

Report | January 2016

# Developing an Impact-Oriented Measurement System

A Guidance Paper for Financial Sector  
Deepening Programmes

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REDUCING POVERTY  
THROUGH FINANCIAL SECTOR DEVELOPMENT

This document provides the seventh chapter of the IOM guidance, focusing on the key strategic opportunities for embedding IOM in FSD operations

# IOM – Chapter 7: Implementing the IOM

## Stage 1: Clarity of purpose

Step 1: Setting out an evaluation Programme ToC

Step 2: Developing impact measurement questions

## Stage 2a: Measuring change – what happened?

Step 3: Developing indicators

Step 4: Data collection methods and sources

## Stage 2b: Measuring change – why it happened?

Step 5: Assessing causality and contribution

Step 6: The research agenda

## Stage 3: Bringing it all together

Step 7: Developing a credible narrative

### Implementing the IOM (Chapter 7)

This final chapter of this guidance, implementing the IOM covers issues throughout the previous three stages.

In particular, it sets out the key strategic opportunities for embedding IOM in FSD operations, including integrating IOM principles and guidance into existing M&E systems.

## 7 Implementing the IOM

### 7.1 Overview

- Monitoring or evaluation on their own (in isolation) cannot measure the changes that result from the interaction between evolving FSD programmes and dynamic market contexts.
- Impact orientation needs to be embedded in existing FSD monitoring systems, as well as in the design, implementation and review of the project and the overall programme.
- Key strategic opportunities for embedding IOM in FSD operations include: the development and revision of the overall strategy and the logframe; investment decisions and reviews of specific projects/interventions; annual reviews; programme evaluations and specific impact assessment studies.
- Up-front investment in results measurement is valuable as much for improving programmes as for confirming and communicating results, and needs to draw on the technical skills of those who implement the FSD programme, as well as those of the M&E team and the FSD network.
- A broad/concurrent partnership between the FSD and an independent organisation is recommended to assess and confirm the impacts of the programme, and to make changes to programme design and monitoring systems, to make it more evaluable.
- The issue of the independence of the evaluator can be addressed by entering into a pro-active dialogue with the FSD governing body/ PIC (which includes funders) and by setting up a sub-committee of the FSD governing body. This sub-committee should then become responsible for the recruitment and oversight of this evaluator.
- A number of options exist throughout an FSD programme cycle for integrating IOM principles and guidance into existing M&E systems.

### 7.2 Building on existing M&E systems

Section 2.1 noted that the purpose of IOM is to improve FSDs' (and their funders') ability to measure and evaluate their impact. Section 2.3 provides arguments about how FSDs and other stakeholders can derive benefits from the IOM process. **This guidance paper recognises that the nine FSDs in Africa (including FSDA) are at different stages of implementing a results framework, and only some of the FSDs have already conducted, or are considering commissioning, programme-level evaluation, even if project-level evaluations are more**

common. That is why this guidance paper has not been prepared as a manual. Since monitoring or evaluation on their own (in isolation) cannot measure the changes that result from the interaction between evolving FSD programmes (as market facilitators), and dynamic market contexts, it has been agreed that impact orientation needs to be embedded in the monitoring systems as well as in the design, implementation and review of the project/ programmes.<sup>88</sup> This is captured in the 'sweet spot' that is identified as sitting between monitoring and evaluation in Figure 2, and is further elaborated below.

### 7.3 Strategic opportunities to mainstream IOM

IOM should be fully integrated into the M&E function as well as the overall programme implementation. To 'mainstream' IOM, the first step is to identify the various stages in the project/ programme planning and its implementation, and to identify areas in which IOM can be embedded as a part of the core internal processes of the FSD. The main areas are:

- development and periodic revision of the overall FSD strategy;
- finalisation and periodic review of the logframe;
- investment decisions on specific projects/ interventions, and periodic monitoring of these, and of the wider system;
- annual reviews;<sup>89</sup>
- programme evaluations (e.g. mid-term reviews and end-term reviews);
- specific impact assessment studies; and
- through work with the FSD Academy and FSDA working groups.

