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Entrepreneurial Activities in Europe - Evaluation of Inclusive Entrepreneurship Programmes

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ENTREPRENEURIAL ACTIVITIES IN EUROPE

EVALUATION OF INCLUSIVE ENTREPRENEURSHIP PROGRAMMES

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Policy Brief on Evaluation of Inclusive Entrepreneurship Programmes

Entrepreneurial Activities in Europe



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Entrepreneurial Activities in Europe

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KEY MESSAGES

- Evaluation is needed to demonstrate impacts and justify spending and to improve policy by learning from experience. Key issues to be assessed include the relevance, effectiveness and efficiency of policy and whether it can be improved.
- A range of data gathering activities should be used in the design of new policy actions and programmes for inclusive entrepreneurship, including benchmarking and meta-evaluation, analysis of existing data and research, and action planning.
- *Ex ante* evaluation should be undertaken before the start of a programme in order to assess whether the proposed actions are relevant and coherent and whether the expected impacts are realistic and to design indicators and procedures for subsequent monitoring and evaluation.
- The logical framework is a key tool for ensuring that inclusive entrepreneurship policy actions are designed with well-articulated objectives and clarity about the way in which they are expected to make a difference.
- Impact evaluation needs to identify the difference made by policy above what would have occurred otherwise (the counterfactual). One of the key methods is comparing the behaviour of a control group of individuals or businesses with that of the policy beneficiaries.

■ WHY EVALUATE INCLUSIVE ENTREPRENEURSHIP POLICIES?

Inclusive entrepreneurship policies are intended to give everybody the opportunity to start up in business or self-employment regardless of their social background and to improve labour market outcomes for people who are under-represented or disadvantaged in entrepreneurship and self-employment. This may occur directly, through increasing the number and quality of businesses and self-employment start-up activities, or indirectly, by providing an improved pathway to employment for people who do not eventually start-up or remain in business or self-employment. They work by targeting specific populations such as youth, seniors, women, the disabled, ex-offenders,

ethnic minorities, and the unemployed with tailored interventions or improved accessibility to mainstream actions in areas such as access to start-up financing; training, mentoring and consultancy; entrepreneurship education and awareness raising; network building; or improvements to social security and business regulation systems.

Evaluations can be designed to assess these policy actions against a range of key success criteria (see Table 1) and, based on the conclusions of this assessment, to identify areas for improvement.

Table 1 Key evaluation criteria 

Measure	Definition	Example questions
Relevance	The extent to which the activity is suited to the priorities and policies of the target group, recipient and government (objectives versus needs).	Is finance still a barrier to female entrepreneurship? Do changes in regulations related to disabled benefits make it impossible for them to start up businesses?
Effectiveness	The extent to which the intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance (outcomes versus objectives).	Was the target number of youth enterprises started? Did they survive for two years?
Efficiency	The outputs in relation to the inputs. This is an economic term which signifies that the intervention uses the least costly resources in achieving the desired results (inputs versus outputs).	What was the cost per person advised? What was the cost per Roma job created? What percentage of clients was from the target group? Were there more efficient ways of implementing the action?
Impact	The positive and negative changes produced by a policy intervention, directly or indirectly, intended or unintended (objectives versus outcomes).	Is there now a higher rate of business ownership and self-employment in the target group? Is there now a higher employment rate for the target group? Has social inclusion increased?
Sustainability	Whether the benefits of an activity are likely to continue after funding has been withdrawn.	Will the microcredit scheme established for senior entrepreneurs be self-financing? Is the advice centre capable of retaining the skills it has developed? Is there a need for further public support?

This has a number of benefits:

- Learning from experience. Did the programme really increase social inclusion and employment? Is the programme as efficient and effective as other programmes with the same objectives? Could it be improved? These are typically measures of impact and effectiveness.
- Transparency and accountability. Are public funds being used to achieve stated objectives in an efficient way? These are typically measures of efficiency.
- Verification of needs and assumptions regarding how the policy meets the needs of the target groups. What approaches best meet their needs? Do people from disadvantaged and under-represented groups react to policy interventions as expected? These are typically measures of relevance, impact and sustainability.
- Strategic coordination. How well do different policy actions for inclusive entrepreneurship fit together? Are there duplications or gaps in the actions required? How well do inclusive entrepreneurship programmes coordinate and complement more general actions regarding labour market policy and economic development? Again, typical measures are relevance, impact and sustainability, benchmarked against the results of other policy actions.

As well as following the general rules and principles of public policy evaluation, evaluations of inclusive entrepreneurship actions need to take into account a number of specific features of this type of approach:

- The benefits of the actions concern increased labour market attachment and social inclusion and not solely increased rates of start-ups and self-employment. Evaluations therefore need to examine outcomes in all of these areas.
- The barriers to business start-up and self-employment tend to be greater for people from disadvantaged or under-represented groups than for the mainstream population, for example because of greater constraints in financial capital and skills. The costs of achieving positive labour market

outcomes are therefore also likely to be higher. Judgements on what are acceptable costs and benefits need to take this into account.

- People from disadvantaged and under-represented groups have a greater tendency to set up in low growth sectors and saturated markets than businesses established by the mainstream population. However, policy may be able to reduce the problem of high displacement of existing firms and low growth prospects in new establishments by influencing the quality of businesses created. Evaluations should therefore assess the impact on the survival and growth of supported businesses and on displacement of existing enterprises and self-employment activities.
- There is relatively poor data on the start-up and self-employment activities of disadvantaged and under-represented groups and the barriers they face. Specific surveys may be needed to create initial baselines so that progress can be properly assessed.
- Multiple interventions may be needed to address the problems of particular target groups. For example, awareness-raising, confidence-building, training, coaching, finance and support with premises may all need to be applied together. It is therefore important to assess the synergies and bottlenecks across the different actions and to evaluate the whole package rather than its individual parts.
- To achieve targets for the number of people to be assisted, programme managers may concentrate on those who are nearest to starting a business already, rather than those with the greatest social need. It is therefore important to monitor the composition of people assisted.

