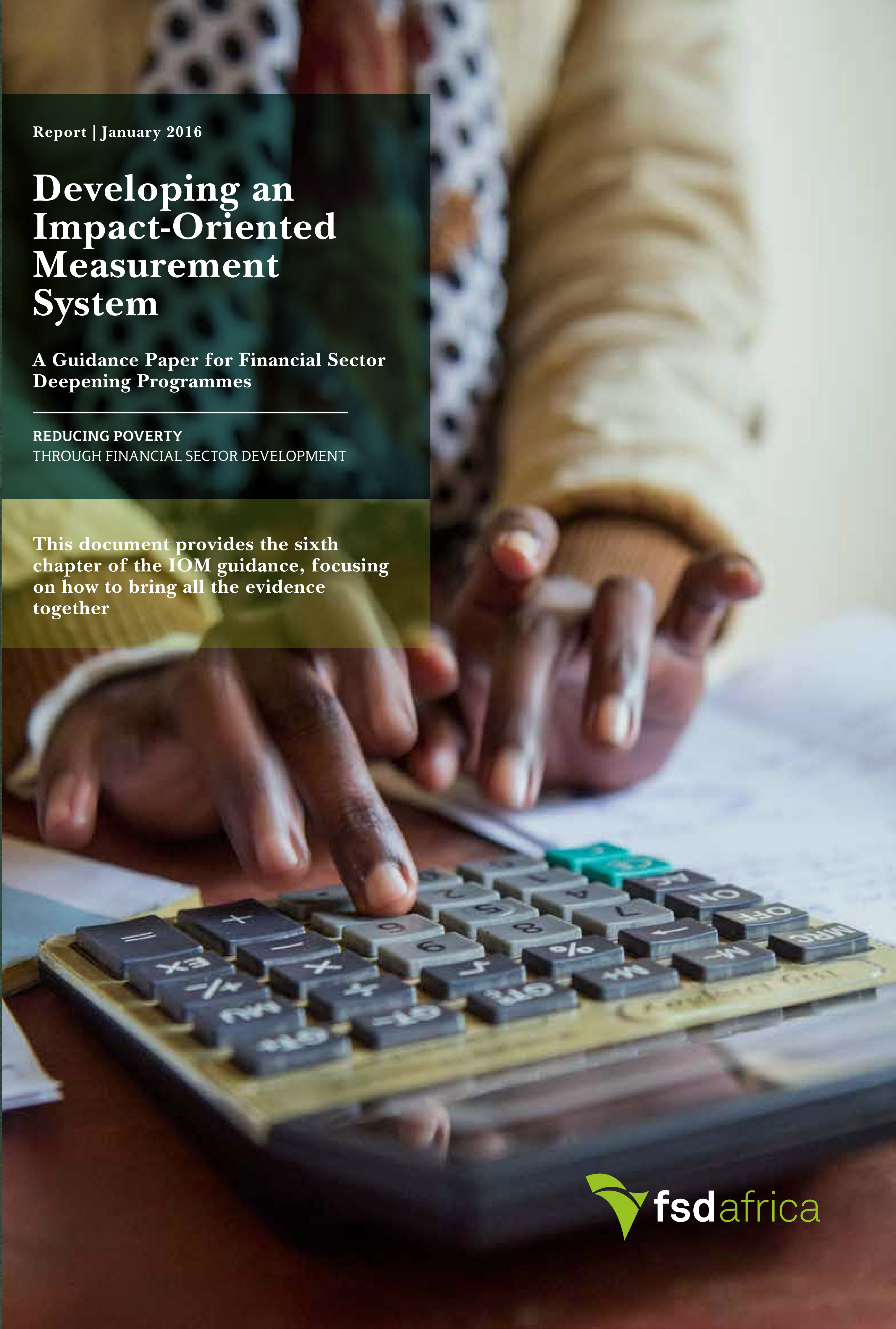

Report | January 2016

Developing an Impact-Oriented Measurement System

A Guidance Paper for Financial Sector Deepening Programmes

REDUCING POVERTY
THROUGH FINANCIAL SECTOR DEVELOPMENT

This document provides the sixth chapter of the IOM guidance, focusing on how to bring all the evidence together

