

ENTREPRENEURSHIP POLICY TOOLKIT

PART 4. MEASURING SUCCESS



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**INNOVATION
FOR POLICY**
FOUNDATION

Supported by:



Implemented by

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

**Make-IT
in Africa**



Part 4

Part 4 - Measuring Success

- 4.1 What is Monitoring & Evaluation?
 - 4.2 Evidence gap
 - 4.3 M&E Plan
-

What will I learn?

Part 4 - Measuring Success

In this section, you will:

- Explore what the practice of Monitoring and Evaluation is and how these approaches differ from one another;
- Discover why an evidence gap exists in entrepreneurship policy and how to overcome it;
- Learn how to design your own M&E Plan.

Introduction



- Welcome to Part 4 of the Entrepreneurship Policy Toolkit. The topic of this part is ‘Measuring Success’.
- Measuring success of policies is often an afterthought for policymakers. This means that the impact and effectiveness of policy interventions becomes a topic only after interventions have been implemented. This is a classic mistake.
- The key lesson of this part of the toolkit is that measuring the success of your policy is, and should be, an integral part of the policy process. Measuring success starts already in the ideating phase and should be on your mind throughout the design, development and implementation of your policy.

Introduction



- So why is Measuring Success important? You might work in an environment where measuring the success of your policies finds itself lower on the priority list than other tasks, such as designing new policies, or providing advice to your political leadership. In this case it is extra important that you are aware of the importance of measuring success.
- There is a variety of reasons why measuring success is important. For example:
 - **It helps to assess which policies are working well and which are not.**
One of the key challenge areas for the entrepreneurial ecosystem is Governance. An often cited hurdle is the sheer amount of regulations that entrepreneurs have to cope with. Measuring the effectiveness of those regulations could lead to the conclusion that not all of them are necessary or effective in their current form.
 - **It gives insight into costs and benefits.**
Measuring success provides tangible data on costs and benefits and allows you to make well-informed decisions on (cost-)efficiency of policy.
 - **It ensures transparency and creates credibility towards stakeholders.**
Transparency and credibility of rules and regulations are key building blocks for a well-functioning ecosystem. Clarity and predictability of regulation ensure that entrepreneurs can focus their time and energy on creating added value.

A person wearing a blue and white checkered shirt is shown from the chest down, holding a silver pen and writing on a white document. The document features a bar chart with blue, yellow, and green bars. The background is a soft, out-of-focus light blue and white. The text '4.1 What is Monitoring & Evaluation?' is overlaid in the center of the image.

4.1 What is Monitoring & Evaluation?

What is Monitoring & Evaluation?

Monitoring & Evaluation (M&E) is the practical application of measuring success.

M&E helps to assess which policies are working well and which are not, gives insight into costs and benefits and can help determine which policies should be pursued, extended or even stopped.

While it is common to speak about Monitoring and Evaluation together, both terms actually have a different meaning. They are two distinct approaches to measuring success that complement each other.

Do you know what the difference between Monitoring and Evaluation is? Test yourself with the examples in the next two slides!



Monitoring or Evaluation?

The European Commission annually reviews the performance of SMEs in the European Union. Some of the main findings of its latest annual report were:

- In 2021, SMEs accounted for more than 50% of the value added generated by six out of the fourteen industrial ecosystems that the European Commission monitors regularly.
- The pandemic broke the typical link between SME value added and employment.
- Overall, SMEs fared slightly better than large enterprises in terms of growth in value added and employment in 2020 and, within the SME population as a whole, micro SMEs were slightly more impacted than small and medium-sized SMEs.

Question: Is this Monitoring or Evaluation?

¹ SME Performance Review Annual Report 2021/2022.

<https://single-market-economy.ec.europa.eu/smes/sme-strategy/sme-performance-review>



Monitoring or Evaluation?

The Italian Start Up Act provides unique benefits, such as tax incentives, loan guarantees, and a more flexible labor law, for firms registered as “innovative startups”. The Act aims to increase innovativeness of small and young enterprises by facilitating access to (external) capital and (high-skilled) labor.

Biancalani et al. (2022) conclude that the effect of the Italian Start Up Act is positive, and that it indeed eased firms’ access to equity and debt capital. More specifically, their tests show that tax benefits for new equity investors alleviated the problem of shortage in risk capital.

The study also shows that the Italian Start Up Act improved access to bank loans by small and young enterprises and innovative startups were found to have better access to debt capital because of guarantees.

Question: Is this Monitoring or Evaluation?

¹ Biancalani, F., Czarnitzki, D. & Riccaboni, M. The Italian Start Up Act: a microeconomic program evaluation. *Small Bus Econ* 58, 1699–1720 (2022). <https://doi.org/10.1007/s11187-021-00468-7>



What is Monitoring & Evaluation?



Did you figure it out? As we said before, while it is common to talk about Monitoring and Evaluation together, both terms have a different meaning. They are two distinct approaches to measuring success that complement each other.

- Monitoring is a periodic and routine process that is used to track the implementation and progress of your intervention.
 - The Annual Performance Review of SMEs by the European Commission (slide 8) is an example of monitoring. This report is used to track the performance of SMEs.
- Evaluation is used to draw conclusions regarding the impact and efficiency of an intervention.
 - The analysis of the Italian Startup Act (slide 9) is an example of an evaluation study. The researchers were able to draw conclusions about the effectiveness of the Act and claim a causal link from the instruments of the Act to, for example, the access to capital startups enjoyed.

We will present and discuss both approaches separately in the next slides and provide you with an additional example. This subsection will conclude with a summary table that compares monitoring and evaluation approaches side-by-side.

What is Monitoring & Evaluation?



Monitoring

- Monitoring is a periodic and routine process that is used to track the implementation and progress of your intervention.
- Monitoring primarily concerns the activities that are being undertaken during the implementation of an intervention.
 - For example, are you planning to build capacity or raise awareness? Keeping track of the number of training sessions, the number of people trained or number of people reached with your awareness campaign is part of monitoring.
- Internally, a monitoring process often takes the form of a dashboard with information that is, for example, accessible by you as policymaker and by your manager.
- Externally, a monitoring dashboard can be utilized by the public, thereby increasing accountability, visibility and helping policy iteration through stakeholder involvement.

What is Monitoring & Evaluation?



Monitoring: example

- Imagine that you are in the process of implementing a capacity building course for the entrepreneurial ecosystem. The goal of the measure is to increase the knowledge of doing business internationally (= market access) in the ecosystem.
- You have planned a series of 100 trainings to be offered throughout the country over the timespan of two years. Each training has a maximum capacity of 25 participants. Your main target group is entrepreneurs, but other (enabling) ecosystem actors are also welcome.
- In order to monitor the progress of your policy measure, you could for instance track the following variables (see next slide for a hypothetical monitoring table after 360 days):
 - Number of trainings scheduled
 - Number of trainings provided
 - Number of signups
 - Number of participants
 - Background information on participants (like age, gender, type of ecosystem actor, sector, business size)
 - Time passed since implementation
 - Total cost of the trainings
 - Cost per training
 - Average number of participants
 - Number of trainers involved
 - Geographical locations of trainings and geographical spread

What is Monitoring & Evaluation?



Monitoring: example

Indicator	Target value	Current value
• # of trainings scheduled	100	60
• # of trainings provided	100	43
• # of signups (take into account dropouts)	3000	1800
• # of participants completed	2000	902
• Average number of participants per training	20	21
• Time passed since implementation (days)	-	360
• Total cost of the trainings (\$)	\$ 1,000,000	\$ 502,690
• Cost per training (\$)	\$ 10,000	\$ 11,690
• # of trainers involved	10	6

What is Monitoring & Evaluation?



Evaluation

- Evaluation is used to draw conclusions regarding the impact and efficiency of an intervention.
- Evaluation looks at outcomes. It analyses whether changes occurred between the start and end of the intervention and, crucially, aims to evaluate whether that change can be attributed to the activities undertaken.
- Proper evaluation studies allow for conclusions to be drawn regarding the causal effect of your policy intervention. They also provide information on the factors that contributed to the success or failure of the policy and shed light on possible unintended effects or consequences. Based on this knowledge, evaluations can provide lessons, highlight accomplishments and offer recommendations for future policy iteration.
- Evaluation studies are conducted less frequently, for example in intervals of 5 years, because they are complicated and require a substantial amount of resources (time, money, knowledge). Generally, evaluation studies are conducted by third parties, such as universities, research institutions or research firms.