This policy brief examines the main principles and issues that need to be taken into account in evaluating inclusive entrepreneurship policy actions. It aims to provide policy managers with strategic information on developing evaluation programmes and understanding key evaluation issues. It does not go into detail on technical evaluation issues, but provides references to further information that can be used by those actually undertaking evaluations themselves.

■ EVALUATION OVER THE POLICY CYCLE

A common misperception is that evaluation applies only to the closing of a programme or activity. On the contrary, in order to influence policy it is critical that evaluation takes place at all stages of the project life cycle. In particular, evaluation inputs are needed at each of the following stages:

- **Needs diagnosis and action planning** involve assembling information on the problems faced by disadvantaged and under-represented groups in business start-up

and self-employment, the current policy activities and the options for improving policy and filling gaps, in order to inform proposals on the most appropriate policy actions for future implementation.

- **Ex ante evaluations** are performed before a policy intervention is implemented in order to assess its relevance and coherence and its implementation arrangements. The *ex ante* evaluation can be used to set up targets and milestones for

activities, outputs and outcomes, and to set up procedures for subsequent evaluations over the lifetime of the intervention.

- **Interim and ongoing evaluations** occur during implementation of a policy intervention in order to assess how the policy is progressing over time. They help to manage the intervention and to ensure that there is warning if targets are not going to be met.
- **Terminal evaluations** occur immediately on the closure of a programme and ensure that there is institutional memory and that statistics and qualitative information from those

immediately involved in implementation are preserved. Such evaluations also give policymakers an understanding of immediate next steps, particularly when quick decisions are needed on continuation or closure of policy measures.

- **Ex post evaluations** take place after implementation is complete and when the final impacts are known or can be estimated. They give a more detailed view of the impact of particular measures and whether the actions delivered the expected results effectively and efficiently. They should be used in designing future interventions based on concrete knowledge of what has worked and what has not.

■ THE INITIAL STAGES – CREATING AN EVIDENCE BASE FOR PROPOSED POLICY ACTIONS

In European Union Member States and partner countries, many policymakers are currently in the process of designing programmes and setting up evaluation strategies for the forthcoming 2014–20 financing period. One of their key tasks at the outset is establishing a set of proposed policy actions that will meet the market and institutional failures affecting disadvantaged and under-represented groups in entrepreneurship and self-employment. Three key sources of evaluation information will be helpful: benchmarking and meta-evaluations, existing data and background research, and stakeholder consultation.

Benchmarking and meta-evaluations

One of the key inputs to the early stages of policy design and evaluation is the results of previous evaluations. Both ongoing and *ex post* evaluations from previous programming periods can and should be used. However, the 'dry' evaluation results given in reports may often be complemented by insightful discussions with evaluators and promoters of previous projects giving richer information on how to interpret findings, exceptions to regular working, and problems that may be encountered in the new policy period. Box 1 discusses the use of benchmarking and meta-evaluations in assessing where policy should intervene.

Box 1 Information for policy design – benchmarking and meta-evaluation

At the early stage of design of a policy action, it is important to access knowledge from a variety of sources about how new interventions can be expected to work and what targets it is reasonable to set. In particular, the development of a proposed new action will benefit from information drawn from evaluations of similar actions implemented previously. This can be done through benchmarking – assessing the results achieved in similar interventions in the past in various contexts – or meta-evaluations – bringing together all the relevant body of evaluations of similar programmes.

The design of Finland's Youth Guarantee (a political guarantee that all young people will be given options of employment and/or training, including opportunities for self-employment) built on the lessons of past evaluations. In establishing the programme actions and targets, a commission was set up to examine the past experience of Finland and other countries. The assessment was based not on primary research but rather on an examination of literature and evidence and organisation of structured discussions with experts and policymakers. Further information is available in Youth Guarantee Working Group (2012).

A number of countries have produced national assessments of particular programmes or types of support that can provide background information for this type of assessment. For example, Állami Számvevőszék (2008) examines the impact of entrepreneurship policy support for the Roma in Hungary and IGF (2009) examines the impact of microcredit in France.

It is also possible to use benchmarking to allow policymakers to assess how well their territory is doing relative to similar places elsewhere and where the problems lie.

Results of evaluations which have negative conclusions also need to be understood and acted on, not just those that give positive results. A previous evaluation showing that a project

failed to have an impact does not mean necessarily that a project cannot be repeated, but it is important that lessons are extracted from it (see Box 2).

Box 2 Extracting lessons from negative evaluations

Projects and programmes are developed on the assumption that they will have an impact, and the mechanisms for this impact will be hypothesised before implementation (e.g. if X people are trained Y enterprises will be set up and the impact on unemployment will be Z). This is called the 'theory of change', i.e. the rationale for why the programme will succeed.

Inevitably not all evaluations confirm the theory of change established in the design of the programme. Nonetheless, a negative evaluation (i.e. one that shows no impact) needs to be taken into account in designing any new programme. Two examples of such evaluations are as follows:

Oberschachtsiek et al. (2011) provide a statistical evaluation of non-financial support schemes for unemployed business founders in Germany, concentrating on the services that accompanied a financial subsidy. There have been a number of studies on support to unemployed entrepreneurship in Germany (for example KfW (2006), Sandner et al. (2007)) and some criticism of recent changes (for example, Caliendo et al. (2007) predicts a decrease in the effectiveness of the programme after its redesign). The study is therefore important in seeking to come to an objective conclusion regarding the new version of the programme. The evaluation found that the number of people accessing these accompanying services varied strongly by region, reflecting both relative economic opportunities and the way self-employment was promoted. A statistical matching approach was used to control for selectivity and performed in a way that explicitly took into account differences across regions and over time. Regions where self-employment was not supported or promoted in specific ways were used as control groups. The results showed that effects of non-financial support schemes tended to be insignificant in both statistical and employment terms.

