Value for Money Design, Assessment and Reporting: A practical guide for Financial Sector Deepening programmes

REDUCING POVERTY
THROUGH FINANCIAL SECTOR DEVELOPMENT

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Key points

Value for Money Design, Assessment and Reporting

01

This VfM paper provides practical, user-friendly guidance and a structure for assessing and reporting on VfM. It has been developed as a resource for the FSD network. It aims to support a consistent approach to VfM assessment and reporting across the network, while retaining sufficient flexibility to accommodate differences in context.

02

Building on OPM's Approach to Assessing VfM (King & OPM, 2018), the framework treats VfM as an evaluative question about how well resources are being used, and whether the resource use is justified. Addressing an evaluative question requires more than indicators - it requires judgements to be made.

03

Explicit evaluative reasoning provides the means to make robust judgements from evidence. It involves defining VfM criteria (specifying what economy, efficiency, effectiveness, cost-effectiveness and equity look like in a FSD context) and VfM standards (levels of performance).

04

VfM criteria and standards provide a sound and transparent basis for identifying what evidence is needed, organising the evidence, interpreting the evidence, reaching clear judgements about performance and VfM, and telling a compelling, accurate performance story.

05

The framework requires the use of mixed methods evidence (indicators and narrative) to support well-informed, nuanced judgements. It seeks to maximise use of rigorous evidence from existing monitoring and results measurement (MRM) frameworks, Impact-Oriented Measurement (IOM), and the Compendium of Indicators.

06

This VfM paper is designed to support accountability as well as reflection, learning and performance improvement across the FSD network. It can also be used to systematically identify areas where MRM systems can be improved, to provide better evidence and benchmarking of sound resource management, delivery, outcomes and impacts.

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Value for Money Design, Assessment and Reporting:

A practical guide for Financial Sector Deepening programmes

Foreword

Financial Sector Deepening programmes (FSDs) face increasing pressure to prove that they are good value for money. This includes demonstrating that they are delivering their interventions as efficiently as possible, while at the same time achieving their desired development impact. To achieve this, strengthening of internal procurement processes and monitoring and results measurement approaches continue to be areas of key focus. For instance, an FSD network-wide consultative process commissioned by FSD Africa in July 2014 led to the development of the Impact Oriented Measurement (IOM) framework, a guidance paper on how FSDs can better measure their contributions to changes in the financial markets they seek to influence.

While these efforts continue to inform improvement of processes amongst FSDs, making them more efficient and effective, a few operational gaps still exist. Firstly, there are disparate schools of thought amongst FSDs, their funders and oversight organs, and Subject Matter Experts on what VfM really means, and what it entails to assess VfM performance. Consequently, questions abound on what is the most effective VfM measurement approach. This has created the need for a comprehensive approach that attempts to reconcile these different schools of thought and at the same time satisfy the different stakeholder interests. Secondly, assessing VfM performance has often been viewed as a stand-alone process that at best is conducted periodically. Thus, the opportunities to align VfM measurement with other organizational processes and implement corrective measures (as is needed) are sometimes lost. Thirdly, lack of a standard VfM approach limits inter-FSD learning.

In August 2017, FSD Africa began a consultative process with the objective of developing a robust VfM assessment approach that could progressively be applied by FSDs, FSD implementing partners, and other FSD-like organisations. Working with specialists from Oxford Policy Management (OPM), discussions were held with FSDs, DFID, Bill & Melinda Gates Foundation (BMGF), Swedish International Development Agency (SIDA) and United Nations Capital Development Fund (UNCDF). Key desires identified during the consultation were to have a VfM assessment methodology that:

- Enables FSDs to communicate a clear and accurate performance story
- Supports accountability, learning and improvement
- Supports a consistent approach while recognising differences in context and helps prevent invalid comparisons of performance
- Facilitates presentation of evidence in a way that informs FSD investment committee decisions
- Is practical and user-friendly, minimizing data collection and reporting burden
- Aligns with existing approaches such as IOM, the FSD Compendium of Indicators, FSD MRM systems, and DFID’s VfM criteria

The result of this consultation is the FSD VfM framework and VfM guide. These have been designed to support a consistent approach to VfM assessment and reporting across the FSD network, while retaining sufficient flexibility to accommodate differences in context.