What is Monitoring & Evaluation?



Evaluation

- Evaluation studies aim to mirror a world in which they can make a perfect comparison between two groups: a treatment group (which is affected by the policy intervention) and a control group (that is not affected by the intervention).
- Comparing the development of a treatment and control group over time, assuming everything else that they experience or affects them is equal (*ceteris paribus*), allows researchers to draw conclusions on the exact impact of the policy intervention at hand.
- This is akin to the way pharmaceutical companies test new drugs. Researchers will assign a group of otherwise similar people (age, gender, etc.) randomly to two groups: A and B. Those in group A will get the new drug, while those in group B are administered a placebo. The result is that researchers have a treatment group (A) and a control group (B) that they can compare.
- Of course, this ideal situation is seldom found in practice. This is especially difficult when a policy intervention affects all entrepreneurs in the country in the same way (which is common with entrepreneurship policy), since in that case there are no natural control and treatment groups. However, researchers have developed statistical techniques to approximate the ideal situation. These approximations are generally the basis of econometric policy evaluation studies.

What is Monitoring & Evaluation?



Evaluation: example

- Let's use the same example as before. This time, we want to evaluate the impact of our capacity building course. Let's assume we've successfully trained 2000 entrepreneurs.
- The goal of our measure was to build capacity on doing business internationally. So we could simply analyse how many of our participants do business internationally now. Let's assume the majority does. That raises the all important question: are they trading internationally because of the course they took? Or would they have done that anyway without following the course too?
 - ➔ Answering this question is what we also refer to as determining 'the counterfactual'. This is a critical part of evaluation, because it allows us to attribute observed changes to our interventions.
- To answer the question: no, we cannot simply claim or assume that participants who started trading internationally do that because of our course. Two methods come to mind to properly evaluate the impact of our course.
 - First, we could simply ask our participants about the impact of our course. They could fill out a questionnaire and self-report how much they think or feel the course helped them (or didn't) in starting to trade internationally. This would be a good starting point.

What is Monitoring & Evaluation?



Evaluation: example

- Second, we could try to conduct an econometric evaluation study. This would mean we need to determine a 'control group' to compare with our 'treatment group' (= our participants). Let's think about this for a bit. We are looking for a group of people very similar to our participants.
- One idea for a potential control group, is to have a look at people that enrolled in our course, but were unable to make it to the meetings for a variety of reasons.
 - This is a group of entrepreneurs that is very close in characteristics to our participants, as they also experienced interest in learning about doing business internationally.
 - First, as a check, we would need to analyse if we have enough non-participants, and whether for example their business size and industries are roughly comparable to our group of participants (to ensure we meet the 'all else is equal'-condition).
 - Second, we would find out how many entrepreneurs in this group are now trading internationally, and how many aren't.
 - Lastly, we can compare the numbers of our newly constructed control group to the numbers of our treatment group (=participants).
 - Is a significantly higher percentage of our participants doing business internationally compared to our non-participants? Well done! Our intervention was effective!

What is Monitoring & Evaluation?



Evaluation: example

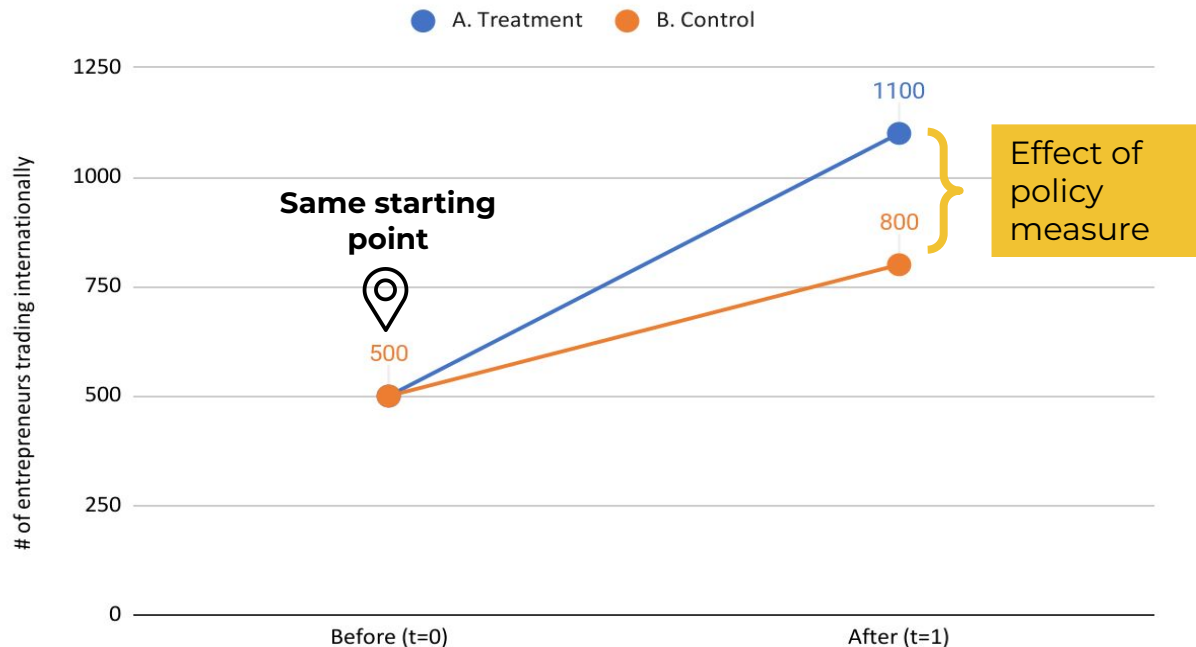
- Let's put this in numbers. Let us assume, for simplicity, that 2000 people followed our course, and we also had exactly 2000 no-shows. We also assume that, in both cases, before the intervention started 500 entrepreneurs were already trading internationally and 1500 were not.
- Now we observe that after our course was implemented, 1100 entrepreneurs of Group A do business internationally, and 800 of Group B. Hence, we see an increase in both groups.

Groups	Before intervention	After intervention	Difference
A. Participants (=treatment group)	2000	2000	
- Doing business internationally	- 500	- 1100	+ 600
- Not doing business internationally	- 1500	- 900	- 600
B. No-shows and cancellations (=control group)	2000	2000	
- Doing business internationally	- 500	- 800	+ 300
- Not doing business internationally	- 1500	- 1200	- 300

What is Monitoring & Evaluation?



Evaluation: example



- On the left, we've plotted the data that we saw on the previous slide as a graph.
- The number of entrepreneurs trading internationally in the treatment group went from 500 to 1100 (out of 2000).
- In the control group, this number went from 500 to 800 (out of 2000).
- The difference between these developments (treatment minus control) is the impact of our intervention!

¹ Note that a proper analysis should also determine whether the difference between the treatment and control group is *statistically significant* (that is, ruling out that the observed difference between both groups is a coincidence). See for more information: <https://hbr.org/2016/02/a-refresher-on-statistical-significance>.