EGO (2012) gives an evaluation using opinion polling techniques of an information and promotion campaign regarding the principle of gender equality. The results show that, while the campaign had high visibility, it failed to get its central message across and did not challenge the views of those who were targeted. This resulted in a set of recommendations for further campaigns, to make them more focused, more clearly define the benefits of avoiding discrimination, and the need to present concrete arguments and actions. The research is relevant to other campaigns to promote women in business including female entrepreneurship.

Both these evaluations pose challenges for designers of follow-up schemes: If there is no impact then why should such actions be included? On the other hand, perhaps there were particular features of these approaches that explain their failure. For example: Did giving financial support nullify the effects of advice? Was the information campaign a failure only because of the details of the chosen format and design? In this case other campaigns might be successful by paying particular attention to addressing these problems. Furthermore, was the evaluation methodology sound? For example, was it possible to set up uncontaminated control groups, and was it appropriate to use an opinion poll as a measure of impact? If it is decided to implement a policy or set of actions which have been negatively evaluated elsewhere:

- There needs to be an explicit view on why the theory of change in the new programme is not invalidated by the results of existing evaluations.
- It may be appropriate to commission further research before repeating the programmes, or alternatively running them only on a pilot basis.
- Particular attention needs to be paid to evaluation of the future programme.

Statistical data and background research

The exploitation of data and background research on the characteristics of the various target groups for inclusive entrepreneurship policy can be very valuable in setting up a proposed set of policy actions that will be relevant, effective and efficient. To start with, a number of key questions should be posed of the data, for example:

- Who are the people from the target groups who start businesses (with and without support) and how are their businesses performing over time?
- Are there problems of low business creation rates, low survival rates, small enterprise sizes and incomes, etc.?

- What is the breakdown by age, gender, ethnic group, disability, etc.?
- What proportion of the unemployed move into self-employment?
- How do rates compare to other countries and localities and to European Union averages?

Answering these questions is a critical step towards building an evidence base that supports the case for policy actions developed specifically for disadvantaged and under-represented groups.

A set of relevant statistical information on entrepreneurial activities and barriers for disadvantaged and under-represented

groups is provided in OECD-European Commission (2013, forthcoming). In addition to the pure statistics, it is useful to examine relevant existing background research. Box 3 gives the example of bringing research evidence to bear in designing policy actions

for immigrant entrepreneurs. OECD-European Commission (2013, forthcoming) also reviews much of the literature relevant to overcoming barriers to inclusive entrepreneurship in the areas of lack of finance, skills and supporting institutions.

Box 3 Using background research – characteristics of immigrant entrepreneurs

In considering the introduction of potential inclusive entrepreneurship actions, it is important to consider their **relevance** to the needs and barriers of the specific population targeted. Often there is considerable background research which can be used to inform the analysis. For example, in the area of immigrant entrepreneurship:

Robinson (2011) analysed the extent to which the German Bridging Allowance (a scheme offering an income subsidy to previously unemployed people in their first few months of business operation) mobilised unemployed immigrants into stable self-employment, including an examination of the effects of changing the parameters of the allowance itself. Previous analyses of the Bridging Allowance and its effects have shown a positive relation between the generosity of the allowance and the stability of resultant enterprises. However, this assessment showed that the opposite applied to immigrants – more generous benefits created less stable self-employment. The result may be due to the fact that more generous benefits attract people with less viable business projects into self-employment if the labour market is relatively closed to them.

Oliveira (2008) analyses the strategies used by immigrant entrepreneurs in Portugal using official statistics (on immigration, visas, and nationality of entrepreneurs) and confirms a well-known hypothesis that immigrants are more entrepreneurial than the general population. However, the paper also shows that different immigrant groups have different characteristics in this respect, for example that the Chinese are more entrepreneurial than the Ukrainians. Furthermore, analysis of variations over time suggests that the level of immigrant entrepreneurship may not be due only to different entrepreneurial vocations, but also to constraints or incentives connected with government policies on immigration (e.g. how easy it is to operate a business without citizenship, whether the government is encouraging immigration or not). This suggests that policies for inclusive entrepreneurship need to be coordinated with national policies towards immigration and immigrants in general.

Jensen et al. (2003) addresses the motivations of immigrant entrepreneurs and concludes from modelling and statistical analysis that entrepreneurship is a last resort for some groups. This has implications for support, since 'necessity' entrepreneurs are more likely to produce smaller enterprises, avoid taking risks, and be less innovative. Extra efforts could therefore be justified to affect the quality of immigrant entrepreneurship.

ADIE (2004) examines a pilot project to support the formalisation of immigrant businesses through collective microcredit. It showed that the support increased economic activity and household incomes, but that the programme was relatively inefficient and its impact on formalisation of enterprises was relatively low, suggesting a need for other schemes to seek greater efficiencies and economies of scale.

These various pieces of research show that immigrant entrepreneurs do not have the same policy needs and responses as the indigenous population, and suggest a number of issues to be considered in designing effective interventions (for example related to problems of immigrant status, differences across ethnic groups and the presence of significant numbers of informal enterprises).

Stakeholder consultation

Relevant diagnostic evidence on the needs and design of inclusive entrepreneurship policies can also be gathered from stakeholders, including on the relevance and effectiveness of existing approaches and the gaps and problems to be addressed. Box 4 presents a tool that has been designed by the Community of Practice on Inclusive Entrepreneurship (COPIE) with the support of the European Commission in order to identify how to renew and extend

inclusive entrepreneurship policy actions in a given country or region.

