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**ALBANIA**

# Competitive Enterprise Development (CED) Project in Albania

PERFORMANCE-BASED MONITORING PLAN  
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## A. APPROACH TO MONITORING, EVALUATION, ANALYSIS, AND COMMUNICATION

The strength of monitoring and evaluation lies in its ability to provide timely performance information, which is essential to manage for results and to improve project performance. CED's monitoring and evaluation (M&E) system will therefore facilitate the reporting of results attributable to the project, and establish a means of providing critical information for decision-makers to help them guide the implementation of project activities toward attainment of project objectives. This goal recognizes that certain elements of the work plan may require adjustment to respond to evolving conditions. The following represent the key principles that underlie our approach to project monitoring:

**Results-oriented.** The final Results Framework (in Figure 2) links the project work plan and the performance-based monitoring plan together. Work plan activities are designed to achieve the agreed-upon results displayed in the results framework, and M&E indicators measure the progress towards successful achievement of those results.

**Driven by Management Needs.** The M&E system is a management tool for systematically reviewing project progress, troubleshooting problems and issues during project implementation, and assessing areas where project activities may need to be refocused to ensure that plans, schedules, and assignments remain on target. Also, when there are successes or new opportunities beyond what was contemplated, it will be possible to make management decisions to channel more resources into those growth areas.

**Collaborative.** The implementation of the M&E system will involve not only the monitoring and evaluation officer but the chief of party and the technical team (the competitiveness advisors, as well as the trade and investment advisor, collectively referred to as business advisors, and the workforce development advisor). This is necessary for several reasons:

*Efficiency.* CED technical team members have first-hand knowledge of activities and immediate results in their areas of work and are best suited to collect and conduct initial verification of basic M&E data on their respective clients.

*Ownership.* Through their involvement in the M&E system, the system belongs to the entire team. This will ensure that the information generated is relevant to and consistent with the interests of the entire team and CED partners.

*Feedback.* Having collected and analyzed M&E information, CED technical team members will have first-hand information on project progress and will be able to use M&E information to guide program implementation.

*Management.* Accurate, reliable, and timely M&E is essential to effective management. Integrity of data and cross-checking of information by both technical and management teams are therefore essential to program design.

CED will implement an M&E system that will not become a data collection burden for project staff and partners, but will target data collection primarily on activities directly implemented by CED and its partners and the direct impacts of those activities. This principle of manageable interest ensures that the CED M&E system reports only those results that are within the project's ability to influence. We will also capture secondary impacts where appropriate. Once USAID approves the CED Work Plan and Performance-Based Monitoring Plan (P-BMP), CED's chief of party and M&E officer will provide training to technical staff to ensure accurate and regular data collection.

**Active Dissemination of Results.** CED will not only collect impact and performance data; it will also add value to the raw data by performing appropriate analysis, and providing context for data interpretation, thereby transforming data into information. For this information to have an impact, it must then be communicated. Communications, especially of success stories, is critical to our approach because documenting our successes will increase demand for project services and enhance the potential spread effect of our program. Communications activities have therefore been duly integrated into our Year 1 Work Plan and will be an integral part of the project's M&E system.

In Section E we present a complete list of proposed indicators and targets, with a primary focus on two measures that strike at the heart of project performance – sales and jobs.

## B. RESULTS FRAMEWORK

The CED proposal included an illustrative results framework. At the work-planning workshop, as the team discussed technical issues, potential activities, solutions and key results, it became necessary to revise this framework slightly to reflect the implementation approach based on updated, on-the-ground information, and team consensus. The revised results framework is shown in Figure 2.

## C. INDICATORS

To provide the comprehensive coverage needed for reviewing project progress, troubleshooting, and other management tasks, the M&E system will track two main types of indicators: program-area results (also referred to as impact or primary indicators) and element-level results (also referred to as management or performance indicators, which are of secondary importance). We request that USAID hold us accountable for the impact or primary indicators, and look at the management or performance indicators as indicative, not definitive. In the end, the latter indicators correspond to activities that are means to bring about what it behooves us to focus on as top priority, increases in sales and jobs. As appropriate, all indicators will be disaggregated by industry, geographic location, and gender.