Summary: Monitoring and Evaluation

	Monitoring	Evaluation
Definition	<p>Monitoring is a periodic and routine process. It is used to track the implementation and progress of your intervention.</p>	<p>Evaluation is conducted less frequently. It is used to draw conclusions regarding the impact and efficiency of an intervention.</p>
Focus	<p>Monitoring focuses on the activities undertaken during the implementation of an intervention.</p>	<p>Evaluation looks at outcomes, assessing whether i) a change occurred between the start and end of the intervention and ii) whether that change can be attributed to the activities undertaken.</p>
Questions	<ul style="list-style-type: none"> • What indicators show the state of implementation? • What indicators measure the progress of our intervention? (KPIs, targets – results) • Based on the data, do we need to make any changes? 	<ul style="list-style-type: none"> • Did a change in the target beneficiary group occur? • How much of the observed change can be attributed to our activities? • What contributed to our success (or failure)? • Have any unexpected results occurred?
Elements	<ul style="list-style-type: none"> • Link activities and resources to objectives • Translate objectives into KPIs and set targets • Routinely collect data on indicators • Compare development of indicators with targets • Report progress to stakeholders and alert to problems 	<ul style="list-style-type: none"> • Analyse if intended results were achieved • Assess causal link between activities and results • Examine implementation process • Explore unintended results • Provide lessons, highlight accomplishments and offer recommendations



4.2 Evidence gap

Evidence gap



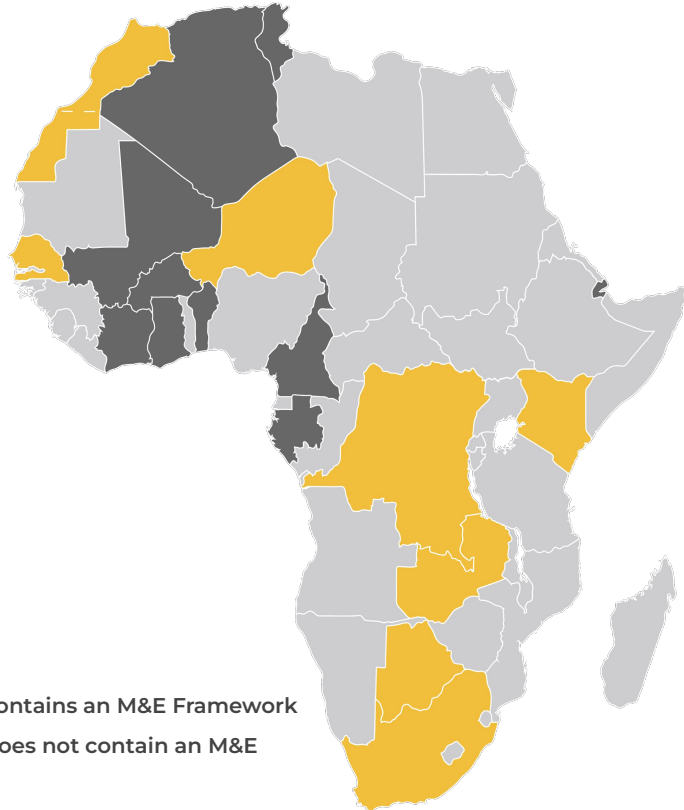
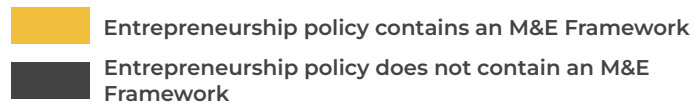
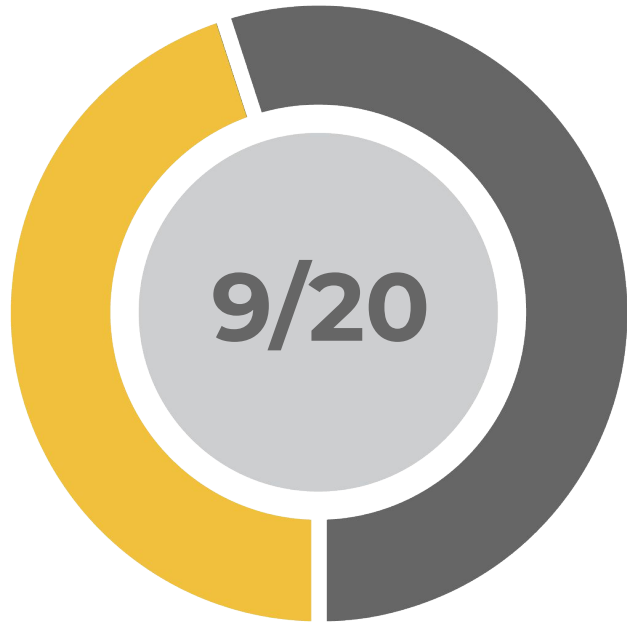
- An evidence gap exists on the effectiveness of entrepreneurship policy. Part 1 of the toolkit touched on this briefly, indicating that availability of data can be a limiting factor.
- Analysis by the Innovation for Policy Foundation (see next slide) shows that less than half of entrepreneurship policies on the continent contain an M&E framework. That is a troublesome finding, because it means the evidence gap is not being closed.
- Measuring the success of policy is an integral part of the policy process. Defining and measuring indicators before and after implementation of your policy intervention is the only reliable way to determine the impact of a policy.
- Without quantitative indicators, you have to rely on qualitative data (questionnaires and anecdotal evidence). While this is useful, it does not provide a solid basis to determine causality. Its best use case is to complement the numbers and help with their interpretation.

Let's help each other out here!

When we all invest in M&E, together we can close the evidence gap. That way, in a few years, we can build on a wealth of knowledge to improve our entrepreneurship policies and take a leap forward in wellbeing.



There is an evidence gap about what works.
Only, 45% of SBAs and Startup Acts refer to an M&E Framework...¹



¹ Innovation for Policy Foundation (2023). *Benchmarking Small Business Acts and Startup Acts in Africa*. <https://ecosystem.build/>

Evidence gap



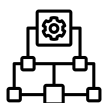
Let's elaborate a bit on our findings. We analysed 20+ entrepreneurship policies on the continent and looked for elements related to monitoring and evaluation. Specifically, we examined the presence of the following elements (see examples on the next slides):



Interim/final report: a clause that prescribes the publication of an interim and/or final report about the impact of a policy.



Frequency of reporting: a step further is to also define the frequency of reporting. For example, to require a monitoring/benchmarking report to be published biannually.



Logical Framework (indicators, outcomes or areas of focus): a logical framework is a best practice that forms the foundation of your policy. A logical framework ensures a proper link between your interventions, goals and indicators (note: we will discuss this extensively in section 4.3).



Data & Data Collection Process: in order to measure, you need data. An often overlooked part of M&E plans is who collects that data and how (which methods are used).





Roles and Responsibilities: since M&E is not always on the top of the priority list, agreeing on roles and responsibilities of actors beforehand ensures its execution.

Evidence gap



M&E clauses in SME and entrepreneurship policies



Country	Policy	Interim/ Final Report	Frequency of Reporting	Logical Framework	Data & Data Collection Process	Roles and Responsibilities
	10-year Master Plan for the SME Sector in Mauritius, 2016	✓ <i>Programme performance reports to measure results, identify challenges and sharing reports with stakeholders</i>	✓ <i>Bi-annual</i>	✓ <i>Full logical framework with more detailed KPIs and detailed activities by initiative</i>	✓ <i>SME Observatory set up to build data-collection capabilities.</i>	✓ <i>Three-tier structure. i) an inter-ministerial committee, ii) a high-level steering committee for operationalising the recommended actions, iii) up to six technical committees for implementing, reviewing, and reporting high impact initiatives</i>
	National Policy on Micro, Small and Medium Enterprises, 2015	✓ <i>Baseline report with key MSMEs statistics and indicators</i>	✓ <i>Independent monitoring teams on a half-year basis, and an annual review of baseline data and statistics through the SME Development Agency and the National Bureau of Statistics</i>	✓ <i>Action plans that include high-level objectives, detailed activities, and time frames for completion</i>	✓ <i>Publication of an annual MSME data book, providing input for benchmarks and progress and evaluation.</i>	✓ <i>National Council on MSMEs and state and local government councils</i>

¹ Innovation for Policy Foundation (2023). *Benchmarking Small Business Acts and Startup Acts in Africa*. <https://ecosystem.build/>

Evidence gap



M&E clauses in SME and entrepreneurship policies

Country	Policy	Interim/ Final Report	Frequency of Reporting	Logical Framework	Data & Data Collection Process	Roles and Responsibilities
	SME Policy, 2010	✓	✓	✓ <i>Specifies objectives, strategies, the time frame, and responsible implementing agencies.</i>	✗	✓ <i>Ministry of Industry and Trade and support from implementing ministries and agencies</i>
	SME Development Policy, 2003	✓ <i>Publication of a document at a regular forum of SME stakeholders</i>	✗	✓ <i>Action plans that include high-level objectives, detailed activities, and time frames for completion</i>	✗	✓ <i>Ministry of Industry and Trade and support from implementing ministries and agencies</i>

¹ Innovation for Policy Foundation (2023). *Benchmarking Small Business Acts and Startup Acts in Africa*. <https://ecosystem.build/>

Evidence gap



We will come back to these five elements of M&E in section 4.3, where you will gain the knowledge and tools to draft your own M&E Plan.