The Framework:

- Sets out explicit criteria and standards to provide a transparent basis for making sound judgements about performance and VfM
- Is aligned with the IOM guide in a deliberate fashion, to ensure consistency of frameworks, concepts and terminologies
- Links explicitly to the Compendium of Indicators to guide the selection of outcome and impact indicators for VfM assessment
- Combines quantitative and qualitative forms of evidence to support a richer and more nuanced understanding than cannot be gained from the use of indicators alone;
- Incorporates and builds on the 'Four Es' approach to VfM assessment which is familiar to FSDs and a good number of donors
- Maximises use of existing data from current FSD MRM frameworks and reporting activities – both to minimise any extra data collection, and to ensure the VfM assessments are aligned with other MRM and reporting processes

The Guide sets out a step-by-step process and a series of templates to guide users in designing and completing a Value for Money (VfM) assessment. It should be used in conjunction with the VfM framework.

It is hoped that FSDs will use this comprehensive VfM assessment approach to support accountability, learning, improvement, and making of investment decisions. The FSD MRM Working Group serves as an ideal community of practice to support effective and consistent application of the approach.

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Abbreviations and acronyms

AAER	Adopt-Adapt-Expand-Respond
ASI	Adam Smith International
CEO	Chief Executive Officer
DCED	Donor Committee for Enterprise Development
4Es	Economy Efficiency Effectiveness Equity
DFID	UK Department for International Development
FSD	Financial Sector Deepening (programme)
FSDA	Financial Sector Deepening Africa
IOM	Impact-Oriented Measurement
IP	Intellectual Property
M&E	monitoring and evaluation
MRM	Monitoring and Results Measurement
OPM	Oxford Policy Management
Sida	Swedish International Development Cooperation Agency
SRO	Senior Responsible Owners
ToC	Theory of Change
UNCDF	United Nations Capital Development Fund
VfM	Value for Money

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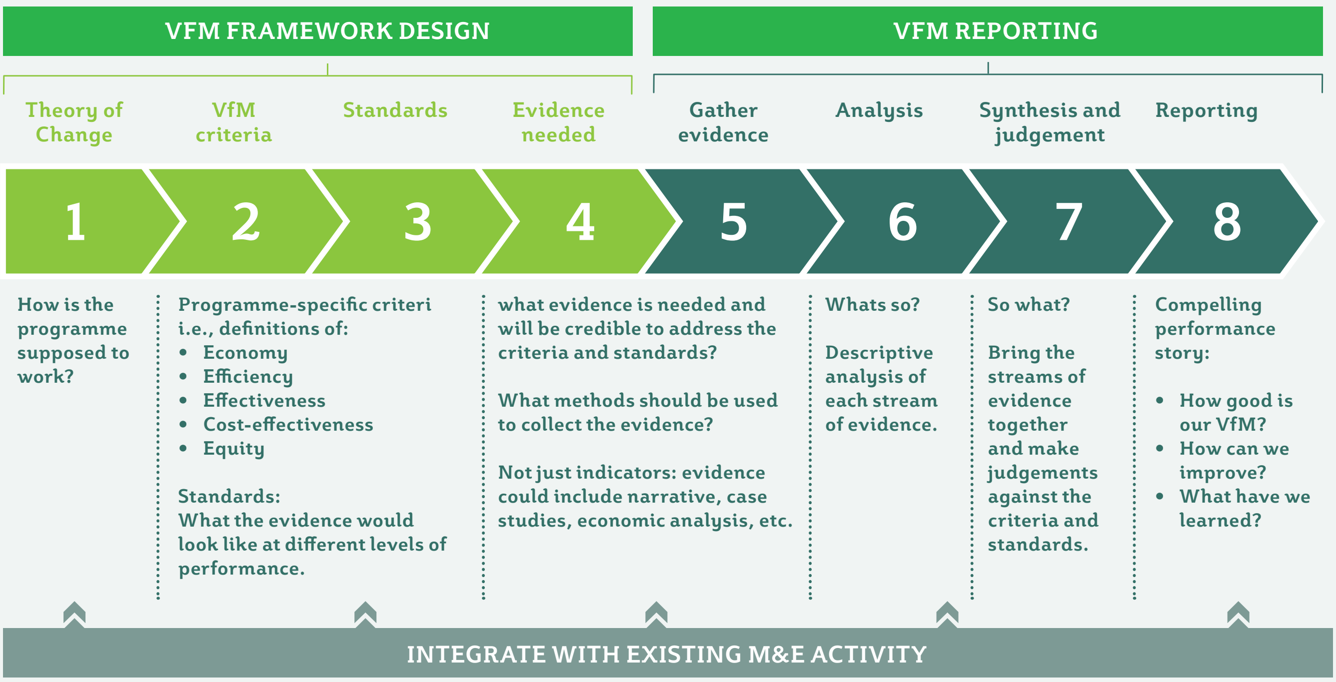
1. Executive Summary