**Discussion point:** FSDs were clear that they viewed the role of FSDA in relation to measurement as creating space for dialogue and exchange, as well as facilitating training and research. There was greater reluctance to see standard indicators imposed across the board. However, there was an appreciation that there were common elements of FSD programmes that could benefit from a harmonised approach, which FSDA could help facilitate. For example, this may include help thinking through the types of systemic change and indicators that are specific to saving groups projects, which a number of FSDs currently facilitate.

88. By FSD programme teams and others participating in the two workshops (October 2014 and March 2015), and a number of other discussions.

89. Traditionally referred to by DFID as output to purpose reviews (OPRs).

### 7.3.1 Development and revision of the overall FSD strategy

As noted in Section 3.4, to ensure better evaluability of an FSD programme, **it is important to look at both the theory and the practice of the programme.** The conceptual framework that sets the programme ToC is set out in the overall FSD strategy (normally for a three- to five-year period), and at the same time the funding period and scale of funding is also finalised.

Many of the older FSDs have gone through more than one cycle of development and revision of the overall strategy. This is influenced by a number of factors: the experience of FSDs (what works); better understanding of the market context, key constraints to financial sector development and demand for FSD support (e.g. from policy-makers, market actors and support agencies); and key priorities identified by funders at the stage of finalising funding agreements.

How one should go about checking that the FSD ToC is evaluable is explained as a part of the Stage 1 guidance. For an existing FSD programme, there may be limited appetite to review and revise the overall programme logic in the middle of a strategy period. A key strategic opportunity for testing the evaluability of the ToC is when the overall FSD strategy is being developed or revised (Step 1). However, the process of development and agreement of impact measurement questions (Step 2) can be done at any stage. **In fact, without agreement on what levels and types of impact an FSD programme is interested in,<sup>90</sup> it is very hard to integrate the IOM into the existing monitoring system.**

### 7.3.2 Finalisation and periodic review of measurement frameworks, including the logframe

While the programme logframe can provide the overall outcomes, on its own it may be unable to help prioritise the impact measurement questions on which the programme should focus.

The logframe is primarily used for accountability purposes. DFID's guidance on logframes suggests one outcome and a maximum of 10 outputs, although programme teams are encouraged not to prioritise more than six outputs. Each output can have a maximum of three indicators. Therefore, around 20 indicators may be used by DFID and other funders to track the progress of the programme at output and outcome levels. **As advised in Step 3, the IOM measurement framework will extend beyond this, with the logframe providing a sub-set of the types of evidence being collected.**

However, measurement frameworks can and should be used for more than just reporting to funders. Market facilitators like FSDs need to monitor much more than just accountability indicators in the logframe: they need to build partnerships with policy-makers, business associations, financial institutions and others to identify which data can help track and then move markets.

Market development programmes need faster feedback between intervention and results and should use results measurement to adapt to changing markets, scale up what works, and play down or discard what does not work. **They can also use IOM as a powerful mechanism for influencing market actors, regulators and policy-makers, who are interested in tracking financial inclusion objectives and trends, as well as policy implications.** Even financial institutions have an interest in the measurement of results to identify business opportunities with underserved customers or to better serve financially included customers. Evidence-based advocacy is a critical part of market facilitation and FSDs can help identify, prioritise, collect, analyse and disseminate market data, especially where they fund the generation and initial analysis of those data.

**Tip:** FSDs should talk to their funders about using logframes flexibly (which is allowed!), alongside other indicators collected.

**Measurement indicators can be quantitative as well as qualitative, and can have a short-, medium- or long-term orientation.** Step 3 provides examples of tracking the behaviour of directly supported partners in the short term. This may lead to FSD-supported partners increasing access and usage, as well as revising business models and practices in the medium term. In the long term, FSDs are interested in systemic changes in the behaviour, performance, sustainability, scale and resilience of the wider market players, and in the implementation of more enabling rules and norms at macro level, combined with responsive support organisations at the meso level.