For now, let's delve in a bit deeper. Consider for a minute why an evidence gap exists. What could be causing it?

In the next slides we will try to answer this question. In doing so, we distinguish between two types of challenges to M&E. These are challenges that are either i) practical or ii) methodological in nature.

Practical challenges

Practical challenges are those that policymakers face in their daily work life. For example, M&E processes require resources (time, money) that are not always available, or M&E has to compete with other projects that are higher on the (political) priority list.

What reasons can you think of that Monitoring & Evaluation is not implemented?

What challenges have you experienced yourself in relation to measuring the success of policies?

In the next slides we do more than just summarize the challenges you face as a policymaker!

We also provide you with ideas, tools and suggestions how to deal with these challenges.



Evidence gap



Practical challenges

The following three practical challenges are most prominent and often cited by policymakers: resource constraints, issues of prioritization and coordination.

- **Resource constraints:** M&E processes cost money and require time and specific skills. These resources are scarce and often insufficiently allocated to M&E, thereby making it inherently difficult for policymakers to implement and execute a proper M&E framework.
- **Prioritization:** long-term projects, or those that are less visible to the public eye, tend to get less priority from politicians and the departmental hierarchy. However, focusing too much on designing and introducing new policies comes with a high risk of getting stuck in a cycle of introducing new policies without ever knowing whether your interventions work.
- **Coordination:** ownership of entrepreneurship policy should be felt by all ecosystem actors. However, when it comes to the M&E process, a single coordinating actor should be accountable for the implementation of the process. Ownership of policies can sometimes become a bit vague after policies have been implemented, which can substantially hamper M&E efforts when departments and agencies start pointing at each other.

Evidence gap



Practical challenges

Knowing which challenges you will face is a good starting point. Learning how to cope with these practical challenges is even more useful though! Here are three best practices that you can use:

- 1. Emphasize and illustrate the importance of M&E.** Make your case with solid evidence and present some best-practice examples. A good argument will help you obtain the necessary resources and priority.
- 2. Explain “what’s in it for them”.** Consider for a moment what is top of mind for your political leadership. Try and link the importance of M&E to that perspective.
 - For example, imagine that you can prove that a policy introduced by your minister was successful. You can explain that such evidence helps to build their public profile.
- 3. Design an M&E Plan.** Establishing commitment on an M&E framework beforehand is crucial. An M&E Plan can be used to guarantee the availability of resources, ensure commitment to the implementation and to assign roles and responsibilities.
 - Section 4.3 will provide you with the knowledge and tools to design your own M&E Plan.

Evidence gap



Methodological challenges

- Methodological challenges to M&E are more technical in nature. A common example is the availability of data, as well as a lack of information on who possesses which data.
- Methodological challenges are most prone to arise in case of evaluation studies. For example, researchers face difficulties determining a causal effect when more than one policy influences the same group of people at the same time. These so-called ‘interaction effects’ are almost impossible to disentangle statistically.
- Methodological challenges are **of particular relevance when measuring the success of a legislative instrument**. Laws, such as Startup Acts and Small Business Acts, sometimes contain multiple objectives and interventions that are not clearly linked. However, an evaluation study ideally determines the (causal) impact of every intervention separately.
- The key learning here is therefore to **ensure a clear link between the instrument you implement and the goal** your policy or legislation sets out to achieve. If you do find yourself tasked with measuring the success of a policy for which this is not the case, it is best to resort to monitoring only, while simultaneously reiterating the policy.

4.3 M&E Plan



What is an M&E Plan?



We finished the last section by concluding that an M&E Plan is one of the best ways to mitigate both practical and methodological challenges to M&E. This links directly to the main learning of this part of the toolkit: **it is essential to see M&E as an integral part of your policy process.**

We have also learned that an M&E Plan, at the very least, includes information on resources, roles and responsibilities, what indicators to monitor and when to monitor. But how do you design your own M&E Plan? That is what we will get into in this section.

Let's start by distinguishing between two elements of an M&E Plan:

- **Monitoring Plan:** the monitoring plan describes which activities need to be monitored and evaluated. It prescribes who is responsible for the process (responsibility), how it will be carried out (methods) and when the process takes place (timing). The plan also describes what will be done with the data and information gathered and how it will inform future policy iteration.
- **Processes and Structure:** the processes and structure paragraph clarifies what resources will be required and where they will be committed. This part also lists the stakeholders involved and contains safeguards to ensure that resources are used properly.



What is an M&E Plan?

Components of an M&E Plan

This section presents eight elements that form the foundation of an M&E Plan. We will explain each component and its importance one by one, followed by an example from a real-life M&E Plan.

All the examples are taken from a single M&E Plan. We borrow them from an M&E Plan by the Government of Malawi. This M&E Plan was drafted in 2018 and concerns the Power Sector.¹

You might wonder, why the Power Sector? How does this relate to Entrepreneurship Policy? Take a minute to recall the 7 key challenge areas. Remember the sixth challenge area? That was **Infrastructure**. One of the most critical factors for entrepreneurship is access to reliable infrastructure; first and foremost electricity.

Did you know the three objectives of the Power Sector policy in Malawi relate directly to entrepreneurship?

1. Increase investment and **employment** by **reducing the cost of doing business**;
2. Expand access to electricity for the Malawian citizens and **businesses**;
3. **Increase value-added production** in Malawi.



¹ Government of Malawi (2018). *Monitoring and Evaluation Plan Power Sector*. <https://www.mcc.gov/content/uploads/ME-Plan-MWI-V5-Jun18-1.pdf>

What is an M&E Plan?



Components of an M&E Plan

These eight components of an M&E Plan will be presented in the next slides. We will discuss them in the order in which they are listed:

1. Theory of Change (ToC) and Logical Framework
2. Key Performance Indicators
3. Methods to Collect Evidence
4. Roles and Responsibilities
5. Scheduling and Timing
6. Using Evidence for Policy Iteration
7. Allocating Resources
8. Stakeholder Involvement



Components of an M&E Plan

1. Theory of Change (ToC) and Logical Framework

- Your Theory of Change (ToC) is the foundation of your M&E Plan. One might even say your ToC is the foundation of your policy as a whole.
- In essence, a Theory of Change describes how and why you think change will happen. In more practical terms, think about completing the sentence “if we do X then Y will change because...”.
- A more detailed explanation holds that a Theory of Change explains how activities undertaken to implement an intervention (such as a policy) contribute to a chain of results that in turn lead to the intended or observed impacts.
- A Theory of Change is often developed during the agenda-setting stage of the policy process. It is also very important for your M&E process, as a good Theory of Change ensures activities are linked to goals, helps to identify relevant indicators and provides a structure for data analysis and reporting.

Note: Related terms that others might use include: results chain, logic model, program theory, outcome mapping, impact pathway and investment logic.



Components of an M&E Plan

1. Theory of Change (ToC) and Logical Framework

- You can visualise your Theory of Change in a Logical Framework (also known as *logframe*).
- A logical framework is generally depicted as a matrix or a flow chart. It provides a detailed, linear presentation of the way in which every activity that you plan to undertake as part of a policy intervention, will lead to expected outcomes and contribute to the ultimate goal of the policy.
- We suggest to distinguish the following four dimensions (from bottom to top):
 - **Activities** = the tasks or activities designed to meet the goal of the intervention.
 - **Outputs** = the first level of results of your activities. These are tangible outputs, such as products, goods or services (e.g. # of people trained, agency created) that will lead to the achievement of outcomes.
 - **Expected Outcomes** = the second level of results. These are the primary results that your intervention aims to achieve (often in terms of change in knowledge, attitudes or behaviour of the intervention's target group).
 - **Goal** = high ideal resulting from your vision. The goal is beyond the control of your project, but your project contributes directly to it.

Components of an M&E Plan



Example: Logical Framework

- In the next four slides we will walk you through an example of a logical framework. This logframe is borrowed (and slightly adapted) from the aforementioned M&E Plan for the Power Sector in Malawi.¹
- Each dimension of the logical framework will appear step-by-step. We start at the bottom, with the concrete activities that were implemented in Malawi. Next, we add the level of outputs, then the expected outcomes and finally the ultimate goal that the whole project contributes to.
- For illustration purposes, we zoom in at one branch of the logic framework from the Malawian M&E Plan only. However, the full logic framework consists of three branches and specifies a total of fifteen activities. Please revert to the source at the bottom of the slide for the full logframe.