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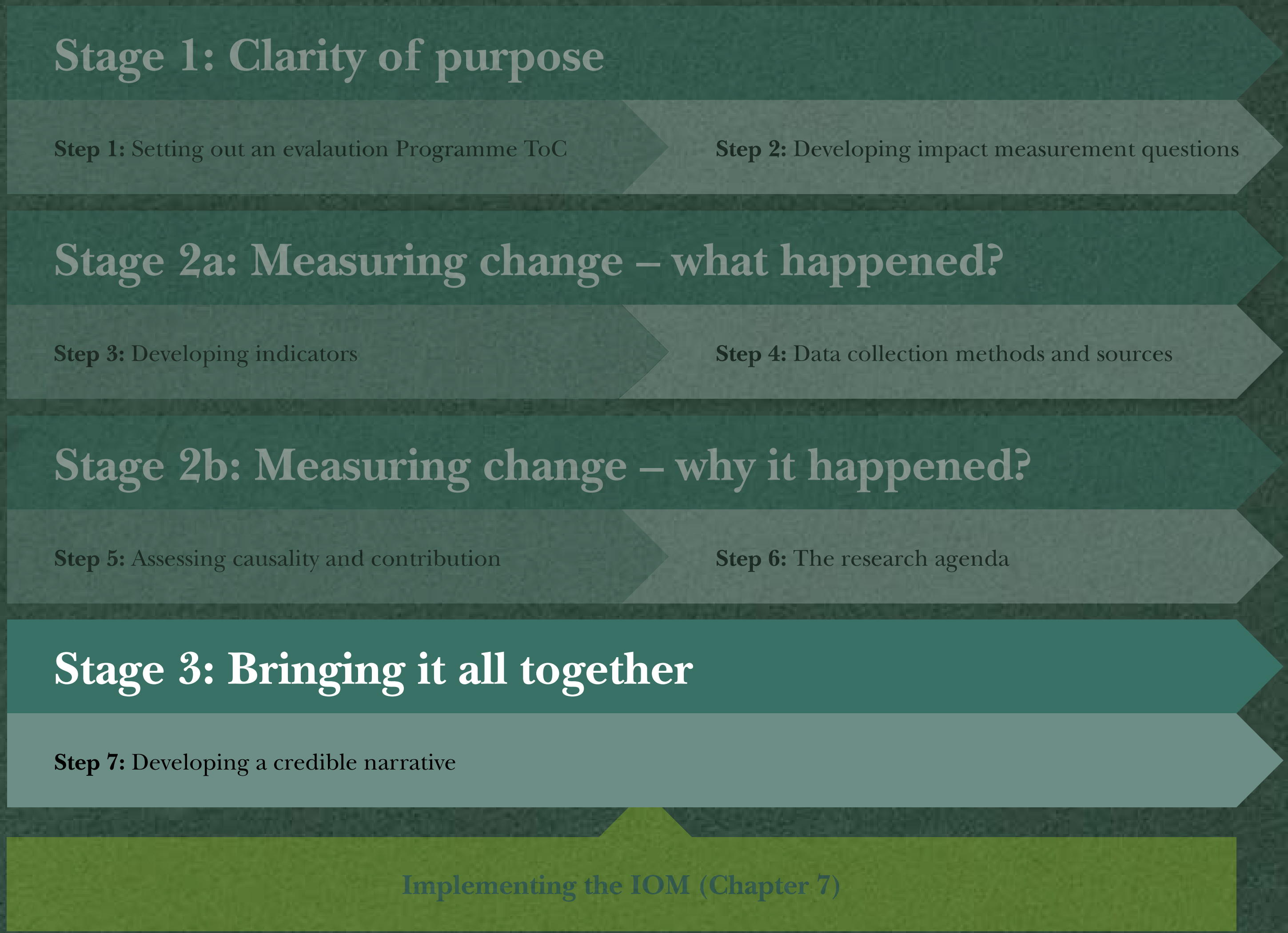
IOM – Chapter 6: Bringing it all together (Stage 3)



Chapter 6, Bringing it all together, covers Stage 3 of the process of implementing the IOM guidance: bringing together the evidence that the IOM system has generated in order to answer programme-level impact evaluation measurement questions. This stage takes place primarily at the end of the FSD's strategy or at particular strategic points such as annual and mid-strategy reviews.

Stage 3 incorporates the final step in the process:

Step 7 – Developing a credible narrative: Guidance is provided on how FSDs can analyse evidence and tell a robust story of their programme's impact.