### 7.3.3 Investment decisions regarding projects and other interventions, and periodic FSD monitoring

IOM can and should inform the way FSDs make their investment decisions. In the FSDs that were set up initially, investment decisions were typically driven by the output (and outcome) indicators in the logframes – usually quantitative measures. What IOM calls for is a perspective that looks beyond the logframe to consider

not just the prospective effect of an intervention on outcomes, and perhaps impacts, **but also on whether that intervention is likely to contribute to systemic market change – and what those results chains might look like.**

This guidance paper therefore calls for FSD programmes to adapt the documentation, such as project appraisal reviews (PARs), that they present to their decision-making bodies so that they capture not only the direct output and outcome measures, but also the wider systemic changes they expect to see and the indicators proposed to capture these. Sometimes the indicators adopted to measure systemic change will be qualitative. **As this guidance paper has noted before, assessing impact is not just about numbers.**

PARs and similar documents used to present and support investment proposals also usually set out the methods used to collect the data. Typically, this is generated by investees, at least for output measures. However, measurement of outcomes may need additional research and evidence that FSDs will have to collect from FSPs, sector associations and regulators, e.g. some FSD partners working in the private sector, may not be interested in issues such as replication and crowding in. FSDs may also need to commission specific studies.

When it comes to tracking systemic changes, this calls for FSDs to at least modify and adapt their regular monthly and/ or quarterly meetings. **Tracking what is happening in the wider system (i.e. the financial sector as a whole), is something that already happens anyway in most FSDs.** Individual managers will read items in newspapers or come across them in other media. They also have direct conversations with policy-makers, senior executives in financial institutions and other market actors and other observers. So the data is usually generated. **However, there are often two missing steps:**

- i. More often than not FSDs do not record these new bits of information in a form that is readily accessible, and that over time can be analysed to look for trends or new factors emerging that might contribute to systemic change and how this is documented to provide evidence for learning and evaluation purposes.
- ii. They do not have a means of reviewing such new information systematically and asking themselves what might be the implications for systemic change. This also applies to data gathered as part of regular project monitoring.

This guidance paper therefore recommends that FSDs set up mechanisms to periodically capture the insights of staff and partners, including those set out in Annex F. In addition to adding this as an agenda in quarterly/ six-monthly meetings and changes to the reporting formats, FSDs may consider setting up a small group within their management teams, possibly augmented by

a knowledgeable outsider from, say, the financial sector (who may also be a member of an FSD's governing body).

The role of this 'systemic change monitoring group' (a specific sub-category of normal FSD monitoring) could be to ensure (a) that information gathered from both public and private sources is recorded systematically (for example on simple templates), and (b) that every quarter or six months it is used to assess what changes are being seen in the financial markets. The key issues and conclusions reached by the 'systemic change monitoring group' should also be recorded and be readily accessible. Some of this analysis is captured in the annual report. However, the underlying evidence and some of the hypothesis which it may be pre-mature to explicitly share with external stakeholders at the stage of report writing, are not recorded and get lost. As well as monitoring existing investments/ interventions for signs of systemic change, such records should guide future investment decisions and may well provide an important source of data for evaluators several years down the line.

### 7.3.4 Annual reports and discussions with funders

FSDs normally submit an annual report to funders and other stakeholders. They also usually carry out an annual review and related discussion – the OPR. This is often based on the FSD's internal monthly/quarterly reviews at project level and an annual report prepared for this purpose.

To date, OPRs focus on the achievement (or not) of outputs and outcomes identified in logframes. This, however, rarely captures the full picture of what FSDs have accomplished in the previous 12 months, although recently adapted or developed logframes in some FSDs may seek to capture systemic changes that are underway or that have been achieved.

An annual review process that seeks to provide not just an OPR but also a detailed IOM analysis will provide a much richer source of information and guidance, both for funders and FSD management (see Step 7).

**In addition, it can also provide a useful opportunity to take up a specific programme theme for more detailed analysis – for instance, to confirm evaluation questions, to identify existing sources of evidence and build on the insights of FSD staff and partners, to confirm causality, as well as to identify possible follow-up work/ specific studies for the following year to strengthen the impact orientation of the existing monitoring arrangements.** Again, records from the 'systemic change monitoring group' should also inform such analysis, as well as provide data that contribute to progress towards, or the achievement of, desired systemic changes initiated by an FSD's interventions.