¹ Government of Malawi (2018). *Monitoring and Evaluation Plan Power Sector*. <https://www.mcc.gov/content/uploads/ME-Plan-MWI-V5-Jun18-1.pdf>



Goal

Expected Outcome

Outputs

Activities

Step 1. We observe that **four activities** have been defined.

They range from the development of a resource plan and the refurbishment of a power plant to upgrades of the transmission and distribution networks.

Activity 1

Develop an Integrated Resource Plan

Activity 2

Refurbish Nkula A Power Station

Activity 3

Transmission Network Upgrade

Activity 4

Transmission and Distribution Upgrade, Expansion and Rehabilitation



Goal

Expected Outcome

Outputs

Activities

Step 2. The four activities together make up an infrastructure development project.

This leads to **(measurable) outputs** such as improved availability, reliability and quality of the power supply.

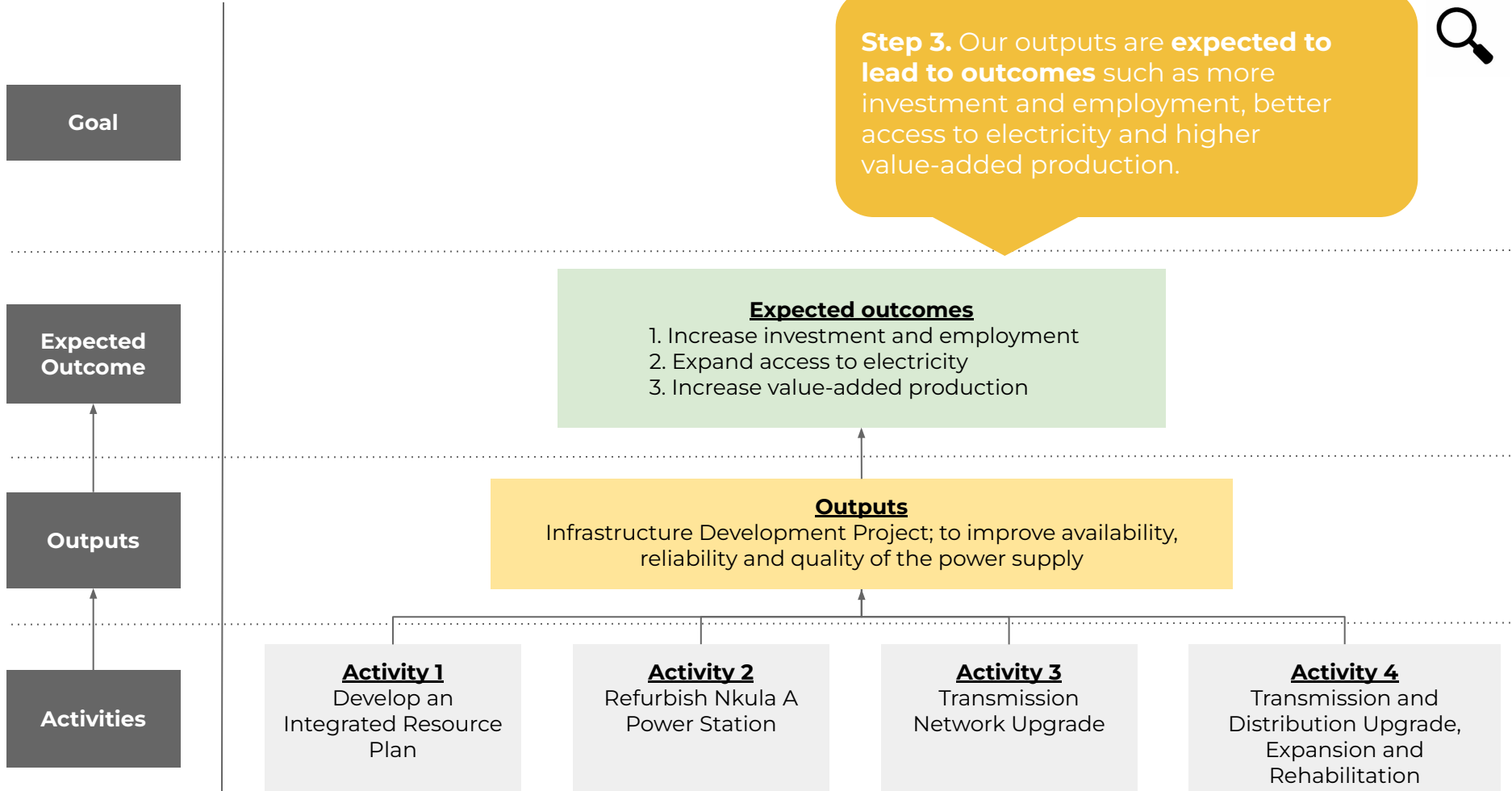
Outputs
 Infrastructure Development Project; to improve availability, reliability and quality of the power supply

Activity 1
 Develop an Integrated Resource Plan

Activity 2
 Refurbish Nkula A Power Station

Activity 3
 Transmission Network Upgrade

Activity 4
 Transmission and Distribution Upgrade, Expansion and Rehabilitation



Step 3. Our outputs are **expected to lead to outcomes** such as more investment and employment, better access to electricity and higher value-added production.

Expected outcomes
 1. Increase investment and employment
 2. Expand access to electricity
 3. Increase value-added production

Outputs
 Infrastructure Development Project; to improve availability, reliability and quality of the power supply

Activity 1
 Develop an Integrated Resource Plan

Activity 2
 Refurbish Nkula A Power Station

Activity 3
 Transmission Network Upgrade

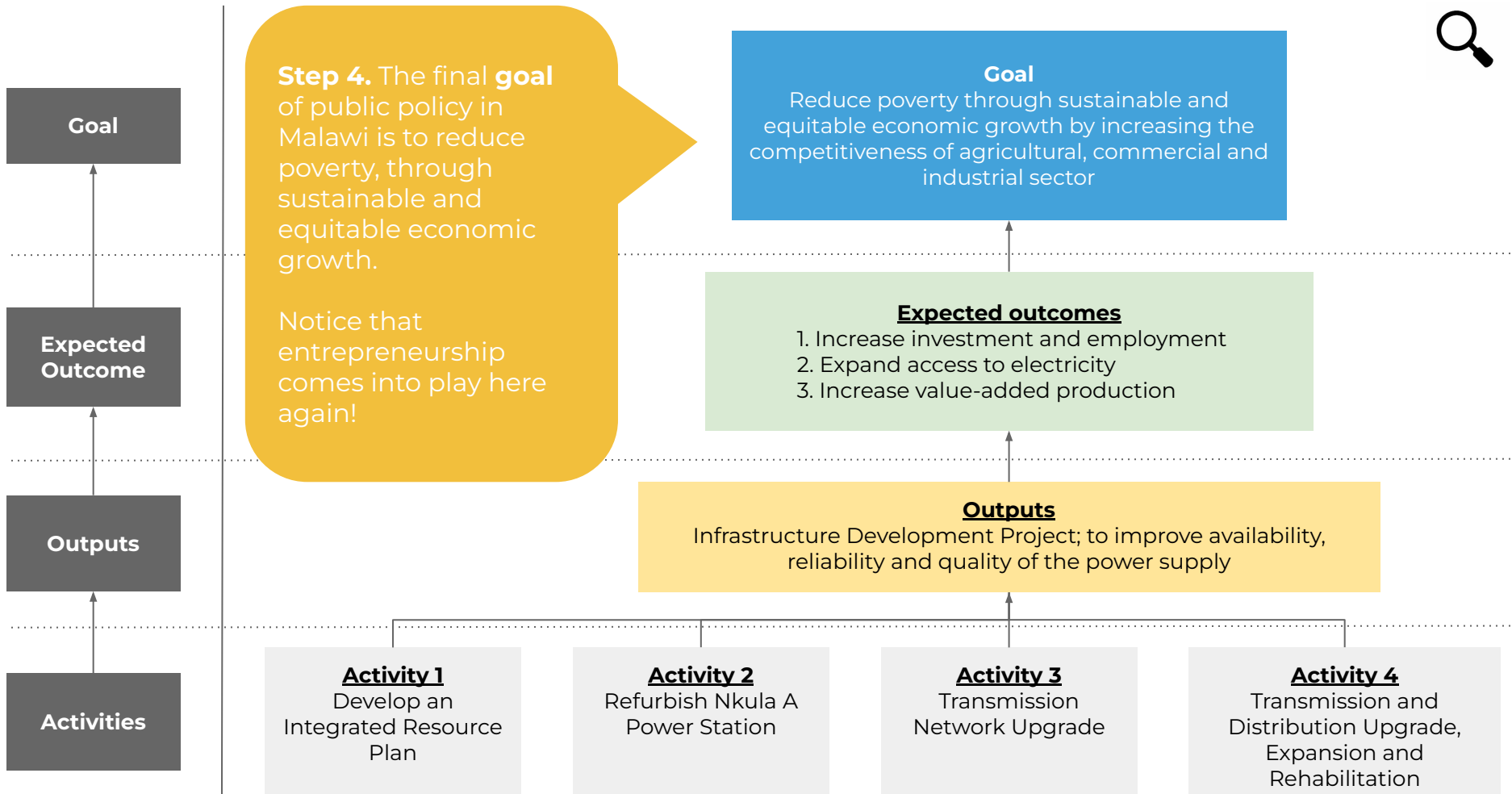
Activity 4
 Transmission and Distribution Upgrade, Expansion and Rehabilitation