To ensure a useful and meaningful M&E system, all indicators we chose to include had to meet the following criteria:

*Relevant.* All indicators included in the P-BMP must measure results that fall within the scope of CED's work.

*Useful.* Data collected should either a) inform management of project progress so that implementation issues can be addressed in a timely fashion or b) be useful and compelling in communicating project impact.

*Attributable.* Project activities should have a logical and causal effect on the change being measured by the indicator. Successes claimed by the project should be the clear result of project interventions. If there had been no project activity, would the improvements have occurred at the same rate? If the answer is yes, the indicator is not attributable.

*Direct.* An indicator should measure the result it intends to capture as closely as possible. When direct measures are not possible, proxy indicators can be used.

*Objective.* An indicator should be singular and unambiguous about what is being measured and the data to collect. Undefined terms such as “successful” or “frequent,” for which there are many different interpretations, should be avoided. Each indicator should also measure only one result and not confuse by trying to combine many concepts.

*Practical.* Data necessary for indicator measurement must be able to be obtained with reasonable time commitment, cost, and effort.

## C1. Program-Area Results (Impact Indicators)

Program-area results, such as increased sales and employment, measure the effects, or results, of project output. These impact indicators contribute directly to USAID’s economic development goals. Based on the results of on-the-ground research and analysis, we respectfully propose to alter our impact indicators as follows:

- Number of firms in targeted municipalities that have increased sales as a result of USG assistance;
- Percent increase in total sales by client firms in targeted municipalities;
- Total increase in sales by client firms in targeted municipalities;
- Percent increase in employment in client firms in targeted municipalities
- Total increase in employment in client firms in targeted municipalities.

Rather than focusing on profits of firms, household incomes, and the rate of **un**employment, we instead propose to measure increases in sales and employment. For monitoring and evaluation purposes, it could be problematic to ask firms to report on profits and jeopardize the fragile bond of trust we intend to build with client firms. In Chemonics’ past experience we have found that it is very difficult to get accurate profit information because businesspeople are afraid of the tax authorities and, as a result, are skittish about releasing potentially sensitive information.

Profitability is of course a criterion for whether CED will support a client in the first place, and we must demonstrate a 5:1 return on our investment (ROI) before providing project support. Afterwards, however, profit is not a concern for data collection or reporting purposes. Instead of

profitability we will measure the number of client firms that have increased sales as a result of USG assistance.

Measuring increased employment rather than changes in average household incomes or drops in municipal or district unemployment rates is also in line with the principles of manageable interest and attribution. We want to ensure that the CED M&E system reports only those results that are within the project's ability to influence. Because we will work with a discrete number of client firms in various municipalities, measuring municipality-wide changes in average household incomes or unemployment would go well beyond what we can expect to affect directly. Additionally, there are so many factors outside our control that influence those variables (for instance, if a local government reduced its workforce, that could have a significantly negative impact on the municipality's unemployment rate) that we feel much more comfortable tracking increases in employment in client firms in our targeted municipalities.

Ultimately, we expect increases in sales and jobs to contribute to increases in household incomes, but we also recognize that capturing reliable information on changes in household incomes, and relating them statistically to project support, can be a very expensive proposition. For that reason we propose to conduct a small number of client-specific quasi-experimental design studies in the out years of the project to approximate the extent to which project support has translated itself into changes in household incomes. Other USAID projects have taken this approach, which arguably is a cost-effective way to estimate the final impact we all want to capture.

## C2. Element-Level Results (Management Indicators)

Management indicators track the immediate outputs of the project, as well as deliverables based on CED's three components:

- (1) Trade and Investment Capacity;
- (2) Private Sector Productivity, and
- (3) Workforce Development.

These are products that are directly attributed to CED activities, such as the number of people trained to improve management practices. Management indicators provide the means for monitoring project progress, providing feedback to managers on project performance, and helping to identify areas where implementation strategies may need to be adjusted. The management indicators for the M&E system are based on the overall strategic approach to the project and closely reflect the work plan, capturing the main activities of the project.

