D firms creates spin-offs and foster co-operation in the ecosystem, creating knowledge spillovers.	% firms that spend on R&D	<a href="http://www.enterprisesurveys.org">www.enterprisesurveys.org</a>
		% firms that introduced a process innovation	<a href="http://www.enterprisesurveys.org">www.enterprisesurveys.org</a>
		Patent applications	<a href="http://www.globalinnovationindex.org">www.globalinnovationindex.org</a>
		Gross expenditure on R&D	<a href="http://www.globalinnovationindex.org">www.globalinnovationindex.org</a>
		Process innovation	<a href="http://www.thegeedi.org">www.thegeedi.org</a>
<b>Collaboration within ecosystem</b>	Provides a picture of the state of cluster development in a country. Clusters prove to be a growth driver for SMEs as they provide cooperation between companies and institutions, easy and fast access to information and facilitate cooperation in different stages of production.	University/Industry collaboration	<a href="http://www.globalinnovationindex.org">www.globalinnovationindex.org</a>
		State of cluster development	<a href="http://www.globalinnovationindex.org">www.globalinnovationindex.org</a>



## Governance KPIs



Sub Challenge	Description	Indicators	Source
<b>Regulatory quality</b>	This sub-challenge captures perceptions of the ability of the government and the public service to formulate and implement sound and independent policies and regulations that permit and promote private sector development, with special attention to the ICT regulatory environment.	Regulatory quality index	<a href="http://www.govindicators.org">www.govindicators.org</a>
		ICT regulatory environment	<a href="http://www.itu.int">www.itu.int</a>
		Government effectiveness	<a href="http://www.govindicators.org">www.govindicators.org</a>
<b>Enforcing contracts</b>	Measures the time and cost to resolve a commercial dispute, the quality of judicial processes, and the respecting of property rights. Good enforcement procedures enhance predictability in commercial relationships and reduce uncertainty for businesses and investors.	Rule of law index	<a href="http://www.worldjusticeproject.org">www.worldjusticeproject.org</a>
		Intellectual property protection	<a href="http://www.weforum.org">www.weforum.org</a>
		Property rights index	<a href="http://www.internationalpropertyrightsindex.org">www.internationalpropertyrightsindex.org</a>
		Enforcing contracts	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
<b>Political &amp; economic environment</b>	Captures the stability and freedom of corruption of countries. It includes a measure for the economic stability of a country. Low inflation rates and stable countries provide a fertile ground for businesses to thrive.	Corruption index	<a href="http://www.transparency.org">www.transparency.org</a>
		Political stability	<a href="http://www.govindicators.org">www.govindicators.org</a>
		Economic freedom	<a href="http://www.heritage.org">www.heritage.org</a>



## Governance KPIs



Sub Challenge	Description	Indicators	Source
<b>Business procedures</b>	This sub-challenge captures perceptions of the ability of the government and the public service to formulate and implement sound and independent policies and regulations that permit and promote private sector development, with special attention to the ICT regulatory environment.	Starting a business	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
		Business freedom	<a href="http://www.heritage.org">www.heritage.org</a>
		Paying taxes	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
		Resolving insolvency	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
		Obtaining construction permit	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
		Ease of hiring foreign labor	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
		Startup visa score	<a href="http://www.swibo.org">www.swibo.org</a>
		Government coordination	Expert opinion
<b>Digital governance</b>	Tracks the evolution of e-government services in terms of availability, quality, and diversity of channels and the use by the public of these services. Includes the availability of open data for accountability, innovation and social impact.	Government online services	<a href="http://www.publicadministration.un.org/egovkb">www.publicadministration.un.org/egovkb</a>
		Publication and use of open data	<a href="http://www.opendatabarometer.org">www.opendatabarometer.org</a>



## Culture KPIs



Sub Challenge	Description	Indicators	Source
<b>Personal development</b>	Captures personal entrepreneurial traits of the population, such as self-confidence, ambition, non-fear of failure and the ability to identify good opportunities. These traits are important to decide to become an entrepreneur.	Non-fear of failure/Risk acceptance	www.thegeedi.org
		Opportunity startup	www.thegeedi.org
<b>Community support</b>	Provides a picture of the country's beliefs with respect to entrepreneurship. A positive view of entrepreneurs in terms of status and career choice, encourages careers in the private sector and starting a business, fostering risk-seeking entrepreneurial behavior.	Cultural support	www.thegeedi.org





## Culture KPIs



Sub Challenge	Description	Indicators	Source
<b>Networking</b>	Measures the extent to which entrepreneurs' access and mobilize opportunities and resources and the ease of access to reach each other. A strong network helps find the right resources and fosters creativity.	Networking	<a href="http://www.thegeedi.org">www.thegeedi.org</a>
<b>Women Entrepreneurship</b>	Tracks the availability of women entrepreneurs and female opportunities. Gender equality fuels growth by bringing women into the labor force and by raising women entrepreneurs, the overall level of human capital, productivity and wages. Women entrepreneurs add creativity and ideas to the market.	Percent of firms with female participation in ownership	<a href="http://www.enterprisesurveys.org">www.enterprisesurveys.org</a>
		Gender equality index	<a href="http://www.hdr.undp.org">www.hdr.undp.org</a>