Goal

Expected Outcome

Outputs

Activities



Step 4. The final goal of public policy in Malawi is to reduce poverty, through sustainable and equitable economic growth.

Notice that entrepreneurship comes into play here again!

Goal
 Reduce poverty through sustainable and equitable economic growth by increasing the competitiveness of agricultural, commercial and industrial sector

Expected outcomes

1. Increase investment and employment
2. Expand access to electricity
3. Increase value-added production

Outputs
 Infrastructure Development Project; to improve availability, reliability and quality of the power supply

Activity 1
 Develop an Integrated Resource Plan

Activity 2
 Refurbish Nkula A Power Station

Activity 3
 Transmission Network Upgrade

Activity 4
 Transmission and Distribution Upgrade, Expansion and Rehabilitation

Goal

Expected Outcome

Outputs

Activities

Components of an M&E Plan



2. Key Performance Indicators

- M&E processes include data collection, defining roles and responsibilities of actors and deciding on frequency of reporting. Appropriate indicators need to be defined for each stage.
- Key Performance Indicators (KPIs) are used for this. These are measurable, objective targets that can be used to assess the current level of the ecosystem in your country, as well as assess the impact of your entrepreneurship-focused policy.
- Thus, defining and monitoring KPIs is an important aspect of any M&E system. It allows policymakers and stakeholders to monitor progress on inputs, activities, outputs, outcomes and impacts in a transparent and objective manner.

Remember when we measured and talked to our ecosystem in Part 2? This data is as a great baseline for our M&E Plan!

Key Performance Indicators 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 also help to assess policy outcomes and provide success benchmarks to compare different policies within and across ecosystems.





Components of an M&E Plan

2. Key Performance Indicators

- Determining which indicators to measure can be challenging. Sometimes you can use data of third parties, utilize data that is readily available in your organization and sometimes you might need to set up a new data collection process.
 - If you need some help with this, try and find an economist, data expert or M&E expert in your organization. They should be able to provide some assistance.
- Whichever situation applies to you, it is always important to realize what conditions an indicator should satisfy to be a good KPI. For example, good KPIs:
 - Provide objective evidence of progress towards achieving a desired goal;
 - Measure what was intended to be measured to help inform better decision making;
 - Offer a comparison that gauges the degree of performance change over time;
 - Track efficiency, effectiveness, quality, timelines, governance, compliance, behaviours, project performance, personnel performance, and resource utilisation.
- This might sound a bit complicated. That's why we provide you with two handy tools on the next slide to ensure that you can pick the right KPIs for your policy! Also, did you know Part 2 of the toolkit contains an Annex listing KPIs for each of the 7 key challenge areas?



Components of an M&E Plan

2. Key Performance Indicators

Let's try and make our lives a bit easier. The theory and importance of KPIs is clear. But how do we apply this in practice? Below you will find two tips and tricks that will help you with that.

1

First, remember that good KPIs are always **SMART**.

This means that they are:

- **S**pecific;
- **M**easurable (quantifiable);
- **A**ttainable (realistic);
- **R**elevant (to the goal); and
- **T**ime-bound (attainable within a specified time frame).

Any indicator that satisfies these conditions should be a good choice!

2

Second, use a **checklist!** The right questions will ensure that you have all bases covered.

DEFINITION	How is it calculated?
BASELINE	What is the current value?
TARGET	What is the target value?
DATA SOURCE	How will it be measured?
FREQUENCY	How often will it be measured?
RESPONSIBILITY	Who will measure it?
REPORTING	Where will it be reported?

Components of an M&E Plan



Example: Defining KPIs

Determining and measuring KPIs is not just a theoretical exercise. You will encounter them often in practice. The M&E Plan for the Power Sector in Malawi for example, contains dozens of KPIs. It defines four levels of indicators that match the logical framework we looked at earlier.

Two examples of KPIs are shown below. As you can see, the Malawian M&E Plan specifies the indicator level, definition, source, responsible party and frequency of reporting (checking off most items on the checklist we presented on the previous slide!).

Results Statement	Common Indicator	Indicator Level	Indicator Name	Definition	Unit	Primary Source	Responsible Party	Freq. of Reporting
Total new transmission transformer capacity	P-9	Output	New transmission substation capacity added by compact	Total added transmission substation capacity, measured in megavolt amperes that is energized [...]	MVA	ESCOM System Operations Report	MCA-MW	Quarterly
Reduced energy losses	P-18	Outcome	Transmission System technical losses	1- [Total megawatt hours transmitted out from transmission substations / Total megawatt hours received from generation to transmission substations]	%	ESCOM System Operations Report	ESCOM	Quarterly



Components of an M&E Plan

3. Methods to collect evidence

Many possible methods to collect evidence exist. For example, one can use surveys, research like evaluation studies or consultations with stakeholders and citizens.

To structure our thoughts a bit, we distinguish between four types of evidence:

- **Statistical and administrative data**, whose purpose is to paint a picture of the situation;
- **Evidence from research**, whose purpose is to uncover causal links and relationships, helping to understand why things happen the way they do;
- **Evidence from citizens and stakeholders**, whose purpose is to understand what different groups of people value and what they consider to be legitimate;
- **Evidence from evaluations**, whose purpose is to uncover what worked in the past, for whom, how and why.

Statistical and
administrative data

Evidence from
research

Evidence from citizens
and stakeholders

Evidence from
evaluations

Components of an M&E Plan



3. Methods to collect evidence

- Ideally, your evidence base is composed of a mix of these types of evidence. Qualitative and quantitative types of evidence for example, complement each other. Quantitative data provides you with a solid basis to draw conclusions for large groups of people, while qualitative data provides you with the means to interpret the results you obtain from your quantitative analysis.
- An over-reliance on (quantitative) research can lead to technocratic policymaking with little citizen involvement or practical experience taken into account. Evidence from citizens and stakeholders needs to be balanced with technical research.
- Consider how you think change is likely to happen (your Theory of Change, component 1). Evidence can confirm your Theory of Change, challenge it, expand it, explain it, enrich your general understanding and/or help you anticipate what might come next.
- Remember, if you only seek out evidence that confirms what you think is likely to happen, you will be unprepared for the unexpected or unable to explain complex relationships – which will affect how effective policy implementation is likely to be!

Components of an M&E Plan



3. Methods to collect evidence

- Whichever method is used to collect evidence, the goal is the same: the evidence collected needs to be of as high quality as possible, in order to be able to draw reliable conclusions. This means that evidence needs to be sourced using recognised best practices.
- In practice, ensuring reliability means paying attention to two aspects in specific.
 - First, the *quality of the processes* through which evidence is sourced is important. For example, questions in surveys that are unclear or biased can limit the usefulness of your results. Similarly, when data points are missing because the prescribed procedure wasn't followed, this can substantially limit your capacity to draw conclusions.
 - Second, one needs to pay attention to *the quality of the evidence* itself. Sometimes the process to collect data is implemented correctly, but the evidence itself is of low quality. Perhaps people didn't respond to your survey seriously, something went wrong while combining datasets or stakeholders misunderstood your questions.