## D. ASSUMPTIONS

We expect that during the first year of CED, much effort will be focused on building relationships with client firms and providing training and other technical and business advisory services. Therefore, we expect the project to have a greater impact in Years 2 through 5 than in Year 1. Indicator targets reflect this trend. We will analyze project achievements against targets in our M&E reports and make recommendations to update the targets if it becomes necessary.

## E. DATA COLLECTION AND REPORTING

The project's technical team will collect and analyze performance information regularly, and results from the analyses will help determine whether adjustments to the work plan are required. Each technical specialist will be responsible for managing primary data collection and entry for his/her client firms. Members of the technical team conducted more than 60 preliminary interviews surveying the business strengths and needs of potential client firms and have selected initial target clients. However, it is not until they are able to revisit client firms in Q2 2009 and confirm that each target firm can ensure a 5:1 return on CED's investment (i.e. for every dollar the project spends, the firm will produce a \$5 return in increased sales) that they will move forward with firms to put together customized Client Growth Plans and establish client-specific baseline data.

### **Baselines and targets**

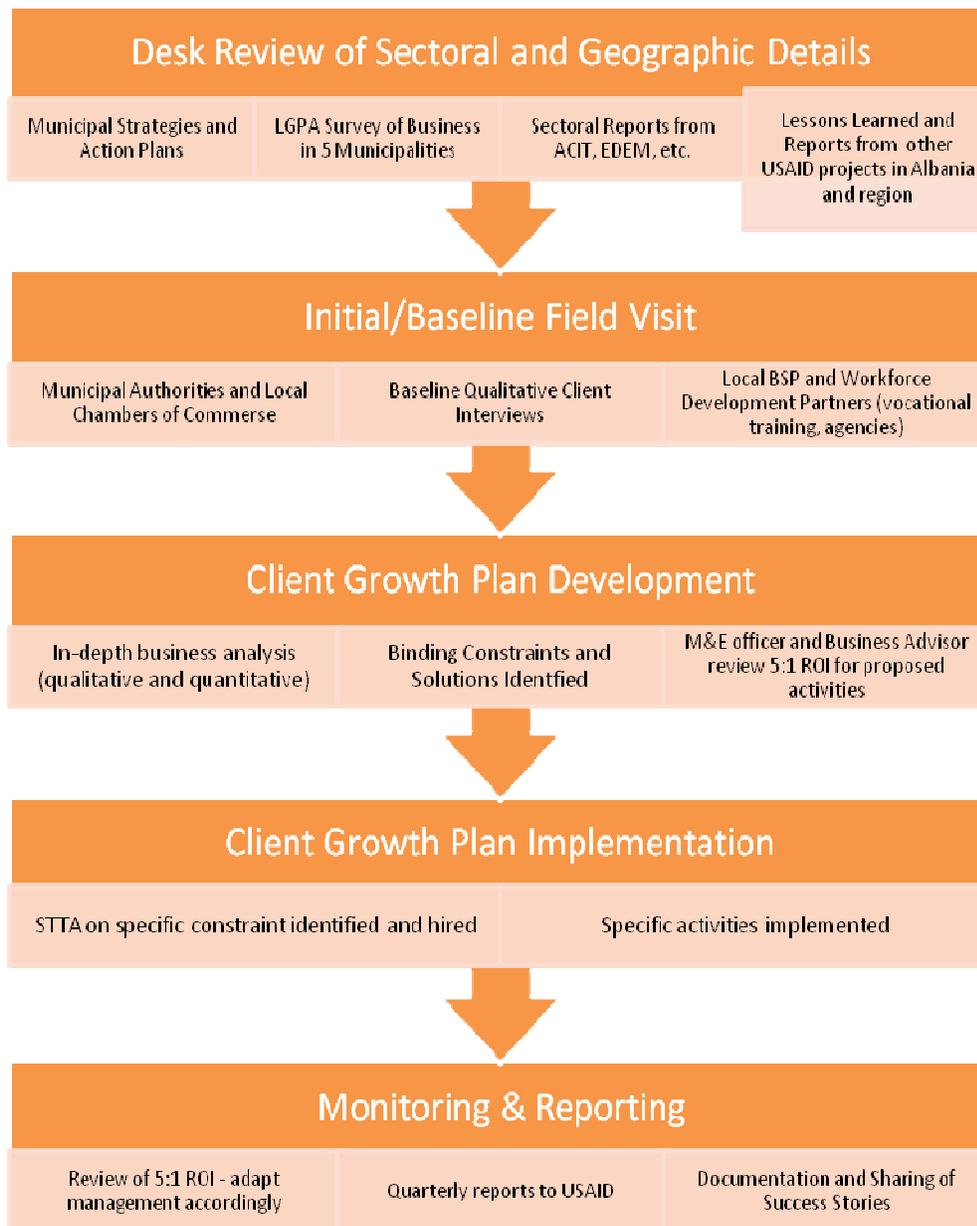
Given the firm-based focus of CED's work, as shown in the work plan, initially and throughout the project, the unit of data collection will be each specific enterprise. The M&E officer will work closely with each business advisor to collect baseline information and build a profile for each client that enables our team to determine feasible and attributable targets. Baselines and targets and milestones will be included in each Client Growth Plan designed as shown in Figure 1. The baseline will consist of the client's sales and attendant employment – **disaggregated by gender, industry, and geographic area** – over the previous 12 months. Each month after the Client Growth Plan goes into effect, the M&E officer will be responsible for collecting gross sales and direct employment data from the technical team the previous month, verifying the validity and attributability of all data, and reporting the results on a continuing basis to the chief of party, to USAID, and to the public.