This document sets out a step-by-step process and a series of templates to guide FSDs in designing and completing a Value for Money (VfM) assessment. This document should be used in conjunction with the VfM framework, which contains full details of the approach and methods. The key steps in the process are summarised in Figure 1 (King & OPM, 2018) and detailed in the VfM framework document.

Figure 1: Overview of evaluation-specific approach to VfM



Source: King & OPM (2018)

This document addresses the illustrated steps sequentially as follows:

STEP 1	STEPS 2-5	STEPS 6-8
Theory of Change	**Criteria, Standards and Evidence**	**Analysis, Synthesis and Judgement**
Section 3 provides a template to align your FSD programme's Theory of Change (ToC) with the different sections of the so-called 'Four Es' VfM framework (which actually includes five criteria: economy, efficiency, effectiveness, cost-effectiveness, and equity).	Sections 4-9 address each of the Four Es in turn. For each E, there is a definition, a set of sub-criteria (dimensions of performance), standards (levels of performance), and a summary of the evidence that may be used to support judgements. A series of templates is provided so that you can tailor the framework to your specific priorities and context.	Section 10 provides a set of steps and templates to bring the evidence together and make judgements about VfM.

Note: The templates in this guide are intended to help you address the criteria and standards set out in the rubrics. It is not mandatory to use the templates. For example, you may choose to summarise the evidence in a different format or in a spreadsheet. However, the evidence you present must clearly address the criteria and standards, so that valid judgements can be made.

2. Introduction

This document sets out a step-by-step process to guide FSDs in designing and completing a Value for Money (VfM) assessment. This document should be used in conjunction with the VfM framework which contains full details of the approach and methods.

In brief:

VfM is an evaluative question about how well resources are being used, and whether the resource use is justified (King, 2017).

Addressing an evaluative question requires more than just measurement and indicators – it requires a judgement to be made (Schwandt, 2015).

Explicit evaluative reasoning provides the means to make robust judgements from the evidence (King & OPM, 2018). It involves:

- Defining VfM criteria – specifying what economy, efficiency, effectiveness, cost-effectiveness and equity look like in an FSD context
- Defining VfM standards – specifying "what the evidence would look like at different levels of performance" (Davidson, 2014)
- Gathering and analysing evidence of performance against the standards – including quantitative and qualitative evidence
- Using the evidence collectively to make judgements about how well the FSD is performing in terms of economy, efficiency, effectiveness, cost-effectiveness and equity – and then what this performance means for VfM overall.

VfM criteria and standards provide a sound and transparent basis for:

- **Identifying** what evidence is needed to support the VfM assessment
- **Organising** the evidence so that it is easier and more efficient to analyse
- **Interpreting** the evidence on an agreed basis
- **Reaching clear** judgements about VfM, supported by evidence and reasoning
- **Telling** a compelling and accurate performance story

The VfM framework seeks to maximise use of existing data from current FSD monitoring and results measurement (MRM) frameworks and reporting activities – including recent and current developments such as Impact-Oriented Measurement (IOM) and the new Compendium of Indicators – both to minimise any extra data collection and to ensure the VfM framework is conceptually aligned with other MRM and reporting.