6.1 Developing a credible narrative (Step 7)

6.1.1 Overview

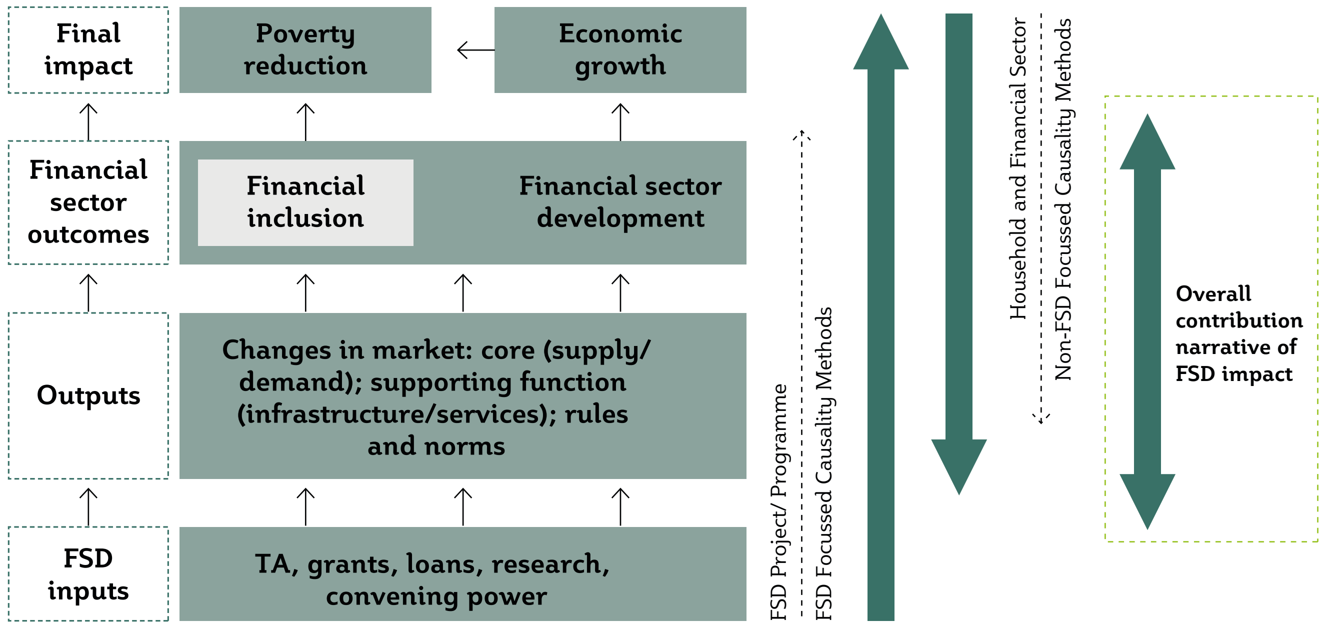
- This section provides an overall approach for bringing together the evidence that the IOM system has generated in order to answer programme-level impact evaluation measurement questions prioritised by an FSD programme and its funders.
- There are different points in an FSD programme cycle at which an FSD seeks to develop a credible narrative to assess and report on its programme impact.
- Considering the importance the IOM places on measuring systemic change, FSD programmes should try to report on this explicitly when building up a credible narrative.
- Contribution analysis, a method for testing the ToC, is presented as an option for evaluating the overall programme's impact at these reflection/ review points at different points in a programme cycle.
- A number of steps are set out for undertaking contribution analysis, many of which rely on processes from earlier steps in the IOM guidance.
- This step also provides guidance on aggregating results, including for VfM analysis.

6.1.2 Contribution analysis of an overall programme impact

The objective at this stage is to bring together all the bottom-up and top-down evidence to articulate a narrative (see Figure 19) that would ***'convince a reasonable but sceptical observer'*** **about an FSD's contribution to a specific change being measured (e.g. access to financial services).** At this stage an FSD will analyse all the data and information collected to answer the impact measurement questions set out at the beginning of the process. In particular, it will also attempt to draw together the impact logic from changes observed in the financial sector, and the programme's contribution to these changes. The approach to answering the programme-level impact measurement questions is a TBE, and, more specifically, a contribution analysis.

Bringing together a credible narrative can occur at different times and can take place at different levels of robustness, ranging from an annual light-touch review of the impact evidence, alongside the updating of the programme logframe and annual report, to full testing and verification by an independent evaluator at the end (and perhaps also mid-point) of the strategy period.[81]

Figure 19 Developing a credible narrative



81. Of course, as evidence emerges as to the effectiveness of interventions, or changes in market trends, FSD monthly and quarterly meetings should identify what analysis needs to be undertaken.

As noted in the figure above, contribution analysis incorporates a number of steps which are set out here, most of which have already been covered above. However, we summarise these here to help FSD programmes visualise what the process entails.

6.1.2.1 Develop a ToC/ results chain (see Step 1)

The main risk to note when using this ToC for an overall impact evaluation conclusion is the risk of bias in terms of how the ToC is tested. The risk is two-fold: first, there is the risk of self-attribution bias, where there is too much focus on gathering evidence to confirm or refute the anticipated casual mechanisms, without exploring alternative theories. To some extent, the top-down approach helps mitigate this risk by recognising what has happened more broadly and the contributions of other factors. But a second risk is that even if we do look for alternative theories, and confirm or refute our ToC, the whole evaluation is still shaped by our original logic. This problem can be mitigated to some extent by including an independent evaluator (see the next chapter), but there also needs to be a systematic search for potential alternative explanations throughout the evidence gathering process. This means that FSDs in their M&E processes need to be continually open to, and honest about, the various non-FSD contributions to impacts, and they need to document these throughout.