Components of an M&E Plan



3. Methods to collect evidence

Remember to be critical and careful when dealing with evidence. Does the data really show what you think it shows? And is your interpretation the only possible way to understand it? Let's have a look at an example.

Thought experiment

- Imagine you are asked to determine the issues entrepreneurs face in our country Benchmarkia. What would you do?
- Likely, one of your steps is to talk to entrepreneurs in Benchmarkia. For example those that are successful, who came up with an innovative idea and grew quickly. And it's also likely that you would talk with some smaller firms and other ecosystem actors.
- Of course, Part 2 also taught you to have a look at objective data, and combine your measurements with qualitative insights.



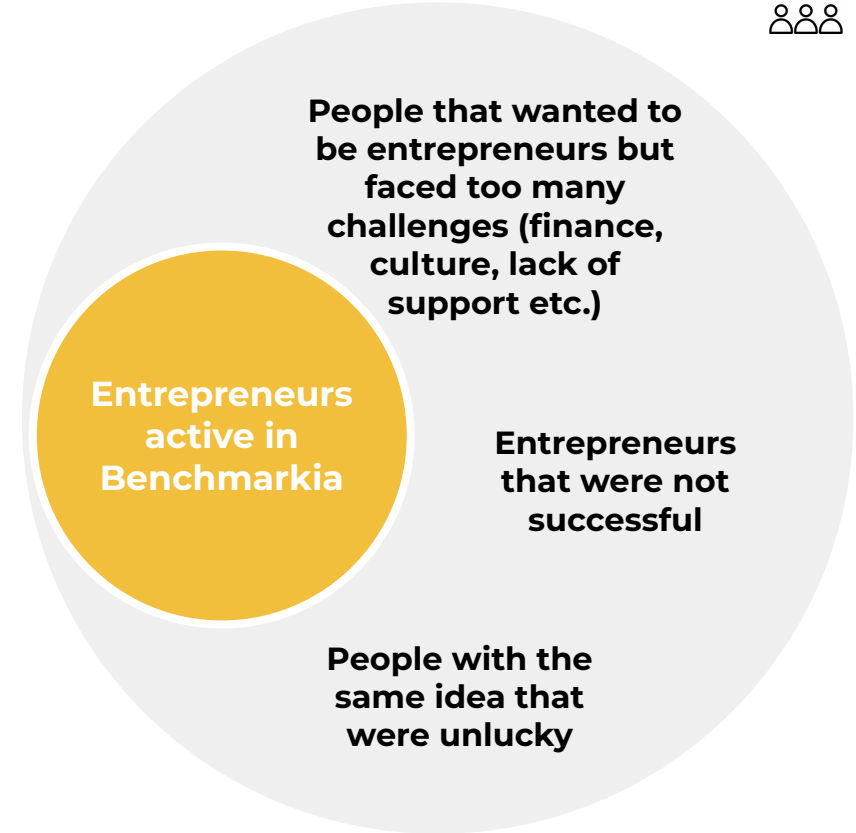
**Entrepreneurs
active in
Benchmarkia**



Components of an M&E Plan

3. Methods to collect evidence

- Let me ask you this: did you consider talking to people that tried starting a business, but experienced too many challenges? Or did you plan to talk to entrepreneurs who ‘failed’?
- These groups were probably not on your list. Which is understandable, since it is human nature to focus on success stories.
- Unfortunately, that creates a problem. Success stories only cover a (small) subset of people. And when we only learn from a subset, we miss out on the bigger picture. We miss out on information that could help us understand the challenges that (potential) entrepreneurs face even better. This is known as Survivorship Bias.¹ Take it as a reminder to remain critical!



¹ The Decision Lab. Why do we misjudge groups by only looking at specific group members? <https://thedeclaration.com/biases/survivorship-bias>

Components of an M&E Plan



Example: Surveys as method of collecting evidence

Surveys are a common method to collect evidence. They are also one of the main tools implemented in Malawi, as can be seen in the table below. For example, an “Integrated Household Panel Survey” was conducted in 2014, 2015 and 2017. This is a survey that tracks the same group of households over time, thereby providing a good basis for monitoring and evaluation.

Name	Type	Population Sample	Timing
ENRM Household and Land Use Survey	Longitudinal Panel	Upper and Middle Shire catchment area	2014
Customer Satisfaction Survey	Longitudinal	ESCOM customers stratified by type	2014
Enterprise Survey	Longitudinal	Small, medium and large surveys stratified by sector and region	2014
Third Integrated Household Panel Survey	Longitudinal Panel	National with district and urban and rural representation	2014
Fourth Integrated Household Panel Survey	Longitudinal Panel	National with district and urban and rural representation	2015
Fifth Integrated Household Panel Survey	Longitudinal Panel	National with district and urban and rural representation	2017



Components of an M&E Plan

4. Roles and responsibilities

The fourth component refers to the roles and responsibilities of the actors involved. This includes governmental actors, such as departments and agencies, but also relevant ecosystem actors.

It should be clear from this section of the plan who is accountable for the M&E process.

- In case of a smaller policy or intervention, it is not uncommon for the implementing department to take on this responsibility. In this case, make sure to specify the directorate, manager and policymakers in the M&E Plan to prevent any misunderstandings (see example).
- When you are working on bigger policies or legislative instruments, it is advisable to assign the responsibility for the M&E process to a separate monitoring body.

Remember the ecosystem actors you worked with in Part 2? We listed 9 important stakeholders to include!

1. Academic Institutions
2. Incubators & Accelerators
3. Investors
4. Awards & Support
5. Government Institutions
6. Development Agencies
7. Co-working Spaces
8. Events & Networking
9. Private Sector

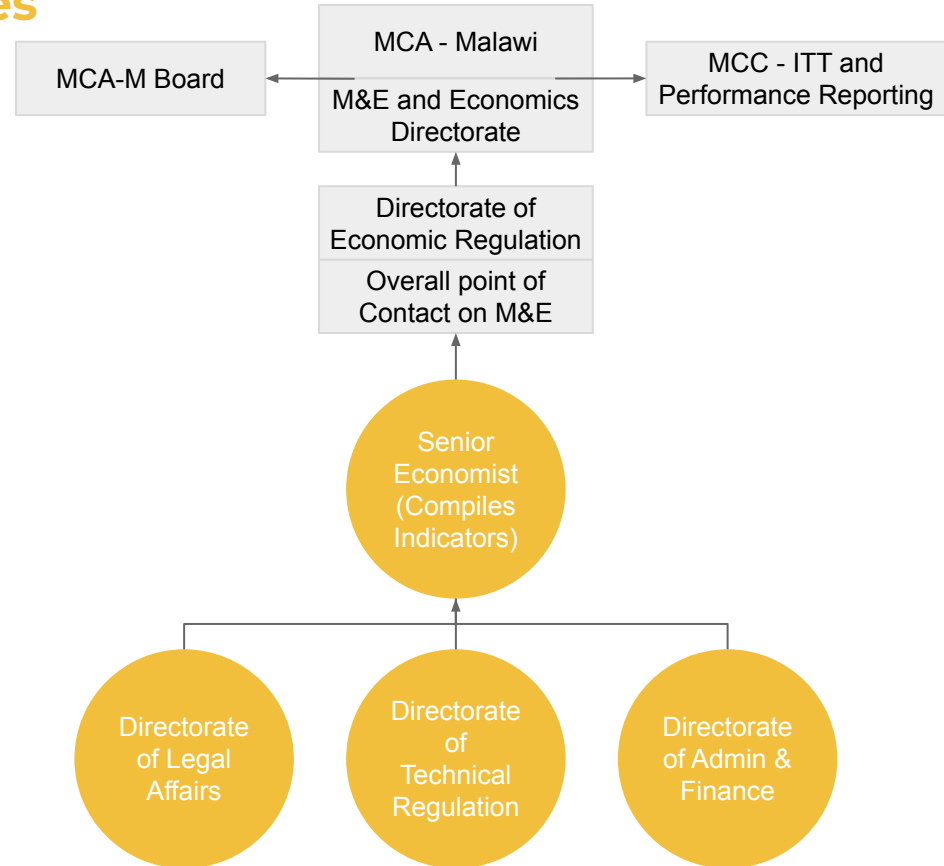


Components of an M&E Plan



Example: Roles and responsibilities

- The M&E Plan for the Power Sector in Malawi contains a separate chapter on the Implementation and Management of M&E, specifying roles and responsibilities in detail.
- The Plan defines that the key responsibility lies with the “M&E/Economics Directorate”, further specifying the roles of the director, management team and policy officers.
- The image on the right is a snapshot of the way the Ministry of Energy is involved in the process, again specifying roles in a detailed manner.