3. Step 1: Theory of Change

A theory of change (ToC) explains how activities are understood to produce results (for example, increases in institutional capacity, reduced institutional barriers) that contribute to achieving intended impacts (Rogers, 2014).

One of the functions of a ToC, when it comes to designing a VfM framework, is to assist in the identification of criteria, standards and indicators that are relevant to the programme's ToC and to projects' results chains (King & OPM, 2018). Therefore, the first step in developing your VfM framework is to align the VfM criteria with your programme ToC – and in so doing, to ascertain that the ToC is sufficiently rigorous and evaluable to perform its function as a core of the VfM assessment.

Figure 2 (below) illustrates how the different sections of the VfM framework align with the Unitary ToC set out in the Compendium of FSD Indicators. Template 1 (below) provides a template for aligning relevant sections of your ToC with the VfM framework – to ensure each of the five VfM criteria focus on the right aspects of performance.

When defining the Four Es and cost-effectiveness for your FSD VfM framework, remember that:

Economy refers to the use of resources (money) to procure inputs (such as consultants and offlce space) – box 1 of the Unitary ToC.

Efficiency focuses on FSD activities and direct outputs (for example, reports, working with institutions, etc.) – box 2 of the Unitary ToC[1].

Effectiveness covers the lower to middle section of the ToC hierarchy, and recognises the three pathways in the Unitary ToC, including behaviour change on the part of FSD partners (box 3), changes in market forms (box 4), changes in market systems (box 5) and behaviours of market actors (box 6).

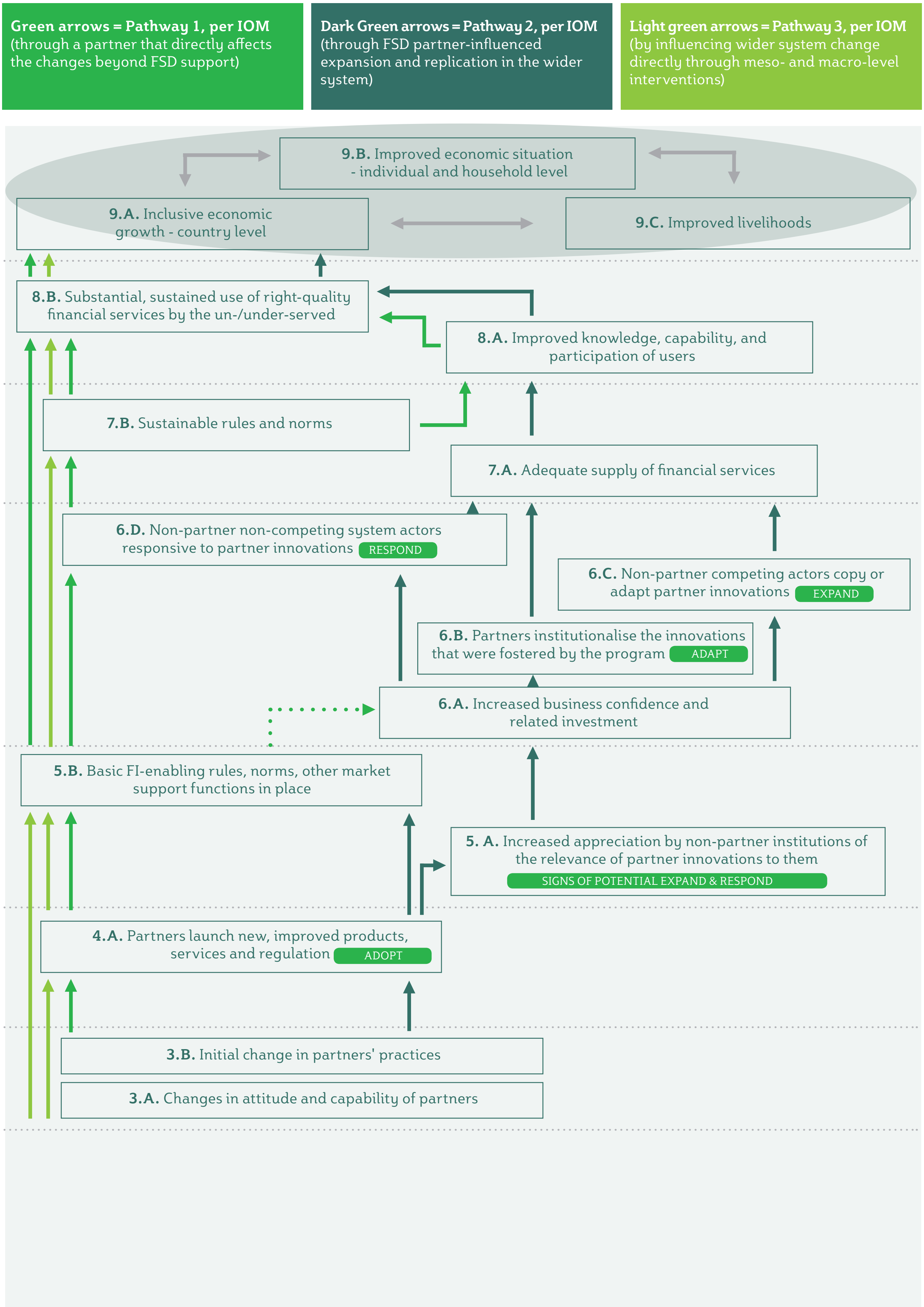
Cost-effectiveness focuses on the relationship between resources and the higher-level outcomes and impacts in boxes 7-9 – which may include both tangible (readily valued in monetary terms) and intangible (essentially non-monetary) aspects.