### **Data Sources, Collection and Verification**

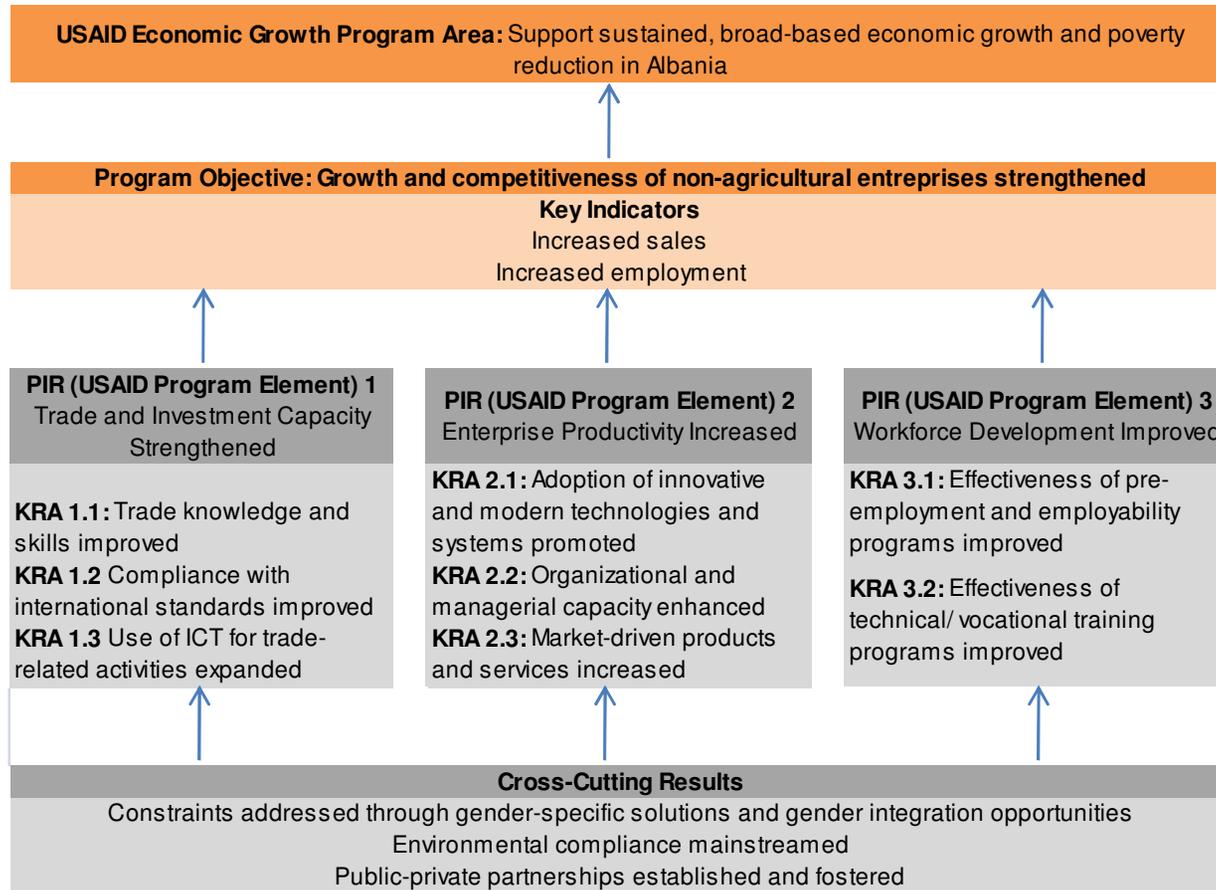
To verify data, the M&E officer will conduct periodic meetings with clients, confirm that the support of the program has brought about the achieved results, and solicit suggestions on how the program can improve. If necessary, the M&E officer will also cross-check data with other sources. The M&E officer reports directly to the chief of party in order to provide autonomy from the technical team that works directly with client firms. Some of these external sources of information are included in the Data Sources column in Section F of this performance-based monitoring plan.