Components of an M&E Plan

5. Scheduling and timing

- Scheduling and timing of the M&E process is component five on the list. This can sound a bit dull, but is actually quite important. In order to have reliable and usable data, it is often necessary to collect data at specific predetermined moments, for example just before an intervention is implemented (zero measurement) and just after it is finished.
- The M&E Plan should therefore specify exactly when which type of evidence needs to be collected (timing), just like it specifies how to collect it (the methods, component 3) and by who (responsibility, component 4). This also relates to some of the questions on the checklist for the Key Performance Indicators (component 2), such as how often indicators will be measured and what their baseline value was.
- Note that a monitoring schedule with predetermined measurement moments can become quite a big logistical scheme. This can even be the case when you are only working on a single policy intervention. However, remember that doing this work early on and incorporating a well-designed schedule and timing in your M&E Plan will save you a ton of work later during implementation. Plus, it will improve the quality of your monitoring substantially.

Components of an M&E Plan



6. Using evidence for policy iteration

- The sixth component of our M&E Plan is more forward-looking: how will you make best use of the evidence that you collect?
- The evidence you find will either support your Theory of Change, lead you to question parts of it or perhaps even disprove it completely. All of this is possible, all of these options will happen to you someday, and all of them are perfectly fine. Policymaking is about learning, improving and iterating in order to find better approaches. And just like entrepreneurs are allowed to make mistakes and learn from them, that also holds for policymaking.
- Policymaking is a continuous process that can be thought of as a circle. It does not stop after a policy has been designed or implemented. After implementation, you continue collecting evidence, interpreting it and iterating the policy. This is a phase that you can plan for, by determining beforehand how to make use of evidence.
 - How will you present results to actors involved with the policy? How will you structure the decision making process for adjustments to the policy? Which key moments can you already define and make clear in your M&E Plan?

Components of an M&E Plan



7. Allocating resources

- The seventh component involves the allocation of resources, including safeguards that these resources are used in an effective and efficient manner.
- It is imperative that resources for your M&E process are committed beforehand. These resources include, at the minimum, financial resources, allotted time of the accountable and otherwise involved policymakers and a description of the required skill set to implement the M&E process.
- In addition to the allocation of these resources, it is also important to ensure that the M&E Plan specifies *where* these resources are allocated on the budget. Who's budget will be used for it? And why? Ensure that the budget is allocated for the same timeframe as outlined in the scheduling and timing part of the M&E Plan (component 6).
- It is also advisable to include a paragraph on risks and how they can be mitigated. For example, how would you deal with a key researcher leaving the job during the M&E process? Or when the manager who committed the funds retires? These events will occur, and it is wise to plan ahead for scenarios that can potentially hamper the implementation of your M&E process.

Components of an M&E Plan



Example: Allocating resources

- The M&E Plan for the Power Compact in Malawi has a timespan of 5 years and a total budget of US\$7 million.
- The Plan specifies that salaries and field trips from some staff members are not included, because they will be covered by another unit. Similarly, costs of carrying out surveys are included, but a scheduled evaluation study is to be funded by a different unit.
- The Plan further notes that the items on the budget will be reviewed and updated quarterly.

M&E Budget	
Year	Budget
CIF Period	\$387,000
Year 1	\$2,109,129
Year 2	\$779,401
Year 3	\$1,496,781
Year 4	\$352,907
Year 5	\$1,874,691
Post - Year 6	-
Post - Year 7	-
Total	\$7,000,000

Components of an M&E Plan



8. Stakeholder involvement

- The last item on the list is Stakeholder involvement. M&E works best as a continuous feedback loop, including data collection, assessment and validation with stakeholders.
- Stakeholders are a pivotal part of your M&E process. They are your eyes and ears on the ground. They are the ones observing and experiencing the impact of your policy and are well-positioned to provide useful and actionable feedback. Regularly consulting a wide array of stakeholders increases the overall robustness of your evidence base.
- This part of the M&E Plan should therefore define which stakeholders are relevant to the process, how they will be informed about the status of the process and evidence collected, and how they will be involved in the decision making process when the time comes to consider potential adjustments (= policy iteration).
 - Remember, an inclusive and participatory approach to stakeholder consultations will help you understand the impact of your policy better, and therefore help you reach your goal sooner!

Components of an M&E Plan



Example: Stakeholder involvement

The M&E Plan for the Power Sector in Malawi contains several items that describe how stakeholders will be involved:

- First, it makes stakeholder involvement an explicit objective of the M&E Plan by including a function to alert stakeholders to any problems in program implementation.
- Second, the M&E Plan outlines the flow of data and information to stakeholders, both for public consumption and to inform decision making. It also includes mechanisms that assure the quality, reliability and accuracy of the information.
- Third, the M&E Plan includes a capacity building program for stakeholders, to ensure that they remain up-to-date and involved.
- Lastly, the plan includes the possibility of Annual Performance Reviews on top of prescribed quarterly reporting. These reviews would be informed by stakeholder workshops, and after a draft of the report is ready a consultation week is to be scheduled.



Summary: Checklist M&E Plan



In summary, we have presented eight core elements that form the foundation of your M&E Plan. We conclude this section by providing you with a checklist. This checklist contains questions that you can ask yourself and your colleagues to verify whether your M&E Plan covers all the eight core elements. When you can confidently check the boxes on the list below, your plan has a solid foundation and your contribution to reducing the evidence gap is well under way.

Checklist questions M&E Plan

- Which activities need to be monitored and evaluated?
- How do the activities link to the objectives? (ToC and Logical Framework)
- What data needs to be gathered? (KPIs)
- Which methods will be used to collect evidence?
- When does the M&E process take place?
- Who is responsible for the process?
- What will be done with the evidence gathered?
- How will the evidence inform future policy iteration?
- What resources are required?
- Where are the resources committed?
- Which stakeholders are involved?
- What safeguards are in place to ensure that resources are used effectively?

WHAT TO EXPECT NEXT...



Congratulations, you have finished Parts 1 to 4 of the Toolkit! These sections have provided you with a strong foundation and equipped you with the tools you need to develop an entrepreneurship-related instrument that is suited for your country.

The next and final part of the Toolkit is the last tool that we provide you for your journey. Part 5 is of a menu of policy options, structured along the 7 key challenge areas. It contains a wide variety of policy interventions for each sub-challenge, serving as a source of inspiration and providing an opportunity for peer learning.



FURTHER READING

About SME Challenges

- ❑ World Bank Group (2019). Typology of SMEs
<https://openknowledge.worldbank.org/handle/10986/33908>

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/>

Understanding Entrepreneurship Policy

- ❑ UNCTAD Entrepreneurship Policy Framework
<https://unctad.org/topic/enterprise-development/entrepreneurship-policy-hub>



FURTHER READING


Evaluation tools


- ❑ **Practical Tools for International Development**
<https://tools4dev.org/resources/theory-of-change-vs-logical-framework-whats-the-difference-in-practice/>
- ❑ **Theory of Change**
<https://www.betterevaluation.org/frameworks-guides/managers-guide-evaluation/scope/describe-theory-change>
- ❑ **Logical Framework**
<https://www.betterevaluation.org/methods-approaches/methods/logframe>
- ❑ **Impact Evaluation**
<https://www.betterevaluation.org/methods-approaches/themes/impact-evaluation>
- ❑ **Understanding statistical significance**
https://www.thinknpc.org/wp-content/uploads/2018/07/NPC_Understanding-statistical-significance_final.pdf

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NB. Icons used throughout the toolkit (e.g. classifying each slide in the right top corner, key challenges etc.) have been adapted by the Innovation for Policy Foundation. The originals were obtained via Flaticon.