Equity relates to a number of factors, such as a focus on equal opportunities for and treatment of marginalised groups (such as women and girls), poorer segments of a society and those living and working in more remote areas, and people with disabilities (see section 9.1); it spans the full ToC, with a particular focus on higher level financial inclusion outcomes, but also considering what is being done at lower levels of the ToC specifically to target financial inclusion.

[1] Note that some of the indicators used to measure 'programme outputs' in a DFID logframe may be articulated as 'outcome indicators'. In keeping with IOM guidance and good evaluation practice, this VfM framework makes a distiction between direct outputs that are produced by an FSD and within the FSD's control, and intermediate outcomes that rely on the behaviour of market actors.

Figure 2: FSD Unitary ToC with VfM criteria added

TOC level	Result Statement Box # Per IoM's Generic Expanded ToC	Sub-Theme of Result Area
Impact/Development outcomes Improved economies and lives	**BOX 9** Changes in poverty levels and economic growth	**9.C.** Improved livelihoods
		9.B. Improved economic situation - individual and household level
		9.A. Inclusive economic growth - country level
Financial sector outcomes Core supply and demand reflecting a well-functioning, inclusive financial system	**BOX 8** Changes in the level and type of access and use of sustainable financial services (demand side)	**8.B.** Substantial, sustained use of right-quality financial services by the un-/under-served
		8.A. Improved knowledge, capability, and participation of users
	BOX 7 Changes in the level and type of provision of sustainable financial services (supply side)	**7.B.** Sustainable rules and norms
		7.A. Adequate supply of financial services
Market system outcomes Broader market changes - changes in underlying market dynamics and market actor behavior -Changes in market forms	**BOX 6** Changes in behaviour of market actors beyond the FSD program (FSD and non-FSD partners)	**6.D.** Non-partner non-competing system actors responsive to partner innovations RESPOND
		6.C. Non-partner competing actors copy or adapt partner innovations EXPAND
		6.B. Partners institutionalise the innovations that were fostered by the program ADAPT
		6.A. Increased business confidence and related investment
	BOX 5 Market system changed (i.e., the underlying dynamics)	**5.B.** Basic FI-enabling rules, norms, other market support functions in place
		5.A. Increased appreciation by non-partner institutions of the relevance of partner innovations to them SIGNS OF POTENTIAL EXPAND & RESPOND
	BOX 4 Market forms changed as result of FSD activities (e.g., new laws, products, to ease market constraints)	**4.A.** Partners launch new, improved products, services and regulation ADOPT
Initial outcomes Changes in FSD partners	**BOX 3** Change on the part of FSD partners	**3.B.** Initial change in partners' practices
		3.A. Changes in attitude and capability of partners
Output	**BOX 2** FSD activities (developing reports, working with partners, etc.)	
Input	**BOX 1** FSD inputs (grants, TA, loans, etc.)	