Additional data sources will include: training sign-in sheets, training assessments, activity attendance sheets for B2B events, etc. The diagram below shows how CED will approach working with specific clients, including the data collection, monitoring and reporting steps. Client Growth Plans will be reviewed annually and if additional constraints to increased sales and jobs have been identified, the CED will update the Client Growth Plans accordingly, including a review of the data collection and monitoring required to ensure 5:1 ROI and impact are feasible, attributable and measurable.

**Figure 1 – M&E Data Collection, Analysis and Reporting Processes**



**Figure 2 – Results Framework**



## F. DETAILED PERFORMANCE MONITORING PLAN

Please note all indicators will be measured on a quarterly basis. CED will work with the USAID team to finalize reporting templates in Q3 2009.

<b>Primary Objective: Growth and competitiveness of non-agricultural enterprises strengthened</b>				
<i>Indicator</i>	<i>Notes</i>	<i>Data Sources</i>	<i>Baseline</i>	<i>Year 1 targets</i>
1. Number of firms in targeted municipalities that have increased sales as a result of USG assistance	Increased sales indicate business growth	Client firms, tax income from authorities, additional Purchase Orders from new buyers, municipal records	0	70
2. Percent increase in total sales by assisted firms in targeted municipalities	Increased sales indicate business growth	Client firms, tax income from authorities, additional Purchase Orders from new buyers, municipal records	0	5%
3. Total increase in sales by client firms in targeted municipalities	Increased sales indicate business growth	Client firms, tax income from authorities, additional Purchase Orders from new buyers, municipal records	0	Specific to firms, aggregates calculated
4. Percent increase in employment rate in client firms in targeted municipalities	Increased employment indicates business growth and a reduction in unemployment	Client firms, local employment offices, municipal reports, local workforce development project reports	0	5%
5. Total increase in employment in client firms in targeted municipalities	Increased employment indicates business growth and a reduction in unemployment	Client firms, local employment offices, municipal reports, local workforce development project reports	0	Specific to firms, aggregates calculated
6. Program Cost Effectiveness	For every dollar the project invests, we expect an aggregate return of \$10 in client sales over the total life of the project. We will not work with individual firms unless we can reasonably expect an individual 5:1 return on investment	Analysis of aggregate results against activity costs	0	2 to 1

The following management indicators were developed at the RFP stage by USAID, and will be used by the CED team to measure results at the element level of the project. As explained in section C2, management indicators provide the means for monitoring the progress of the project, by offering feedback on project performance, and identifying areas where changes and adaptations are needed. Tracking management indicators provides information on the processes applied to meet the impact indicators outlined in the previous table. Actual progress towards meeting the 2009 targets for these management indicators will depend on the specific constraints to increasing jobs and sales that the CED team identifies in our clients.