90. E.g. Section 3.6 confirms that FSDs focus on different areas of impact – financial sector development, financial inclusion, livelihood improvements, etc.

### 7.3.5 Programme evaluations (e.g. mid-term and end-term reviews)

Evaluations may be undertaken for a variety of objectives – to prove the results of the programme as well as to improve FSD programme performance, e.g. document programme effectiveness, test specific delivery models, innovations, and implementation choices, as well as to improve performance of FSD partners and their operating models.

As with annual reviews, adopting the IOM approach will mean that the processes of undertaking evaluations/ reviews are likely to be both more efficient and be based on richer, broader sets of indicators and other information. **They provide an opportunity to undertake a robust TBE of the programme impact (see Step 7).** This in turn is likely to generate more insights and lessons to be fed back into the particular FSD (in the case of mid-term reviews) and the wider community of FSDs (in the case of end-term reviews). Further discussion of mid- and end-term reviews is provided below in relation to independent evaluations (see Section 7.5).

### 7.3.6 Specific impact assessment studies

**FSDs may also commission specific studies based on particular research needs and impact questions previously identified, or to confirm the impact of a flagship project.** These studies could focus on confirming causality at specific links in the results chains, ToC, demand and/or supply-side analyses of financial services access and use, as well as on understanding and confirming specific impacts.

## 7.4 Investing in results

All FSDs have agreed logframes and approved business cases which provide the high-level M&E strategy and focus. These are agreed with funders. However, in some cases an FSD has to report against more than one results framework, as some funders may have a different focus and reporting requirement.

**Tip:** FSDs should work with funders to agree that the IOM reporting system can be a common reporting requirement around programme impact.

This guidance focuses on integrating results measurement in the entire programme cycle – scoping, programme design, implementation and review. This necessitates the use of the technical skills of staff responsible for both programme implementation, as well as those focusing mainly on M&E. Considerable variation also exists across the FSDs in terms of human and financial resources committed to M&E. Up-front

investments in results measurement is valuable as much for improving programmes as for confirming and communicating results. Thus, irrespective of the final arrangements around the involvement of an independent evaluator (see below), dedicated results measurement capacity within the FSD is essential in order to fulfil a wide range of expectations.

What should be the balance of the effort expended between implementing programmes (achieving results) and assessing programmes (measuring results)? For example, should an FSD invest 5% or more/less of its annual budget on M&E? Once the impact orientation is embedded in the core programme design and implementation, this becomes less of an issue. **Many of the results measurement functions are indeed part of programme implementation** and so should not strictly be treated as a general overhead cost. Furthermore, many of the public goods functions of FSDs (such as FinScope/ FinAccess and other research, sector-level data tracking) should be part of programme costs, not overhead costs. In any case, once the IOM framework is accepted, it is possible to have a more constructive conversation between FSD management and their investment/ oversight committees and funders around the allocation of human and financial resources for results measurement. Such discussions should also address the question of the budget lines to which impact evaluation-related expenditures should be allocated.

## 7.5 Role of an independent evaluator

Decisions around final M&E arrangements need to be made in consultation with an FSD's governing body (which includes funder representatives). In addition to programme-level monitoring and reporting, funders often seek independent evaluations of a programme.

**Dedicated results measurement capacity within the FSD is key to fulfilling various expectations.** In addition to internal capacity, the IOM guidance provides three potential scenarios for how FSDs can inject greater expertise and independence into their IOM approach. These scenarios, which are not mutually exclusive and have potential overlaps, are:

- a. rely on the IOM system to produce evidence, with the process of implementing the IOM tested by an independent evaluator;
- b. a broad/concurrent partnership between the FSD and an independent organisation(s) to assess the impacts of the programme, and make changes to programme design and monitoring systems to make it more evaluable, using both monitoring data and specifically commissioned impact research; and
- c. periodic external impact evaluations to assess if the programme is delivering the expected results, e.g. at the mid-point and end-point of the strategy, but

using the evidence collected through the IOM.