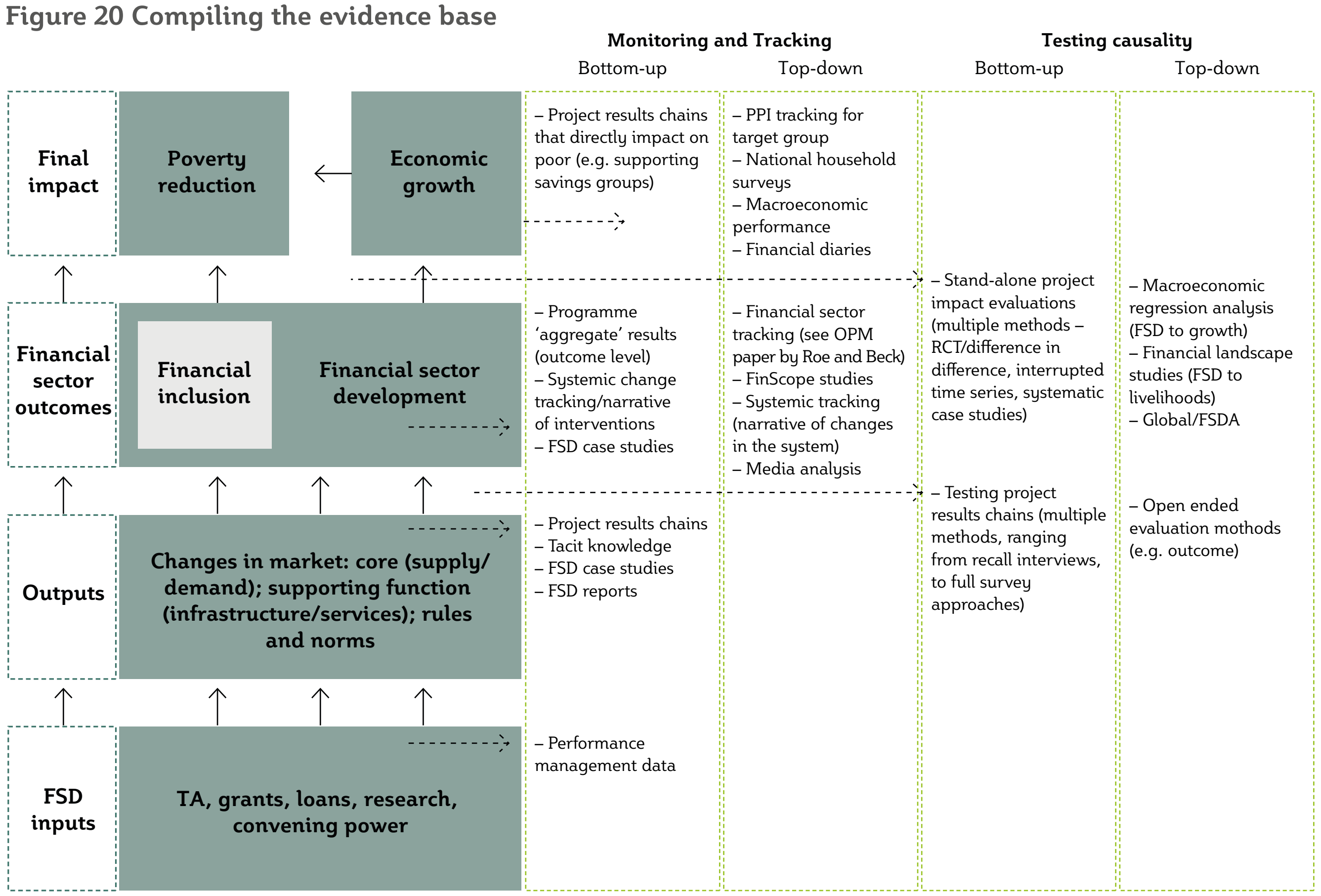
6.1.2.2 Set out the impact measurement questions to be addressed (see Step 2)

The main impact measurement questions identify the likely areas of enquiry for an FSD, as well as directing the way the credible narrative is presented. The evaluation questions should also be supplemented with a synthesis question to ensure cross-checking of results: **'given the observed changes in the financial sector (e.g. established through top-down approaches), what were the contribution of FSD interventions?'** Some interventions, particularly those at the micro level, might be able to show impacts right through the results chain (i.e. from FSD inputs to livelihood changes), but most cases will require some bottom-up and top-down triangulation.

6.1.2.3 Gather the existing evidence on the ToC (see Steps 3–6)

As noted earlier, **in most cases FSD programmes should document robust evidence of contribution (rather than attribution).** The overall evidence base that is used to conduct this contribution analysis is built up from FSDs' monitoring and causality analysis over time, as set out in Figure 20.

Figure 20 Compiling the evidence base



6.1.2.4 Assemble and assess the contribution story/ credible narrative

This involves determining whether the ToC and the assumptions underlying it hold true in the light of evidence, and whether it is reasonable to conclude that the activities of the programme have contributed to the impacts of interest, and in what way. Such an assessment will include developing a step-by-step chain of arguments, backed by evidence, asserting that the programme intervention(s) have (or have not) made a contribution to intended impacts, and to assess the strength of the evidence for that contribution. Different sources of evidence are likely to have different strengths in this context, depending on where in the ToC they are applied, and what data sources and methods the evidence relied upon. In part, this comparative analysis helps to ensure that the evidence base has been comprehensively tested.