Stakeholder consultation is also important in creating a shared and coherent vision of future policy actions for inclusive entrepreneurship, identifying the actions needed and how they will be integrated together and with other strands of policy. Such an action plan creates a clear agreed framework for future evaluations. An example of such a process involving meetings, workshops and consultations on written plans is given in Box 5.

Box 4 The COPIE Diagnostic Tool

The Community of Practice on Inclusive Entrepreneurship (COPIE) is a learning network led by the German Federal Ministry of Labour and Social Affairs since 2009 and supported by the European Commission. It has developed a policy diagnosis tool focused on identifying gaps to fill and improvements to make in existing start-up support and access to finance for disadvantaged and under-represented groups in a given territory.

The first part of the tool is a spreadsheet with comprehensive data on the entrepreneurship ecosystem in the country or region concerned, including statistics on business start-up and survival rates and findings of the World Bank 'Doing Business' report on the business climate. The second part is a 360-degree view of the business support system built up by consulting three groups of stakeholders (i) representatives of European Social Fund (ESF) Managing Authorities, national and regional governments, (ii) business advisers and other representatives of business support organisations and (iii) entrepreneurs from ESF target groups (e.g. over-50s, under-30s, women, long-term unemployed, ethnic minorities, immigrants and people with disabilities). In total between 30 and 100 stakeholder interviews are normally carried out. Interviewees score a series of statements about the quality of existing policy support on a scale from 1–5 (where higher scores reflect better performance). Alongside the score, respondents are asked to justify why they gave the score. The scores for each type of respondent (policymakers, business advisers and service users/entrepreneurs) are then averaged and displayed in 'traffic light' diagrams, where red indicates poor scores (and problems to resolve), amber shows in-between scores, and green shows good scores.

The tool has been used to date in approximately 20 countries and regions in Europe. Table 2 shows the scores given by business advisers in Ireland on a set of questions about business support and survival, distinguishing support for the general population from that available for women, ethnic minorities and the unemployed. This enabled Irish policymakers to identify a number of problems to be addressed in future programmes. For example: there were problems with break-out strategies, transmission of enterprises and public procurement for entrepreneurs; women, ethnic minorities and the unemployed had more problems with support than the general population; the unemployed had particular problems with networking and post-start-up advice; and women had particular problems accessing business premises.

Table 2 COPIE diagnostic tool perceptions of business advisers in Ireland with respect to quality of existing support for business growth and consolidation



	Average scores from a scale of 1–5			
	No specific group	Women	Ethnic minorities	Unemployed
Advice is available for a period after start-up	3.1	2.4	2.3	1.7
Training is available in the areas required for business expansion (ICT, marketing, financial management, etc.)	3.4	2.8	2.5	2.3
Specific support is available to help entrepreneurs with break-out strategies	1.9	1.6	1.4	1.2
Entrepreneurs can easily access the mainstream business networks	2.7	2.9	2.4	1.8
Mechanisms are in place to support the transmission and replication of existing businesses (franchising, succession, cooperatives)	1.9	1.9	1.3	1.5
Public procurement procedures are accessible	1.9	1.9	1.5	1.4
There is an adequate supply of business premises available for growing businesses (publicly and/or privately)	2.6	1.9	2.1	2.1
Average	2.5	2.2	1.9	1.7

The tool can be downloaded from the COPIE website at <http://cop-ie.eu> and applied in other countries and regions. The implementation manual can be seen at http://cop-ie.eu/sites/default/files/CoPIE-Tool_Manual_Vers4_en.pdf

Box 5 The Entrepreneurship Action Plan for Wales

The Entrepreneurship Action Plan for Wales was created in 2001 to create a strong strategic framework for entrepreneurship policy, both for the general population and for specific social inclusion target groups. It was based on a consultative action planning process with a wide range of partners. A first key step was to establish a steering group with representatives from various organisations and walks of life. The steering group prepared a series of propositions about the challenges that needed to be met based on diagnostic research covering enterprise data and lessons from international research on the policy conditions necessary to stimulate entrepreneurship. It proposed a three-fold vision for future policy action based on (i) raising the profile of entrepreneurship in Welsh society and culture, (ii) increasing the number of potential entrepreneurs becoming actual entrepreneurs and (iii) improving support for entrepreneurial businesses.

To test the vision, a series of conferences and workshops were held with stakeholders from business, public organisations, the voluntary sector, educational institutions and the general public focusing on the tangible actions that needed to be put in place. A wide formal public consultation document was also produced and written comments invited. Suggestions on a series of questions were invited. For example in the area of fostering a culture of entrepreneurship, stakeholders were asked questions such as how activities should build on existing good practice and be coordinated to make the biggest impact, whether enterprise in education should be integrated into the national curriculum, and what other innovative and creative ways could be used to communicate the entrepreneurship vision and educate for enterprise.

The consultation exercise highlighted significant variations in support and infrastructure across the territories and communities of Wales and pointed to the challenges of turning around the low proportion of women involved in entrepreneurship, the lack of support to people with disabilities and ethnic minorities, and the over-emphasis on business start-up support as opposed to support for the consolidation and growth of enterprises.