The implications of each of these choices for FSDs and funders are noted in Annex G. Before finalising arrangements, it is important to note why independent evaluation is such a big issue for the funders and what role an independent evaluator can play. As a DFID-appointed *Independent Advisory Committee for Development Impact* noted in 2008: independence is central to the credibility of evaluation. The committee noted that accurate and fair evaluations combine intellectual detachment with empathy and understanding.<sup>91</sup> As is clear from the core principle of bringing monitoring and evaluation closer together, external evaluators often lack an appreciation of the operating context.<sup>92</sup> Independence combined with disengagement increases information asymmetry, ruptures contacts with decision-makers and restricts access to relevant sources of information. Good evaluation, just like good science, calls for a frame of mind that is characterised by curiosity, scepticism and a hunger for evidence.

Independent evaluators can make use of the work undertaken to implement an IOM in several ways.<sup>93</sup>

The reliability and quality of the monitoring data produced by programmes that are implementing the framework proposed in this guidance are likely to be of a higher quality than those of other programmes.

- A focus on defining indicators of change, baselines and ways of measuring change should lead to this improvement, along with an overall focus on reporting and the results measurement system.
- Clear articulation of the intervention results chains, their evidence bases and associated indicators provide the basis for understanding the programme's ToC. The evaluator may supplement and validate the results chain and incorporate this when confirming whether the ToC holds up in practice.
- The ToC may be used to determine evaluation questions (jointly with funders) and to agree the evaluation approach. The use of evaluation questions that have already been agreed with funders can help inform the scope of work for the evaluator and reduce the risk that the evaluator will assess programme performance against newly created impact evaluation questions, for which the evidence may be much less readily available.
- The attempts made to estimate and justify the attribution of impact to the programme and the measurement of systemic change can be validated by

the evaluator. These may be sufficiently rigorous to be included in the evaluation approach, or may be subject to further analysis and data gathering by the evaluator.

- Cost data tracked by the programme will support any VfM and cost efficiency related evaluation work undertaken by the evaluator.

Each of the three options recommended for FSD has strengths and weaknesses in relation to specific interests, such as: the ability to support real-time learning; the degree of focus on impact; independence; the human and financial resources required from the FSD; and additional data collection/analysis required. **This guidance recommends option b) above for most FSDs.** On the differing interests listed above, this option scores lower on independence, but more than compensates through stronger ownership and usefulness of the results measurement process for FSDs and funders. Fortunately, this option is increasingly being implemented by many funders in order to facilitate learning from the market development programmes.

Moreover, the issue of independence can also be addressed. FSDs should initiate a pro-active dialogue with their governing body (including funders) to finalise these arrangements.

**Tip:** To ensure independence, a sub-committee could be formed by the FSD governing body, which will be responsible for the recruitment and oversight of the evaluator.

The FSD team should work closely with this committee to define the scope of the external evaluation (impact evaluation questions and terms of reference) and the possible nature of arrangements (long-term, periodic engagement) so that the evaluators can guide and quality assure the IOM process and the impact results/communication. We suggest that the FSD(s) develop a long-term relationship with an evaluator who can also play the role of a learning partner, and should contract a research firm (rather than an individual) on a long-term call-down contract.

91. Drawing on the good practice standards of various agencies, the committee highlighted four inter-related criteria for ensuring independence: (i) organisational independence; (ii) behavioural independence; (iii) protection from external influence; and (iv) avoidance of conflicts of interest. This means that an evaluation is independent when it is 'carried out by entities and persons free of the control of those responsible for the design and implementation of the development intervention' and enjoys 'freedom from political influence

and organizational pressure', 'full access to information' and 'full autonomy in carrying out investigations and reporting findings'.

92. The ability to engage with diverse stakeholders and secure their trust while maintaining the integrity of the evaluation process is the acid test of evaluation professionalism and diminishing returns can arise when evaluation independence assumes extreme forms of disengagement and distance.