## Infrastructure KPIs



Sub Challenge	Description	Indicators	Source
<b>Digital infrastructure</b>	Captures the maturity of the digital infrastructure in a country. It includes costs of internet, availability of broadband internet and handset prices. Efficient telecommunications decrease cost of business, increases market reach, and allows for innovation.	Mobile tariffs	<a href="http://www.mobileconnectivityindex.com">www.mobileconnectivityindex.com</a>
		Handset prices	<a href="http://www.mobileconnectivityindex.com">www.mobileconnectivityindex.com</a>
		Internet access	<a href="http://www.itu.int">www.itu.int</a>
		4G mobile network coverage	<a href="http://www.itu.int">www.itu.int</a>
		Fixed broadband subscriptions	<a href="http://www.itu.int">www.itu.int</a>
		International internet bandwidth	<a href="http://www.itu.int">www.itu.int</a>
		Internet access in schools	<a href="http://www.data.uis.unesco.org">www.data.uis.unesco.org</a>
<b>Utilities</b>	Measures the availability, reliability and affordability of utilities in a country. A high quality of utilities decreases the costs of business and are fundamental for business operations, especially in the manufacturing services.	Electricity output	<a href="http://www.globalinnovationindex.org">www.globalinnovationindex.org</a>
		Access to electricity % population	<a href="http://www.data.worldbank.org">www.data.worldbank.org</a>
		Getting electricity	<a href="http://www.doingbusiness.org/">www.doingbusiness.org/</a>
		Reliability of electricity supply	<a href="http://www.enterprisesurveys.org">www.enterprisesurveys.org</a>
		Reliability of water supply	<a href="http://www.enterprisesurveys.org">www.enterprisesurveys.org</a>



## Infrastructure KPIs



Sub Challenge	Description	Indicators	Source
<b>Logistics</b>	Measures the quality of physical infrastructure (roads, air, trains) in a country and the administrative logistics process. Good infrastructure and easy procedures reduce the cost of business and transaction costs.	Logistics performance index	<a href="http://www.lpi.worldbank.org">www.lpi.worldbank.org</a>
		Quality of road network	<a href="http://www.weforum.org">www.weforum.org</a>
		Quality of rail network	<a href="http://www.weforum.org">www.weforum.org</a>
		Quality of air network	<a href="http://www.weforum.org">www.weforum.org</a>
		Quality of port infrastructure	<a href="http://www.weforum.org">www.weforum.org</a>
		Gross capital formation	<a href="http://www.globalinnovationindex.org">www.globalinnovationindex.org</a>



## Human Capital KPIs



Sub Challenge	Description	Indicators	Source
<b>Basic skills</b>	Measures the basic quality of human capital. Access to quality basic education at primary & secondary school and/or to basic training in work experiences, is needed for productive employees.	Learning adjusted years of school	<a href="http://www.worldbank.org/en/publication/human-capital">www.worldbank.org/en/publication/human-capital</a>
		Adult literacy rate	<a href="http://www.data.uis.unesco.org">www.data.uis.unesco.org</a>
<b>Advanced skills</b>	Measures the quality and access to advanced education and training at schools or at work. Skilled, competitive employees are needed for high-growth business, especially in knowledge-intensive sectors.	Tertiary enrolment rate	<a href="http://www.data.uis.unesco.org">www.data.uis.unesco.org</a>
		Technicians and professionals in workforce	<a href="https://ilostat.ilo.org/">https://ilostat.ilo.org/</a>
		Labor productivity per employee	<a href="http://www.conference-board.org">www.conference-board.org</a>
		Ease of finding skilled employees	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>



## Human Capital KPIs



Sub Challenge	Description	Indicators	Source
<b>Business skills</b>	Captures the extent of business savvy workers and access to training in entrepreneurship skills in a country. These skills are needed to bring a good idea to market, adapt to consumer demands and grow businesses.	Training in starting a business	Expert opinion
		Entrepreneurship competencies in national curriculum	Expert opinion
		ICT Skills	<a href="http://www.weforum.org">www.weforum.org</a>
		Quality of management schools	<a href="http://www.weforum.org">www.weforum.org</a>
		Startup skills	<a href="http://www.thegeedi.org">www.thegeedi.org</a>
		Human capital	<a href="http://www.thegeedi.org">www.thegeedi.org</a>
<b>Labour market</b>	Indicates the conduciveness of labour regulation to business growth. It includes the ease of hirings and dismissals, minimum wages and openness to new forms of labour such as the gig economy.	Prevalence of gig economy	<a href="http://www.weforum.org">www.weforum.org</a>
		Labour freedom index	<a href="http://www.heritage.org">www.heritage.org</a>



# FURTHER READING

## Understanding your Ecosystem

- ❑ **GIZ (2021). Guide to Strengthening Entrepreneurial Ecosystems**  
<https://www.giz.de/en/downloads/giz2021-en-entrepreneurial-ecosystems-guide.pdf>
- ❑ **Aspen Institute (2013). Ecosystem Diagnostic Toolkit**  
<https://www.aspeninstitute.org/publications/entrepreneurial-ecosystem-diagnostic-toolkit/>

## WHAT TO EXPECT NEXT...



Now that you have explored your country's entrepreneurial ecosystem, its challenges and how to measure success, the next Section (Part 3) will dig deeper into each ecosystem challenge and offer possible strategic interventions.

Examples and case studies from across the continent and globe are provided for illustration and inspirational purposes.

Take your time to explore and navigate each topic at your own pace. And remember to keep a notebook handy in case you want to jot down particular examples or questions to relate back to your own context.

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