This led to the publication of an Entrepreneurship Action Plan structured around the following key priorities and actions:

- A national awareness campaign (through role models, national awards for enterprise, an enterprise road show, and a national business plan competition).
- Enterprise education (through an enterprise college, entrepreneurship in the national curriculum, a strategy for entrepreneurship within education, actions on entrepreneurship as a career, practical experience and work experience for youth, small business summer schools, entrepreneurship teaching materials, work shadowing schemes, programmes of enterprise in further and higher education, and entrepreneurship programmes for educators).
- Widening horizons (through an Internet site for Welsh entrepreneurs, public sector entrepreneurial activities, networking with international entrepreneurs, opportunity awareness programmes, entrepreneurship experience programmes, and entrepreneurship clubs).
- The community (through a strategy for the development of community enterprise, an enterprise in the community initiative, community placement programmes, and community entrepreneurship action plans).
- Creating the enterprise (through new business start-up programmes, support programmes for under-represented groups, spin-off activities, a 'return to Wales' entrepreneurial programme, a business birth rate strategy for women, a business talent bank, a programme of incubator development for Wales, and the creation of community hatcheries, entrepreneurial zones, and credit unions).
- Going for growth (through an enterprise development fund, various financial support packages, an online business information resource, peer mentoring, corporate venturing, and networks for entrepreneurship).

A strength of the action planning process was that it focused on the needs of specific groups as well as the population as a whole and included a series of special initiatives for disadvantaged and under-represented groups in entrepreneurship, such as the Youth Enterprise Strategy and the Business Birth Rate Strategy for Women. These measures were clearly integrated with generic entrepreneurship support for the population as a whole.

The application of the Entrepreneurship Action Plan for Wales led to significant increases in enquiries and start-ups from disadvantaged and under-represented groups including youth, women and ethnic minorities, suggesting that both attitudes and aptitudes towards business can be influenced by policy. There was also a striking rise in early-stage entrepreneurial activity by Welsh youth – from 3.5% in 2002 to 10% in 2011 (Levie and Hart, 2011).

■ EX ANTE EVALUATION

Once a policy action, or set of policy actions, has been proposed it is important to undertake *ex ante* evaluation work to examine whether it is relevant, coherent, and likely to prove effective

and efficient in meeting its objectives. There are a number of actions that need to be taken at the *ex ante* evaluation stage. The key actions are listed in Table 3 below.

Table 3 Actions accompanying *ex ante* evaluation 

Action	Details
Collate background information	Review previous evaluations and research reports. Benchmark with other countries and programmes.
Develop a logical framework for the action	Set out a clear logic of intervention.
Produce baselines	Collect and analyse existing statistics. If necessary commission work to produce a baseline.
Initial budgeting	Define sources of finance for policy action and the timetable of expenditure.
Define a management structure	Define roles and responsibilities of those involved in policy implementation and monitoring.
Establish a monitoring system	Identify key performance indicators and sources of information for monitoring progress.
Commission the <i>ex ante</i> evaluation	Commission an <i>ex ante</i> evaluation from an external body or internal department. Ensure that evaluators have all background information and access to key stakeholders.
Review the <i>ex ante</i> evaluation	Make arrangements for discussing the results (and if necessary changing the programme).
Create an evaluation plan	Ensure that information is gathered and evaluations are done as efficiently and effectively as possible over the life of the policy action.

Among the key stages in the *ex ante* evaluation involve establishing the key performance indicators that will be used for subsequent monitoring and evaluation, creating a logical framework for the action, and setting up an evaluation plan. These stages are discussed below.

Indicators

The key indicators to be used to monitor and evaluate inclusive entrepreneurship policy actions should be identified at the

stage of *ex ante* evaluation so that an effective process can be established to collect the necessary information over the course of the policy action.

Table 4 provides examples of typical indicators, which need to be collected for each of the social inclusion groups targeted by policy (women, youth, seniors, ethnic minorities, the unemployed, the disabled, ex-offenders, etc.).

Table 4 Typical indicators for inclusive entrepreneurship policy evaluation



Type of indicator	Examples	Typical questions
Baseline indicators for target groups	Number of business owners Number of self-employed Business start-up rate Rate of entry to self-employment	Is inclusive entrepreneurial activity growing? Where are the gaps?
Policy activity indicators	Number of people supported by policy Proportion of beneficiaries from target groups	Are the activities relevant to beneficiaries' perceived needs? Are the beneficiaries those with the greatest need?
Customer satisfaction	Participants' views on quality of the programme	Is the delivery method appropriate? Are there key barriers not addressed by the programme?
Policy output indicators	Change in proportion of entrepreneurs accessing business loans Change in proportion of entrepreneurs with business training Change in attitudes to entrepreneurship and self-employment	How far is policy addressing barriers to entrepreneurship in the target group?
Policy outcome indicators	Rate of business start-up by policy beneficiaries Rate of entry to self-employment by policy beneficiaries Survival rate after 6 months, 1 year, 3 years Employment in businesses created	Does policy support lead to business creation? Are the businesses sustainable?
Policy impact indicators	Number of beneficiaries in employment after a period of time Income of beneficiaries after a period of time	Even if the enterprises did not survive, has the experience benefited the beneficiaries of the programme?

For particular policy actions several more specific indicators should be collected. The nature of these indicators will depend on the objective and logic of the particular policy action under investigation, for example whether the policy action focuses on strengthening finance, skills, networks, attitudes, or improving institutions. Indicators to assess a training course aimed at supporting people gain the skills they need for business start-up could include:

- the number of people who attended the course (from project records or sign-in sheets);
- the satisfaction of attendees with the content and delivery of the course (from a survey immediately after the course);
- what the attendees learned on the course (from a test after the end of the course or a review of the quality of business plans produced by participants);
- whether the attendees' behaviour changed as a result of the course (from data on the number of enterprises established, their success in raising finance, etc.).

The details of the indicators to be collected can also be important. For example, programmes for immigrants should distinguish between the first and second generation because first

generation migrants face widely different issues in setting up their own enterprise to their children. This means that information should be collected and stored on place of birth.

It is important to plan for collection of these indicators from the start of a policy action. For example, a baseline may be needed before policy application on business start-up and self-employment rates in the target populations, perhaps requiring an initial survey. Similarly, if there will be a control group of potential beneficiaries, then information on that group will need to be tracked at the same time as tracking of the policy recipients.