93. This analysis draws on the discussions of Calvert (2014).

**Tips for appointing an independent evaluator**

FSD programmes should consider the following tips when appointing an independent evaluator:\*

- On its own, accountability to funders has not been successful in driving better measurement. What creates incentives for better measurement is the drive, on the part of the implementation and evaluation teams, to be effective.
- Early dialogue, and good chemistry, between implementers and evaluators are important; the relationship is that of a ‘critical friend’. The funder, implementer and the evaluator should discuss and agree clear role definitions for those implementing the FSD and the independent evaluator, as well as key principles that will guide the relationship, and possible mechanisms to address any issues that may emerge.
- Consider who will be responsible for the collection of different data: evaluator or implementer? There is a variety of possibilities here, from evaluators collecting all their own data, through to validation of monitoring data. Some implementers are sometimes concerned that the evaluators could disrupt their relationships with private sector partners, ask inappropriate questions, raise expectations or make excessive demands on the implementation partners.

- Evaluators might focus on the counterfactual and on the collection of qualitative data. However, it is important to note that the qualitative data and quantitative data have to be linked to clear lines of enquiry in order to be able to help articulate a credible story.
- The relationship between the implementing and evaluation team could be damaged if evaluators are also given responsibility for conducting annual reviews.
- Appointing an independent evaluator at the start of the programme means that the evaluation units do not have to establish their credibility in mid-stream, when catching up with the implementation team.
- Based on when the evaluator is appointed and the balance of focus between accountability and learning, the evaluation team can engage with the implementation team on the design/ review of the ToC/ results chain and the logframe.
- Consider issues of access to, use and dissemination of confidential data from private sector players and central banks (and issues such as non-disclosure agreements).

*\* This section draws on a DFID/DCED-facilitated discussion with different evaluation agencies that took place on 13 January 2015, as well as practical experience gained by the OPM team while conducting multiple evaluation assignments.*

**7.6 Summary****Table 32 Summary of implementing IOM**

|          | <b>FSD timeline</b>  | <b>Applicable IOM guidance</b>   |
|----------|--|--|
| <b>1</b> | FSD strategy development/ review   | Step 1 and Step 2  |
| <b>3</b> | Finalisation and periodic review of measurement frameworks, including the logframe                                 | Step 1, Step 2, Step 3 and Step 4  |
| <b>4</b> | Investment decisions about specific projects/ interventions, and periodic monitoring of these and the wider system | Step 3, Step 4, Step 5, Step 6   |
| <b>5</b> | Annual review  | Step 7   |
| <b>7</b> | Specific impact assessment study   | Step 5   |
| <b>6</b> | Programme evaluations (e.g. mid-term review and end-term review)   | All, especially Step 7 and ‘Implementing framework’ (for independent evaluator guidance) |

**Box 31 Chapter 7 checklist (implementing the IOM)**

- The FSD should discuss the overall results measurement approach with its governing body/investment committee and funders
- The governing body/investment committee should also agree on budgets and other resources (i.e. human resources) to be allocated to IOM, as well as M&E
- The FSD team should review the guidance in this chapter and should take advantage of various possible strategic opportunities to integrate IOM within its existing programme design, review and reporting processes
- The FSD should have a time period for reviewing and updating current internal M&E processes/ guidance in the context of IOM guidance
- The FSD should have a documented plan, which is understood by all staff, on how it intends to implement IOM (or parts of). Are responsibilities and tasks well known by staff?
- The FSD should distinguish between measurement for accountability and that which can aid market facilitation. While some overlaps of measurement processes will emerge, a good analysis for market facilitation should also help in gathering evidence for causality and an overall impact narrative
- The FSD should work with funders to ensure there is one common results reporting framework
- The FSD should work with funders to prioritise timeline, process and key questions for the external evaluation of the programme
- The FSD should work with FSDA to ensure that over time relevant research is accessible in one place, so that evaluation/ research priorities for the FSD can be established

# Annex G Implications for FSDs of different approaches to impact evaluation and type of evaluation support

Section 7.5 notes that in addition to internal capacity, FSDs have three possible options to inject greater expertise and independence into their IOM approach. These scenarios, which are not mutually exclusive and have potential overlaps, are analysed in more detail below.