Green arrows = Pathway 1, per IOM (through a partner that directly affects the changes beyond FSD support)
Dark Green arrows = Pathway 2, per IOM (through FSD partner-influenced expansion and replication in the wider system)
Light green arrows = Pathway 3, per IOM (by influencing wider system change directly through meso- and macro-level interventions)
9.B. Improved economic situation - individual and household level
9.A. Inclusive economic growth - country level
9.C. Improved livelihoods
8.B. Substantial, sustained use of right-quality financial services by the un-/under-served
8.A. Improved knowledge, capability, and participation of users
7.B. Sustainable rules and norms
7.A. Adequate supply of financial services
6.D. Non-partner non-competing system actors responsive to partner innovations
RESPOND
6.C. Non-partner competing actors copy or adapt partner innovations
EXPAND
6.B. Partners institutionalise the innovations that were fostered by the program
ADAPT
6.A. Increased business confidence and related investment
5.B. Basic FI-enabling rules, norms, other market support functions in place
5. A. Increased appreciation by non-partner institutions of the relevance of partner innovations to them
SIGNS OF POTENTIAL EXPAND & RESPOND
4.A. Partners launch new, improved products, services and regulation
ADOPT
3.B. Initial change in partners' practices
3.A. Changes in attitude and capability of partners

Template 1: Aligning your FSD Theory of Change with the Unitary ToC

ToC Levels	Aligning Your Programme ToC with the VfM Criteria Refer to your FSD-specific Theory of Change or Result Hierarchy. Identify the key activities/changes you expect to see at each level of the VfM framework.
Impact/development outcomes (improved economies and lives) • Changes in poverty levels and economic growth (box 9) **Financial sector outcomes** • Changes in the level and type of access and use of sustainable financial services (demand side) (box 8) • Changes in the level and type of provision of sustainable financial services (supply side) (box 7)	**Cost-effectiveness and equity** • [List the key changes here. Don't list your indicators – that comes later. Here you should provide your result statement or describe the actual financial sector changes to which the intervention is supposed to contribute. What do you want the financial sector to look like and to be achieving in the longer term after the interventions? Remember to include equity considerations: what improvements in financial inclusion are intended?] • [In this template and all of the templates that follow, suggestions in grey highlighter should be deleted from the templates once you have finished adding your content]
Market system outcomes • Changes in the behaviour of market actors beyond the FSD programme (FSD and non-FSD partners) (box 6) • Market system changes (i.e. the underlying dynamics) (box 5) **Intermediate outcomes** • Market forms changed as a result of FSD activities (e.g. new laws, products, to ease market constraints) (box 4) **Initial outcomes** • Change on the part of FSD partners (box 3)	**Effectiveness and equity** • [List the key changes here. Don't list your indicators – provide your result statement or describe the actual market changes to which the intervention is supposed to contribute. The market changes referred to here are more specific than the financial sector developments addressed above. Remember to include equity considerations: what improvements in financial inclusion are intended?]
Output • FSD activities (developing reports, working with partners, etc.) (box 2)	**Efficiency and equity** • [List the key FSD interventions here, and their outputs (e.g., products or deliverables). In this VfM framework, outputs are things that the FSD delivers and are directly within the FSD's control – e.g., technical assistance, research reports, capacity building, awareness-raising activities. Remember to include equity considerations: who are your target groups and how will you ensure they are included?]
Input • FSD inputs (grants, technical assistance, loans, etc.) (box 1)	**Economy** • [List the key FSD inputs here. Inputs are the significant items you need to spend money on to run the FSD programme – e.g., staff, consultants, office space, travel.]