Creating a logical framework for the action

At the heart of the policy design and *ex ante* evaluation process is the creation of a logical framework for each policy action. The logical framework makes explicit the 'theory of change' behind the action – why it is expected that the intervention will meet the policy objectives. It should show the logic of how changes are expected to flow in sequence from the interventions made and the assumptions that have been made. By setting out the logical chain clearly it is possible to test the logic and assumptions as well as to set intermediate targets for achievements. An example of a logical framework is provided in Box 6.

Box 6 A logical framework for policy action – youth entrepreneurship promotion through a new college entrepreneurship education course



	Narrative	Indicator	Information source	Assumptions
Costs	Spending on course development, teacher training and course implementation	Budget allocated and spent on new course	College and education ministry records	Adequate financial and human resources can be made available
Activities	New entrepreneurship education course is designed and implemented	Number of teachers trained Number of young people participating	College and education ministry records	Teachers are willing to be trained Colleges have space in the timetable Youth are willing to participate
Outputs	Improvement in entrepreneurship skills and attitudes	Proportion of students interested in start-up Proportion of students seeing start-up as feasible Quality of business plans produced	Survey of participants Project records	Increased understanding of entrepreneurship will lead to increased start-up rates
Outcomes	Participants set up in business or self-employment	Number of new businesses	Project records	Other barriers such as finance availability can be overcome
Impact	Increased youth entrepreneurship rate Lower youth unemployment	Number of youth-owned enterprises Youth unemployment rate	Business and labour market statistics	Young people starting up would otherwise be unemployed New youth enterprises do not displace existing ones

See Hempel (2011) for further discussion of the issues involved in entrepreneurship education support.

Creating an evaluation plan

At the *ex ante* evaluation stage, it is usual to establish an evaluation plan for the duration of the policy action. Key components of this include:

- **Creating an evaluation timetable.** There should be space between any *ex ante* evaluation and the initiation of a policy action in order to allow for possible redesign. Evaluations during implementation should be timed so that there is the possibility of making operational changes during the remainder of the programme if this is required. The focus and outline of the various evaluations to be carried out at different times should be specified in advance, for example whether the evaluation should emphasise operational and efficiency questions (typical for an ongoing evaluation), strategic and impact questions (typically *ex ante* and *ex post*), or coherence and coordination issues (can be at any time).
- **Building organisational capacity.** Evaluations may be commissioned from external organisations or carried out in-house by the implementing body. In both cases the organisational capacity of the implementing body needs to be built.

Relevant considerations are the need:

- to build up adequate evaluation skills internally (through hiring or through training), either for commissioning and using evaluation or for undertaking it directly;

- for independence of the evaluator;
- for a champion of evaluation within the organisation, who has sufficient status, a genuine stake in improving the programme, and enough time to broker evaluation results and make information available for external consultants; and
- to foster an evaluation culture.
- **Identifying performance indicators.** As highlighted above, a number of indicators will need to be gathered to support monitoring and evaluation and the main indicators should be specified at the outset together with the methods that will be used to gather them. Internally created indicators (for example related to tracking of clients) need to be created systematically and according to agreed definitions. There should be quality control of indicators, including links to any audit of systems.
- **Quality assurance.** This should include some degree of peer review (collating comments from other appropriately qualified reviewers) and the opportunity for key stakeholders to comment.
- **Coordination.** The evaluation plan should specify how the various evaluations will be coordinated with implementation and project monitoring systems and how they will fit into wider policymaking.

- **Dissemination.** A decision is needed on how evaluation reports will be published and promoted. Whilst transparency is desirable, implying public dissemination of findings, there

may be parts of reports which should not be in the public domain for reasons of privacy, legality, or because they relate to internal issues.

■ EVALUATING POLICY IMPACTS

Once a policy action has been put into operation, the natural focus of attention is on the impact that it is having. A fundamental mistake that can be made is to assume that all the new entrepreneurship and self-employment activity by beneficiaries of a programme is additional to the economy. However, some beneficiaries would have started up anyway while some will have displaced existing entrepreneurs from the market. The concept of the counterfactual is used to assess what would have happened without policy intervention. The policy impact is then taken to be the difference between the entrepreneurship and self-employment activity level with the policy and that which would have occurred without it. The art of impact evaluation, then, is to estimate a counterfactual position in order to answer the question: did the policy make a difference?

It is usually not possible to identify the counterfactual directly, because either a policy is in place or it is not. However, a number of techniques are available to estimate the counterfactual and hence the impact of policy indirectly. One approach is simply to ask programme participants what difference they feel the support made to their decisions and actions and what consequences this had for them. However, this is fraught with

problems of potential bias in responses and of the difficulty for respondents of answering hypothetical questions.

A more rigorous technique is the creation of a control group of people who have not been affected by policy and comparison of their entrepreneurship and self-employment behaviour and outcomes with the people benefiting from policy. The difference between the two groups can be considered to be the impact of policy on the beneficiaries. The key to success of this approach is the matching of the beneficiaries with a control group of people who are as close as possible to them on observable characteristics (age, location, gender, previous employment status, education level, etc.). However, even this has some limitations, because the people selected onto a programme may have different unobservable characteristics to non-participants (e.g. higher motivation to start a business, better knowledge and networks, etc.), which is known as selection bias. There are statistical techniques that can be used to account for the problem of selection bias.

The significance of considering the counterfactual can be seen in Box 7, which shows the effect of introducing more robust approaches to evaluating the impact of the same programme.

Box 7 Different evaluations of the same project – Prince's Trust Youth Business Initiative, United Kingdom

The Prince's Trust is one of the longest running programmes to support youth entrepreneurship in the United Kingdom. It uses a mix of soft (e.g. mentoring) and hard support (e.g. loans and grants) and has maintained the same approach over a long period, making it a good case for comparing different evaluation techniques. It has been the subject of a number of different evaluations, but these evaluations have produced varying conclusions.