<b>Project Intermediate Result 1 - Trade and Investment Capacity Strengthened</b>				
<i>Indicator</i>	<i>Notes</i>	<i>Data Sources</i>	<i>Baseline</i>	<i>Year 1 targets</i>
1.1 Number of firms able to use necessary information, data and other inputs to improve understanding of international market demand and competitive conditions, and the regulatory standards and other requirements for accessing specific markets.	These are the firms that through CED assistance have a better understanding of their niche markets and the demand for their products, accessing additional specific markets	Client firms, international certificates, regulations accessed, etc.	0	20
1.2 Number of assisted firms that obtain certification with international quality control, environmental and other process voluntary standards or regulations	As detailed in the project work plan, client firms interviewed did not identify compliance with international standards as a binding constraint to growth. The project will work with firms if further analysis determines it as a binding constraint in Year 1. We anticipate additional work in this area in Years 2-	Client/ Business needs survey, New Purchase Orders	0	5
1.3 Number of firms employing ICT to improve goods and services, to identify commercial opportunities and establish contacts with potential international business partners	This is the number of firms that have entered a new market as a result of project assistance (new market defined as a new country or a new region or market segment within Albania)	Client/ Business needs survey	0	10
<b>KRA 1.1 Trade knowledge and skills improved</b>				
1.1.1 Number of USG supported training events related to trade knowledge and skills	This is the number of training events that focus on increasing the knowledge and skills to respond to new market opportunities	Client firms, Training Records	0	5
1.1.2 Number of persons trained in trade knowledge and skills	This is the number of people trained through hands-on assistance and training events to use information and skills to respond to new market opportunities.	Client firms, Training Records	0	100

<b>KRA 1.2 Compliance with International Standards Improved</b>				
<i>Indicator</i>	<i>Notes</i>	<i>Data Sources</i>	<i>Baseline</i>	<i>Year 1 targets</i>
1.2.1 Number of trainings offered in certification with international quality control, environmental and other process voluntary standards and regulations.	Trainings will be offered if international certification is determined as a binding constraint to growth	Training Records, International Certificates	0	5
1.2.2 Number of persons trained in certification with international quality control, environmental and other process voluntary standards and regulations.	Technical assistance or training will be offered if international certification is determined as a binding constraint to growth	Client Firms Records, Training Records, Certificates,	0	60
<b>KRA 1.3 Use of ICT for trade related activities expanded</b>				
1.3.1 Number of USG supported training events related to trade communications and technologies	This is the number of training events that focus on using ICT to respond to new market opportunities	Client firms, Training Records	0	5
1.3.2 Number of persons trained in trade communications and technologies	This is the number of people trained through hands-on assistance and training events to use ICT to access new markets	Client firms, Training records	0	100
<b>Project Intermediate Result 2 - Private Sector Productivity Increased</b>				
2.1 Number of firms implementing technological innovations as a result of USG assistance	This is the number of firms that adopt new or upgrade existing technology and systems (i.e., machinery, equipment, computer technology concepts and applications) to enhance productive capacity, generate lower costs of production, stimulate demand, and/or enable firms to compete in the global market	Client firms	0	70
2.2 Number of participants in USG-supported technological innovations training	This is the number of people trained through hands-on technical assistance and training events to use and maintain new technologies	Client firms	0	100
2.3 Number of firms able to reduce production costs as a result of USG assistance	Based on findings of business needs surveys and constraints to growth, this is the number of firms that face high productions costs that receive CED support	Client firms	0	70
2.4 Number of assisted firms implementing good business management, marketing and governance practices.	this is the number of firms that adopt new business management, marketing and governance practices	Client firms, new purchase orders, Buyers reports	0	70