Tip: It can also be useful to attempt to rank which interventions (or group of interventions) have made more important contributions than others.

Qualitative research and storytelling can play a crucial role, alongside quantitative evidence, in the difficult task of correctly attributing changes in the financial sector, as well as in growth and poverty reduction, to the activities of FSDs. Moreover, this analysis can be highly relevant for FSDs in regard to improving their programmes at periodic points in a strategy cycle. This kind of research is not the same as telling anecdotes: standards of rigour and credibility in qualitative research are needed. As Copestake and Williams (2011) note, 'Smaller and more flexible studies based on careful interpretation of systematically collected self-attributed impact data can provide faster and more context-specific feedback, and hence do more to strengthen learning, experimentation and improved practice in complex and fast changing environments than a smaller number of larger and lengthier studies'.

Triangulation is a core principle when testing each step of the logic. This may not be feasible in all cases, and will depend on the resources available to gather evidence from multiple sources. Figure 21 illustrates the points in the ToC at which the contribution analysis will be applied, and Table 29 shows how the evidence can be triangulated using four (illustrative) sources, bringing together the strengths of each – the four sources being: results chain monitoring; market actor interviews; landscape studies; and research, whether global or undertaken by FSDs. Of course, in practice FSD programmes can use many more potential sources of evidence.

Figure 21 Testing points in the ToC

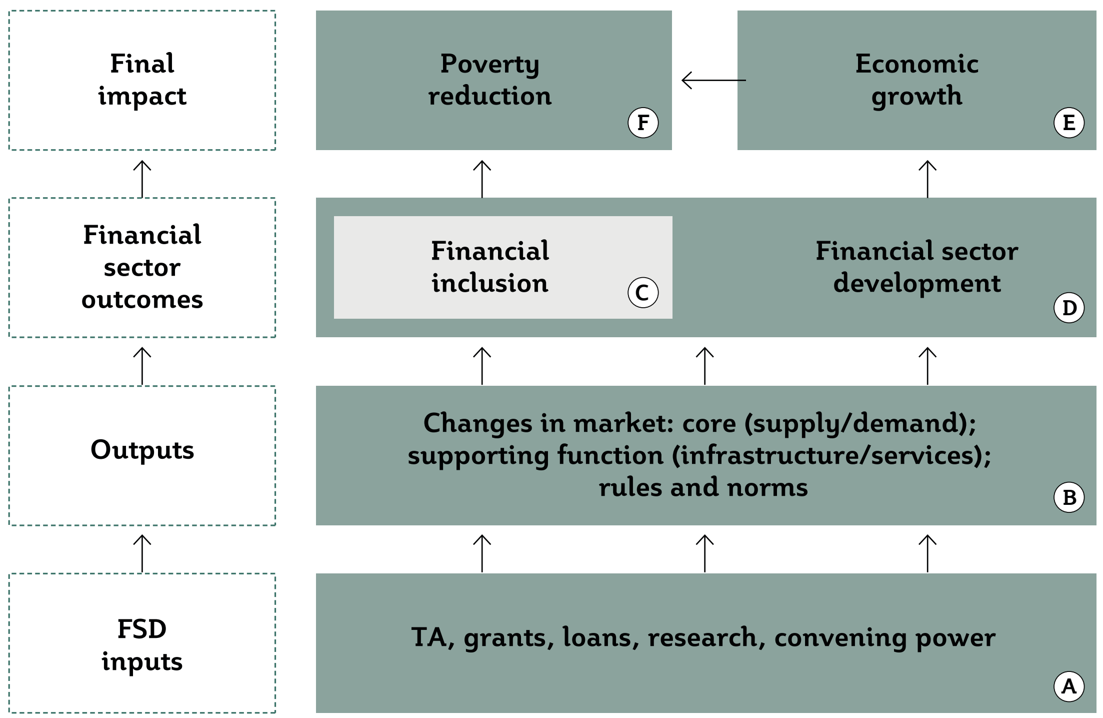


Table 29 Triangulation of the evidence (illustrative example)

Observed changes in ToC

SOURCE OF EVIDENCE \ TESTING POINT	A	B	C	D	E	F
Results chains	***	*	**	*		
Market actor interviews		*		*		
Landscape studies			*		***	*
Global/FSDA research		*		*		

Causality in the ToC

SOURCE OF EVIDENCE \ PATHWAY	A → B	B → C-D	D → C	C → F	D → E	E → F
Results chains	*	***	*			
Market actor interviews		*	*			
Landscape studies				***		
Global/FSDA research		*		*	**	***