**Table 44 Trade-offs in regard to independent evaluation**

| Category of analysis                                | Internal IOM systems (Option a)  | Collaborative relationship with external learning partner (Option b)  | Independent one-off evaluations (Option c)  |
|---|--|---|---|
| Description   | Rely on the IOM system to produce evidence, with the process of implementing the IOM tested by an independent evaluator  | A broad/concurrent partnership between the FSD and an independent organisation(s) to assess the impacts of the programme, and make changes to programme design and monitoring systems to make it more evaluable, using both monitoring data and specifically commissioned impact research | Periodic external impact evaluations to assess if the programme is delivering expected results, e.g. at mid-point and end-point of the strategy, but using the evidence collected through the IOM   |
| Ability to support real-time learning               | High: monitoring data likely to be collected regularly and understood by FSD teams and partners. Relatively short time gap between data collection, analysis and consideration of possible changes in programme focus or features  | Medium: Can help to strengthen monitoring system incrementally, but in the meantime external partner can help to produce periodic assessments   | Low as only a couple of assessments likely (e.g. mid-term and end-term)   |
| How 'impact' focused it is (compared to monitoring) | Low-medium: Based largely on monitoring system to provide learning and information for adaptation. However, if the IOM guidance is followed by the FSD team and there is some external validation, then impact information can be provided. This can also be augmented with additional evaluations | Medium: Can work with monitoring data to capture real-time changes but also develop robust evaluative techniques  | High: Undertaken by independent evaluators with clear ToR that focuses on rigorous testing of pathways although dependent on quality of available data and willingness of FSD partners to share information (e.g. sensitivities around commercial data from the private sector) |
| HR required for FSD                                 | Significant: Requires dedicated M&E capacity and buy-in from FSD management, theme leaders and funders   | Medium: Will require additional M&E capacity with at least one senior expert within FSD to provide a focal point for a learning partnership   | Limited: Up-front engagement around changes to the monitoring system will be required by FSD but then largely an oversight role (although will need some technical expertise to play this role). Some FSD support also needed in facilitating access to FSD partners            |

| Category of analysis                         | Internal IOM systems (Option a)  | Collaborative relationship with external learning partner (Option b)   | Independent one-off evaluations (Option c)  |
|--|--|--|---|
| Cost   | Low-medium: Likely to impose some extra overheads (given staff costs) but generally monitoring data is relatively inexpensive<br>Low cost for FSD partners   | Medium-high: Will require some increase in FSD overheads plus cost of impact research<br>Medium cost for FSD partners – both FSD and external agency seek information  | Medium-high: High cost for each evaluation but as undertaken infrequently, the cost overall is spread out.<br>High cost for FSD partners – external agency needs significant data and context in a short period (in addition to reporting to FSD team)  |
| Additional data collection/analysis required | Limited: Largely based on monitoring data although some external testing or additional studies may be required to develop annual assessments. Help may also be required to set up monitoring system  | Medium: External partner can work with FSD to undertake or commission additional data collection/studies and analysis, but will also assist in developing programme-level monitoring systems   | High: Significant conceptual understanding and data collection (e.g. quantitative and qualitative) required to test pathways  |
| Independence of impact evaluation            | Limited: In part, real-time IA will be carried out in-house with annual reports provided. However, these (and the data/assumptions contained within them) could be verified by external consultants periodically through an audit  | Mixed: While external agency will have a collaborative relationship with FSD, the advantage of appointing a learning partner (compared to full-time consultants) is that their independence is largely maintained. Independence can be enhanced through contracting arrangements, e.g. evaluators recruited by and reporting to a committee of FSD governing body rather than FSD management | High: Clear externally verified information with few incentives to present 'success' stories  |
| Main advantages                              | <ul style="list-style-type: none"> <li>– Highly operationally focused</li> <li>– Impact evaluation undertaken on FSD terms</li> <li>– Use FSD expertise regarding context and programme</li> <li>– Flexible (emerging experience in this area can augment this approach in the future)</li> <li>– Faster feedback loops and closer links between M&amp;E and programme management</li> </ul>                             | <ul style="list-style-type: none"> <li>– Evaluators can build up familiarity with the programme</li> <li>– Able to substitute for a lack of FSD capacity</li> <li>– Flexible (as no best practice in this area)</li> <li>– Able to assist FSDs in wider knowledge agenda, including research products that go beyond IA</li> </ul>   | <ul style="list-style-type: none"> <li>– High degree of independence</li> <li>– Access to outside expertise and perspectives</li> <li>– Less reliant on FSD capacity</li> <li>– Reduces bias of the promoters and implementers</li> <li>– Strengthens credibility of the findings</li> </ul>  |
| Main disadvantages                           | <ul style="list-style-type: none"> <li>– Risk of bias (inflating success; reinforcing existing mental models)</li> <li>– Will not be viewed as sufficiently robust in terms of rigour, as not independent</li> <li>– Requires comprehensive monitoring systems and data</li> <li>– Risky as dependent on the skills, motivation and capacity of the FSD M&amp;E staff and engagement with FSD technical staff</li> </ul> | <ul style="list-style-type: none"> <li>– Very reliant on picking a 'good' partner and clear scope of work/ working arrangements</li> <li>– Potentially may fail to build FSD's capacity, as dependent on others</li> <li>– Can be expensive</li> <li>– May lack ownership (and adaptive qualities) if inputs from evaluators are too thinly spread out over a long period</li> </ul>         | <ul style="list-style-type: none"> <li>– Limited FSD ownership over findings (absence of learning and adaptation)</li> <li>– Evaluators may not fully understand the context</li> <li>– Reliant on availability of data, and if not adequately planned often reliant on largely secondary data</li> <li>– Less able to track long-term change given their one-off nature</li> </ul> |