<i>Indicator</i>	<i>Notes</i>	<i>Data Sources</i>	<i>Baseline</i>	<i>Year 1 targets</i>
2.5 Number of participants in USG-supported training in business management, marketing and governance	This is the number of people trained through hands-on technical assistance and training events in new business management practices	Client firms, Training Records, Staff assessments	0	100
2.6 Number of firms able to expand existing or penetrate new markets as a result of USG assistance	Based on findings of business needs surveys and constraints to growth, this is the number of firms that access new markets through CED support	Client firms, Training Records, Staff assessments	0	70
2.7 Number of firms that successfully accessed bank loans as a result of USG assistance	This is the number of firms that access new financing as a result of project support	Client firms, bank and other financial institution records	0	5
<b>KRA 2.1 Adoption of innovative and modern technologies and systems promoted</b>				
2.1.1 Number of training in technological innovation	This is the number of training events that focus on using or maintaining new technologies	Client firms, Training Records	0	5
2.1.2 Number of persons trained in technological innovation	This is the number of people trained through hands-on technical assistance and training events to use and maintain new technologies	Client firms, Training Records, Staff assessments	0	100
<b>KRA 2.2 Organizational and managerial capacity enhanced</b>				
2.2.1 Number of training events in business management, marketing and governance practices	This is the number of training events that focus on new business management practices	Client firms, Training Records	0	5
2.2.2 Number of persons trained in business management, marketing and governance practices	This is the number of people trained through hands-on technical assistance and training events in new business management practices	Client firms, Training Records, Staff assessments	0	50
<b>KRA 2.3 Market-driven products and services increased</b>				
2.3.1 Number of training events in identification of and response to market opportunities	hands-on training and technical assistance to identifying and accessing market-opportunities	Client firms	0	5
2.3.2 Number of persons trained in identification of and response to market opportunities	number of people (managers, sales agents, etc.) mentored and coached to identify and access markets opportunities	Client firms	0	50

<b>Program Intermediate Result 3 - Workforce Development Improved</b>				
<i>Indicator</i>	<i>Notes</i>	<i>Data Sources</i>	<i>Baseline</i>	<i>Year 1 targets</i>
3.1 Number of people gaining employment or better employment as a result of participation in USG-supported workforce development programs	This is the number of people who are able to gain employment or better employment by participating in workforce development programs, which we define as either pre-employment, employability, or technical/vocational training programs	Client firms, VET reports, municipal labor offices, RDA reports	0	50
3.2 Number of persons completing USG-supported workforce development programs	This is the number of workforce development programs supported, which we define as either pre-employment, employability, or technical/vocational training programs	workforce development programs reports, VET reports, Municipal Labor Offices	0	80
3.3 Number of persons participating in USG-supported workforce development programs	This is the number of workforce development programs supported, which we define as either pre-employment, employability, or technical/vocational training programs	workforce development programs reports, VET reports, Municipal Labor Offices	0	100
<b>KRA 3.1 Effectiveness of pre-employment and employability programs improved</b>				
3.1.1 Number of pre-employment and employability programs supported	This is the number of workforce development programs supported, which we define as either pre-employment, employability, or technical/vocational training programs	Client firms, Program Reports, Municipal Labor Offices	0	2
3.1.2 Number of persons participating in USG-supported pre-employment and employability programs supported	This is the number of people assisted through hands-on technical assistance and pre-employment, employability, or technical/vocational training programs/workshops	Client firms, Program Reports, Municipal Labor Offices	0	50
<b>KRA 3.2 Effectiveness of technical/ vocational training programs improved</b>				
3.2.1 Number of technical/ vocational training programs supported	This is the number of workforce development programs supported, which we define as either pre-employment, employability, or technical/vocational training programs	Client firms, Program Reports, Municipal Labor Offices	0	5
3.2.2 Number of persons participating in USG-supported technical/ vocational training programs	This is the number of people assisted through hands-on technical assistance and pre-employment, employability, or technical/vocational training programs/workshops	Client firms, Program Reports, Municipal Labour Offices	0	50