Strength of evidence: ***Strong **Medium *Weak
*in practice, there are many more sources of evidence than shown in the above table that can be used

The preceding table may appear daunting, but it presents a summary of what FSD programmes and their evaluators should look at in order to document change processes and the extent of those changes. The evidence table can be used to make judgements about a programme's causal links, with the relative extent of an FSD programme's contribution to those links being articulated (for example, 'a second order contribution'). The triangulation process is illustrated above using an example based on an impact assessment of FSDK undertaken in 2010.[82] The example is taken from the micro level (of the market development programme), based on a range of projects that aimed at building the capacity of retail financial service providers in various different ways.[83]

Please note that Table 28 has two parts – strength of evidence as to whether there is greater financial inclusion or financial sector development (irrespective of what is causing this) and the second part, which then considers the evidence for causality. Thus, some strong evidence of poverty reduction could be possible in a case where there is weak or no evidence that financial inclusion is causing this reduction in poverty. FSDK's 'programme theory', as articulated during the impact assessment, was somewhat differently presented from Figure 21 above, but the structure is similar, as illustrated in Table 30.

82. Stone et al. (2010).
83. The projects investigated for the assessment were: support to Equity Bank to transform itself from a building society to a bank; support to Faulu and the Kenya Women's Finance Trust (KWFT) for transformation under the 2006 MFI Act; and support to Kenya Post Office Savings Bank (KPOSB) to introduce a new business model.

Table 30 Programme theory for FSDK retail capacity building

Programme stage (FSDK definition)	Specification		Testing point (as shown in Figure 22
Final impact	Services used by poor people are reducing vulnerability and increasing incomes		F
↑ **Direct impact**	↑ Increased provision of appropriate and affordable services to poor Kenyans		C
↑ **Outcome**	↑ Increased institutional viability		B
↑ **Output**	↑ Transformed MFIs (Equity Bank, Faulu, KWFT)	↑ New business model in place (KPOSB)	B
↑ **Activity**	↑ Capacity building of retail providers		A

The assessment of the pathway from activity to output to outcome (A to B to C) produced the result illustrated in Table 31 (at the time the assessment was done, the operation of the pathways from B to C could be credibly tested only for Equity Bank, and it was too soon to test the pathway from C to F for any intervention). As noted earlier, FSDs should be interested in impacts at all levels and not just the final impact on end-users.

Table 31 Illustration of triangulation of evidence: Capacity building for service providers: activity to direct impact (A→B→C)

Item of evidence	Type of source	Confirms / refutes /other	Strength of evidence
Equity Bank successfully transforms and increases deposit account numbers	Bottom-up, results chain study	Confirms	***
Faulu and KFWT successfully transform and increase deposit account numbers	Bottom-up, results chain study	Partially confirms	***
FSDK facilitates the transformation process	Top-down, market actor interviews and FSDK research	Confirms	**
Relevant regulations change	Top-down sector tracking	Other contribution	**
FSDK speeds up licensing process	Top-down, market actor interviews	Confirms	*
Successful introduction of new business model by KPOSB	Bottom-up, results chain study	Confirms	***
KPOSB achieves sustainable outreach	Bottom-up, FSDK market research	Inconclusive	*

The judgements involved in this process need to be systematically verified by asking:

– How credible is the story?
– Do reasonable people agree with the story? Does the pattern and timing of results observed validate the results chain?
– Where are the main weaknesses in the story?

As noted in Step 5, the standard for proof is what would convince a ‘sceptical observer’. To assess the contribution story, it is therefore useful to ask a number of independent actors to analyse the emerging narrative, to assess its credibility and weaknesses. Ideally this would include both country-based and non-country actors, ensuring both depth and breadth of understanding.