Greene (2005) analyses the results of different evaluations using the 'six steps to heaven' approach. This classifies evaluations according to a scale of rigour and reliability as follows (see OECD (2007) for details):

Monitoring

- Step I Measuring numbers of beneficiaries (the take-up of the programme)
- Step II Measuring recipients' opinions and satisfaction with the programme
- Step III Measuring recipients' views of the differences made by the programme

Evaluation

- Step IV Comparison of the performance of 'assisted' with 'typical' beneficiaries
- Step V Comparison with 'assisted' with 'matched' beneficiaries
- Step VI Taking account of selection bias

For the five evaluations which he analyses, two can be seen to be Step II, two were Step IV, and one was Step VI. The two Step II evaluations were very positive, suggesting that not only were participants content and that the programme had deepened their human capital (i.e. made them more employable) but also that they ran successful businesses, and that the mentoring support had been effective. The Step IV evaluations also implied that not only was the programme enjoyed by participants but that it promoted stronger ventures (with higher survival rates) and had some impact on future employment (although

the conclusions on the impact of finance were ambiguous). The Step VI evaluation, however, produced little evidence to substantiate the finding that stronger ventures were generated by the programme or that the programme had a positive impact on participants' subsequent employability.

Thus simpler evaluations may indicate more positive results than more sophisticated methods but the results of more sophisticated methods are likely to be closer to the true impact of the programme.

Another approach that is sometimes used is random assignment of people to a 'policy support' or 'no policy support' group (see Box 8). If well designed, this can be very effective in dealing with problems of matching and accounting for selection bias. However, it can clearly raise ethical concerns if it is felt that the policy will benefit everyone but it is denied to some for purely scientific reasons. On the other hand, it

can be effective in testing policies that can later be expanded. Indeed, this enables a postponement strategy to be used to the random assignment, in that the performance of non-supported individuals can be compared to the beneficiaries at the outset to establish the difference made by policy, but the non-supported individuals can then be brought into the policy at a later stage.

Box 8 A random assignment experiment – Growing America Through Entrepreneurship (GATE), USA

The United States Department of Labour's Employment and Training Administration teamed up with the Small Business Administration to create a demonstration project called Growing America Through Entrepreneurship (GATE) designed to help people create, sustain or expand their own businesses. The final evaluation report examines the effectiveness of Project GATE in creating businesses and improving participants' well-being during a 60-month observation period. GATE was implemented in seven sites in three states (Minnesota, Pennsylvania, and Maine) between Fall 2003 and Summer 2005. Almost anyone interested in starting or growing a small business was eligible to participate in Project GATE, although the project was targeted at the unemployed who were filtered into the programme using the Department of Labour's one stop offices as key gateways. Participants were offered an initial assessment of their business needs, classroom training, one-on-one business counselling, and assistance in applying for business financing.

In order to assess the impact, all applicants were randomly assigned either to the programme or to a group that was denied entry. However, both groups could receive complementary support from other programmes. Since all applicants were obliged to register, it was possible to track the progress of both those assisted and those in the control group over the time of the pilot.

The results show that the beneficiary group received additional services compared with the control group. For example, beneficiaries received about 13 hours more self-employment services than the control group (who could have got such services from elsewhere). Moreover it was possible to assess the real impact on self-employment activity over time (the impact was statistically significant only for a short time after the programme intervention), on different target groups (the unemployed and men were more likely to increase self-employment activity as a result of the programme) and on survival rates (enterprises set up under the programme were more likely to be long-lived). In addition, the evaluation provided detailed figures to support cost benefit analysis. For example, it showed that support to unemployed people (the main target groups) produced a net benefit per head of approximately USD 4 500 per unemployed person and a net benefit to society of approximately USD 2 200.

For further details see Impaq International (2009).

A number of other approaches for creating a counterfactual can also be used, notably:

- **Regression discontinuity.** Where an indicator varies with a continuous characteristic that is used as a cut off point for eligibility for policy support (e.g. age), it is possible to analyse whether the trends for those just above and below the threshold differ.
- **Differences in differences.** Where there is existing information which shows how the behaviour of a non-treated group varies on key outcome variables such as

employment or unemployment relative to the treated group over time, e.g. before and after the introduction of policy support, it is possible to estimate the impact as the difference between the change in the variable in the treatment group compared with the change in the control group.

- **Instrumental variables.** This is a statistical method for estimating causal relationships using correlated variables which are outside the direct channel through which impact is expected to be transmitted. It is useful for example where there is endogeneity between the response and explanatory

variables (e.g. between selected to receive support and having a good business proposal).

Technical details of the various approaches available are shown in a variety of different manuals and guides to impact evaluation (see the section on Further Information).

It can also be valuable to set up and evaluate a pilot project in order to assess whether a proposed programme logic stands up to the test of action on the ground, whether it proves to be relevant, effective and efficient, and the sorts of issues that may arise in seeking to scale up or mainstream the initiative. Box 9 describes a pilot project evaluation.

Box 9 Evaluating a pilot project – a microcredit programme for Roma entrepreneurs, Hungary

The Kiútprogram in Hungary is a pilot programme funded by the European Union to provide microfinance approach providing small business loans to groups of Roma entrepreneurs together with a variety of business development and administration services such as business training and specialist consultancy support.

Evaluators were brought in to perform a very early evaluation to examine performance in meeting targets and recommend possible changes in approach. The evaluators used three primary sources of information: project records, interviews with stakeholders and beneficiaries, and benchmarking with evaluations of other microcredit programmes in Hungary and abroad targeted at comparable disadvantaged groups.