4. Steps 2-5: Criteria, Standards and Evidence

The complex, multi-faceted nature of FSDs means that their performance should not be judged solely on the basis of indicators, devoid from any qualitative information and evaluative judgement. Well-reasoned, contextually-nuanced judgements of the quality and value of results are required. Criteria and standards provide an agreed basis for interpreting the results and arriving at sound judgements (King & OPM, 2018).

Criteria are the selected dimensions of performance that are relevant to FSDs – that is, programme-specific[2] definitions of economy, efficiency, effectiveness, cost-effectiveness, and equity. The criteria describe at a broad level, the aspects of performance that need to be evidenced to support an evaluative judgement about VfM (King & OPM, 2018).

Standards provide defined levels for each criterion (that is, excellent, good, adequate, and poor). They articulate what the evidence would look like at different levels of performance (Davidson, 2014). The use of explicit criteria and standards, agreed in advance of the VfM assessment, provides a transparent basis for making judgements about the VfM of FSDs. As a result, the VfM assessment, and the evidence and performance framework on which it is based, are all open to scrutiny, traceable, and challengeable (King & OPM, 2018).

It is important to note that criteria and standards are quite distinct from indicators in that they describe relevant aspects of performance with respect to their intended functioning and effects, but do not specify how they should be measured. While indicators are specific and measurable, criteria describe the nature of what is intended, and these descriptions are deliberately broad and less specific, reflecting their purpose of facilitating transparent, meaningful evaluative judgements (King & OPM, 2018).

Evidence includes the specific quantitative indicators and qualitative narrative that you will need to be able to make well-informed judgements of performance against the criteria and standards. A series of templates are provided in sections 5-9 to identify, gather and organise your evidence for:

Economy	Section 5
Efficiency	Section 6
Effectiveness	Section 7
Cost-effectiveness	Section 8
Equity	Section 9

For each of the five VfM criteria, you will step through a process to determine:

- A definition specifying what economy, etc., looks like in a FSD context
- Sub-criteria: the specific aspects of economy, etc., to be examined in the VfM assessment
- Standards describing what the evidence would look like at different levels of performance
- Evidence needed to support robust judgements.

The definitions, sub-criteria, and standards are designed to be used by any given FSD without modification – that is, they aim to be sufficiently broad to apply to all FSD activity, yet sufficiently specific to support sound judgements about VfM. Nonetheless, the criteria and standards can be edited if desired, to make their language more specific to an individual FSD's interventions. When making edits to the standards, the calibration of levels of performance should remain consistent with this framework – that is, any modifications to the standards shouldn't make it easier or harder to achieve an 'excellent', 'good' or 'adequate' rating.

[2] This recognises that not all the FSD network will use the same set of criteria or indicators.

The evidence (indicators and narrative) will vary between FSDs. All templates below are intended as suggestions to get you started. They cannot cater for every contingency and should therefore be adapted as required to reflect the realities of your FSD. It also needs to be acknowledged that some of the suggested evidence may not be available. It is up to each FSD to decide how much of the suggested evidence is feasible and worthwhile to collect. If the use of this framework serves to identify significant gaps in the available evidence, it is hoped that FSDs will, over time, collect additional evidence to address these gaps.

Time period of the VfM assessment

The VfM assessment should cover a defined time period (usually one year). When selecting an appropriate time period, it is suggested you consider:

- When the VfM report is needed – for example, it is useful to have a completed VfM report ready to submit to DFID one month prior to an Annual Review
- A period that aligns with your financial accounting system – for example, the most recent completed financial year, or the most recent four financial quarters. It is also desirable that the same 12-month period be used for subsequent VfM assessments, to support trend analysis.