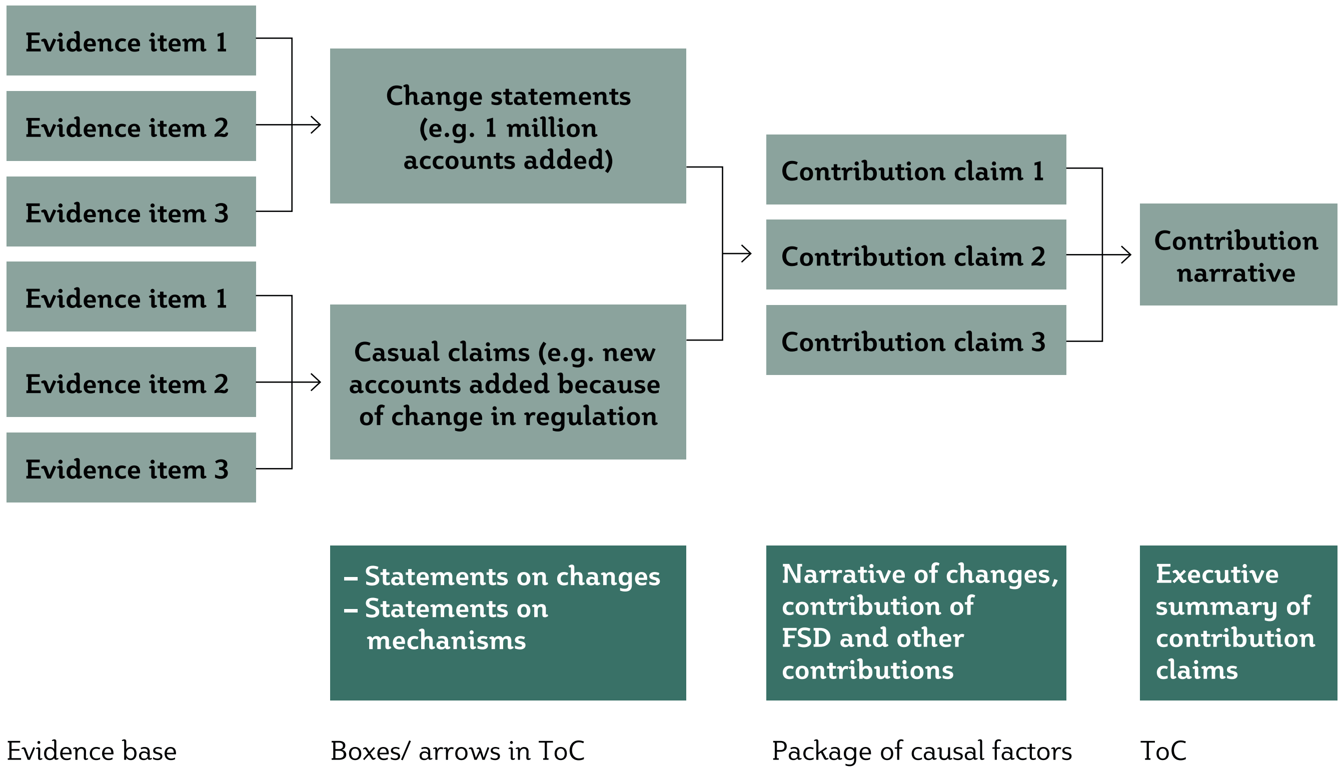
6.1.2.5 Revise and strengthen the contribution narrative

Finally, a contribution narrative for an FSD’s programme impact can be developed. A positive contribution story may flow along the following lines:[84]

There is a reasoned ToC for the intervention: the key assumptions behind why the intervention is expected to work make sense, are plausible, are supported by evidence and/or existing research, and are agreed upon by at least some of the main financial sector players.

i. The activities of the intervention were implemented as set out in the ToC.
ii. The ToC —or key elements of it— is supported by and confirmed by evidence regarding observed results and underlying assumptions, and the chain of expected results occurred. The ToC has not been disproved.
iii. Other influencing factors have been assessed and either shown not to have made a significant contribution, or their relative role in contributing to the achieved result has been recognised.

Figure 22 A contribution narrative



Source: adapted from Delahais and Toulemond (2012)

84. See http://betterevaluation.org/plan/approach/contribution_analysis.

All contribution claims are ordered into or recorded in the boxes and arrows of the logic model and assembled into the contribution story (Figure 22). Again, it is useful to challenge this story in an open and critical environment with stakeholders who are distant from the evaluation team but who are well informed about what happened, as well as why or how it happened.

Contribution claims are composed of a series of change statements and causal claims, backed up by evidence as presented in Table 31. A contribution claim asserts that an intended change:

i. did or did not occur;
ii. occurred due or not due to the intended contribution;
iii. in conjunction with a few selected contextual factors;
iv. all considered mechanisms being explained and ranked by order of influence; and
v. other non-selected mechanisms being acknowledged.

The claim is said to confirm the logic model if the intended change occurred and if the intended contribution is highly ranked in comparison with other contributing factors.[85] Contribution claims often include statements about the magnitude of the causal relationship, expressed in terms such as ‘major’, ‘minor’, ‘marginal’, ‘important’, and so on.

6.1.3 Contribution analysis for aggregating quantifiable results

To provide a comprehensive picture of programme impact and to undertake VfM analysis it is useful to aggregate results where possible. Using the contribution analysis helps build up the evidence base and thus helps us to know what, and how much, to aggregate. Ideally, FSDs want to be able to aggregate outcome indicators across, for instance, thematic areas. For FSDs this tends to focus on ‘number of accounts added’ or ‘customers provided credit/savings’. Aggregating requires two processes: first, knowing how much of an observed change can be claimed as the programme’s contribution, and, second, the extent to which changes from different interventions can be aggregated together. This is useful for impact evaluation as it provides a sense of the magnitude of the programme’s contribution to observed changes, but it can also be useful for undertaking VfM, given the quantitative approach to aggregation in Box 29.