The evaluation focused on operational issues, the realism of targets and the performance of existing loans (compared to the experience of other programmes as well as to targets). The results showed that while the strategic objectives of the programme remained valid, its targeted outputs were over-ambitious, particularly noting the experience of other microcredit programmes. It was argued that the selection of clients needed to be revised to focus more strongly on the Roma population, that more intense work should be undertaken by project fieldworkers with beneficiaries prior to offering the loan, and that special attention should be paid by field workers to filtering out request for loans for consumption (rather than investment), which had been a problem in other similar programmes.

Although there have been a number of different programmes over time to assist the Roma in Hungary, e.g. Delphoi (2004) and Állami Számvevőszék (2008), they did not relate to the exact type of actions and system of implementation in this pilot project.

For further information, see http://ec.europa.eu/regional_policy/activity/roma/pilot_en.cfm; <http://www.kiutprogram.hu> and Reszkető and Váradi (2012).

CONCLUSIONS

Evaluation is a tool to support the design and implementation of inclusive entrepreneurship policies. It can be used at the outset to explore the particular problems faced by different disadvantaged and under-represented populations (women, youth, seniors, ethnic minorities, unemployed people, etc.) in starting up in business and self-employment in a given country, region or locality and to consider how policy may be able to address the problems. This implies making use of existing data and research evidence on entrepreneurial activity and barriers faced by different populations and how they respond to policy, undertaking appropriate benchmarking and meta-evaluation work and mapping existing policy support and the gaps and areas for improvement. This information will be useful in designing a set of proposed policy actions that is relevant to the needs of social inclusion target populations in given territories.

Ex ante evaluation should also be undertaken to assess the relevance and coherence of proposed policy actions. At this stage, monitoring and evaluation indicators have to be identified, a logical framework laid out to make explicit how the

policy action is intended to deliver benefits and an evaluation plan designed showing how policy will be assessed during and after its implementation period.

Ex post evaluation is undertaken once a policy action has been in operation for a sufficient time for results to emerge. One of the most fundamental issues for impact evaluation involves identifying and accounting for the counterfactual, for example by tracking impacts on control groups of non-beneficiaries and comparing with participants in policy support.

Evaluation can be a technical subject when the most sophisticated methods are used. However, this should not be a barrier to gaining its benefits for learning about what policy approaches work best for particular target groups and how they can be improved. What is really important is for policymakers to be aware of the main issues so that they can commission evaluation from experts appropriately and that they participate in the creation of cultures whereby policy design and implementation go hand-in-hand with evaluation.

■ FURTHER INFORMATION

There is a wide range of sources of information regarding evaluation. Many national governments have produced handbooks and guidance on evaluation. Multilateral agencies also typically produce relevant evaluation guidance, for example

Gertler (2010), Morra-Imas (2009), ILO (2013), UNDP (2009) and UNEG (2010). For the evaluation of inclusive entrepreneurship policy actions supported by European Union finance, the following information sources are particularly relevant:

Evaluation and impact assessment, DG Employment, Social Affairs and Inclusion	http://ec.europa.eu/social/main.jsp?catId=307&langId=en
Design and Commissioning of Counterfactual Impact Evaluations – A Practical Guidance for ESF Managing Authorities	http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7646
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General evaluations commissioned by the European Commission	http://ec.europa.eu/dgs/secretariat_general/evaluation/search/search.do
DG Employment, Social Affairs and Inclusion general guidance	http://ec.europa.eu/social/main.jsp?langId=en&catId=952

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■ GLOSSARY

Benchmarking	Comparison of inclusive entrepreneurial activities or the performance of policy interventions across places.
Control group	A group of comparator people or businesses that have not participated in a policy intervention. The control group is designed to be comparable to the participant group in other respects apart from non-participation in the policy intervention. Therefore comparison of outcomes for the two groups approximates to the effect of the policy on beneficiaries.
Counterfactual	The situation that would have arisen had the intervention not taken place. The effect of an intervention is defined as the difference between the factual and counterfactual situation. Evaluation can estimate the counterfactual by comparing beneficiary progress with a control group.
<i>Ex ante</i> evaluation	Evaluation performed before implementation of a proposed programme. This form of evaluation helps to ensure that an intervention is as relevant and coherent as possible. It provides a prior assessment of whether development issues have been diagnosed correctly, whether the strategy and objectives proposed are relevant, whether there is incoherence between them and whether the expected impacts are realistic.
<i>Ex post</i> evaluation	Evaluation which assesses an intervention when it is over. It aims at accounting for the use of resources, the achievement of expected (effectiveness) and unexpected effects (utility), and the efficiency of interventions. It strives to understand the factors of success or failure, as well as the sustainability of results and impacts.
Logical Framework	A tool used to show the logic of a public intervention. It is based on a matrix presentation of the intervention, which highlights its activities, outputs, results, and impacts. Each step in the logical framework may be associated with one or more verifiable indicators of success, as well as with the conditions and risks likely to influence success or failure (confounding factors).

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The OECD and the European Commission have produced a new brief on evaluating policy actions for inclusive entrepreneurship. The brief covers the reasons for evaluating inclusive entrepreneurship policy, how evaluation fits into the policy cycle, and relevant tools to use in evaluation. The brief gives examples of real evaluations, showing how information was obtained and what conclusions could be drawn.

This policy brief is part of a series of documents produced by the OECD and the European Commission on inclusive entrepreneurship. The series includes policy briefs on youth entrepreneurship, senior entrepreneurship, social entrepreneurship, financing business start-up by social excluded groups and entrepreneurship by the disabled as well as a report on 'The Missing Entrepreneurs'. All these documents are available in English, French and German. They are available at <http://www.oecd.org/cfe/leed/inclusive-entrepreneurship.htm>.

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