## About this guidance document

This assignment was commissioned by FSD Africa to facilitate peer learning among the nine FSDs in Africa, help them adopt more robust approaches, and develop a crisper message across the FSDs in regard to both measuring and reporting their results. This assignment has been facilitated by an OPM core team (Sukhwinder Arora, Sarah Keen, Ian Robinson, Robert Stone and Richard Williams). The OPM team was supported by a panel of experts including Thorsten Beck, Susan Johnson, Celina Lee and Alan Roe. The OPM team has also greatly benefited from frequent consultations with and guidance from FSDs, FSDA and CGAP teams. Contributions, especially from Mark Napier, Joe Huxley, Mayada El-Zoghbi, Karina Nielsen and Krisana Pieper are greatly acknowledged. Once this core assignment is completed by OPM in January 2016, FSD Africa seeks to work with DFID and the FSD Network in Africa to support its implementation and periodically review and update the guidance.

## About FSD Africa

Financial Sector Deepening Africa (FSD Africa) is a non-profit company, funded by the UK's Department for International Development, which promotes financial sector development across sub-Saharan Africa. FSD Africa operates as a catalyst for change, working with partners to build financial markets that are robust, efficient and, above all, inclusive. It uses funding, research and technical expertise to identify market failures and strengthen the capacity of its partners to improve access to financial services and drive economic growth.

FSD Africa is also a regional platform. It fosters collaboration, best practice transfer, economies of scale and coherence between development agencies, donors, financial institutions, practitioners and government entities with a role in financial market development in sub-Saharan Africa. In particular, FSD Africa provides

strategic and operational support to the FSD Network. FSD Africa believes that strong and responsive financial markets will be central to Africa's emerging growth story and the prosperity of its people.

## About the FSD Network

Today, the FSD Network:

- Comprises two regional FSDs – FSD Africa based in Kenya (est. 2013) and FinMark Trust based in South Africa (est. 2002) – as well as seven national FSDs, in Kenya (est. 2005), Moçambique (est. 2014), Nigeria (est. 2007), Rwanda (est. 2011), Tanzania (est. 2005), Uganda (est. 2014) and Zambia (est. 2013);
- Is a world-leading proponent of the 'making markets work for the poor' approach;
- Specialises in inclusive financial sector development, through interventions such as SME finance, agriculture finance, housing finance, savings groups and digital financial services. A number of FSDs are starting to explore financial sector development for growth, through capital market development interventions such as secondary stock exchange development, capacity building and skills development;
- Represents a collective investment of \$450+ million by DFID, the Bill & Melinda Gates Foundation, SIDA, DANIDA, Foreign Affairs, Trade and Development Canada, Royal Netherlands Embassy and the World Bank;
- Spends \$55+ million per year, predominantly through grant instruments; and
- Employs over 100 full-time staff across sub-Saharan Africa and uses a wide range of specialist consultants.



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