While aggregating various sources of data, problems such as double counting, inactive accounts, multiple accounts per client, claiming the same account opened via different interventions and poor MIS systems need to be considered. To avoid double counting, programmes can estimate the level of overlaps between interventions and discount accordingly. For example, DCED recommends that for overlaps of less than 5% the programmes can add all end-users, and for overlaps higher than 95%, only the largest number for the largest project should be counted. For overlaps of between 5% and 95%, the projects are encouraged to estimate each overlap and show calculations.

There are different approaches to quantifying a programme’s contribution:

– Some FSDs count all (100%) of results that their partners have produced (i.e. change from baseline) attributed to the FSD intervention (ideally backed up using the causality methods set out in Step 5).
– If other donors are also contributing to a project, the FSD programme may only count a percentage of the results achieved from a partner. For example, if an FSD contributes 20% to a project it will claim 20% of any results achieved.[86] This assumes a very general one-to-one ratio in terms of return on investment.
– An FSD can make an estimate based on the level of contribution it feels it has made to results vis-à-vis other factors (i.e. this may be more or less than the proportion of its project funds, but it could also reflect the criticality of the input).[87]

Tip: In some ways it does not matter which approach is taken (unless funders direct otherwise) as long as there is clear evidence that the FSD is causing or contributing to the change, and that the assumptions used to quantify this are transparently set out. But it is still important to try to judge how additional the FSD contribution is to the market forces, or other influences at play, and if the evidence for this would convince a reasonable, but sceptical, observer.

A key risk when aggregating results is that the programme becomes focused on only reporting more easily quantifiable micro-level changes in the market, rather than changes to the overall system. This is a real risk and needs to be recognised and managed, including by ensuring that appropriate and adequate effort is made to report on how the underlying structures of the market have changed (i.e. it is not all about numbers). However, macro and meso projects can use approaches set out in this IOM, along with sector-level tracking, to make estimates of some common indicators, such as ‘number of accounts added’. The assumptions used in these calculations will need to be clear and transparent.

85. Ibid.
86. This is the approach DFID recommends.
87. An FSD colleague has argued that sometimes the FSD input is akin to providing a car with an engine, which makes all the difference between a functioning and a non-functioning car. In such a case, should FSD contribution be assessed in terms of proportion of inputs or criticality? Ultimately, this is a matter of judgement and agreement will need to be reached with funders and any external evaluators.

Box 29 VfM assessment

Assessing VfM has become an increasingly important aspect of funders' measurement processes. This tends to assess the three 'Es' (economy, efficiency and effectiveness). An overall – cost effectiveness – calculation is also often provided, which compares the costs of a programme against the monetary benefit it has provided. This is difficult for FSDs, given the challenges of providing a single measure of their impact.

There are two broad approaches to such measurements for FSDs. First, as conducted for FSDK in 2012 and 2014, a set of quantifiable projects can be measured to assess the monetary benefit that they have generated. The second approach takes a sectoral perspective and assesses to what extent sector trends (e.g. an increase in access) provide a monetary benefit to the sector. Both approaches require understanding the types of monetary benefits that may result from changes in the financial sector, the magnitude of these, and, most importantly, the level of contribution an FSD programme has made to them (i.e. what percentage of the monetary benefit can be allocated to the FSD). The IOM assists in this process in two ways: first by setting out and measuring the various impact pathways resulting from the FSD's interventions (and therefore potential impacts that can be monetised), and second by providing a robust evidence base for transparently setting out the assumptions based on which an FSD can claim a proportion of this monetary benefit.

For example, we can take OPM's VfM analysis of FSDK's work in the SACCO sector. The sector suffered many problems in terms of challenges around governance, regulation, supervision, and liquidity, which led to FSDK choosing to work on improving the regulation of the sector. A number of potential benefits (i.e. reducing risk around losses reported through SACCO accounts) from improved regulation in the sector were identified. Based on a number of assumptions regarding risks of transacting with SACCOs (e.g., the differences between the rates of depositor losses in SACCOs and those in commercial banks was used as a broad indicator of the greater risks associated with the poorly regulated SACCOs) and the magnitudes of these risks, based on the data from FinAccess and the regulator, and the potential benefits of regulation (based on the project's ToC), it was estimated that reduction in losses would generate a benefit of around £19.24 million. Together with other FSDK projects this could then be compared with the total costs of the FSDK programme.

Source: Assessing Value for Money – The case of donor support to FSD Kenya, OPM 2012

Box 30 Step 7 checklist

- Identify points in the programme cycle (e.g. annual review, annual reports, mid-strategy review, strategy refresh points, end of strategy) when internally documenting the programme impact is useful
- Each FSD should aim to finalise a plan to bring together the evidence of key changes and FSD's contribution for the overall programme and key projects
- Each annual review can be used to present such an analysis for one or more theme/ project
- Assess how each step of the contribution analysis (or other causality method) will be undertaken, and by whom (see also the next chapter)
- Explicitly set out how the FSD's contribution to quantifiable results is being calculated?

Notes

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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