Usually, the assessment of economy and efficiency covers the period since the previous VfM assessment. The assessment of effectiveness, cost-effectiveness and equity cover the cumulative outcomes and impacts of the FSD from the start of the programme up to the end of the assessment period.

Specify your assessment period here:

Start date of assessment period:	
End date of assessment period:	

5. Economy

5.1. Definition

According to DFID (2011) economy is concerned with the cost and value of inputs:

Are we or our agents buying inputs of the appropriate quality at the right price? (Inputs include things such as staff, consultants, raw materials and capital that are used to produce outputs.) (DFID, 2011, p.4)

This overarching definition is the highest-level description of the concept to be evaluated. When a performance rating (for example, excellent, good, adequate, or poor) is made for economy, it is this overarching statement to which the rating will apply. To support sound judgements, however, it is also important to establish sub-criteria: the specific dimensions or aspects of efficiency that will be examined to support a well-considered judgement (King & OPM, 2018).

The following definition of economy will be used in FSD VfM assessment:

Economy criterion: the [name of FSD programme] team manages programme resources economically, buying inputs of the appropriate quality at the right price.

5.2. Sub-criteria

The FSD economy sub-criteria are:

- Verifiably following good practices with regard to managing key economy drivers, such as consultants, procurement, administrative overheads, fiduciary risk management, and economies of scale
- Results of good cost management, such as partner contributions secured (monetary, pro bono and/or resources in-kind) and/or value secured through effective contract negotiation/management
- Performing well relative to agreed benchmarks for significant inputs (for example, administrative costs, salaries and consultants).

Critically, lower-level efficiency, and in particular economy, are neither necessary nor sufficient conditions for effectiveness or cost-effectiveness. Economy calculations at lower levels of the results chain may be easier to measure than effectiveness and can be useful for programme management. However, they need to be treated with care as they can easily introduce a bias toward cost-cutting rather than value-maximisation. For example, using lower-cost staff may result in economy savings at the input level, but potentially might lead to efficiency losses if, for example, those staff provide lower quality outputs in the allotted time. FSDs should be seeking to maximise their outcomes and impacts, determining an optimal level of input resources to achieve this. Potentially, this includes identifying opportunities to invest a little more in order to achieve a disproportionate gain in VfM (King & OPM, 2018).

5.3. Standards

FSD performance standards for economy are presented in Rubric 1. These standards are designed to be used without modification, but they can be modified if desired to make the language more specific to your FSD (while maintaining the relativity between levels of performance).

The standards provide defined levels of performance based on the sub-criteria. They articulate what the evidence would look like at different levels of performance (Davidson, 2014). This table, providing groups of criteria that together make up the standards for different levels of performance, is called a rubric.

Rubrics make explicit the basis upon which evaluative judgements will be made. For example, the following standards identify programme-specific criteria that are essential to a 'pass' (that is, the 'adequate' level in the rubric below), as well as an unambiguous statement that the absence of any of these conditions would represent a 'fail' (that is, the 'poor' level). By having a clear boundary between what is 'good enough' and 'not good enough' we can avoid any perception that it is too easy to 'pass' a VfM assessment by fudging. The judgement, and the criteria, standards and evidence upon which it is based, are all open to scrutiny and can be challenged (King & OPM, 2018).

As can be seen from Rubric 1 below, criteria are quite different from indicators in that they describe relevant aspects of performance with respect to their intended functioning and effects, but do not specify how they should be measured. While indicators are specific and measurable, criteria describe the nature of what is intended; these descriptions are deliberately broad and less specific, reflecting their purpose of facilitating transparent, meaningful evaluative judgements (King & OPM, 2018).

Rubric 1: Performance standards for Economy

Performance	Criteria
Excellent	Maximising value from consultants or other significant inputs; for example, employing local consultants where appropriate to enhance the quality of the programme through local knowledge and connections and to avoid unnecessary cost of international consultants; having international consultants mentor local staff, thereby enabling gradual withdrawal of higher-cost support.[3] And meets all criteria under 'good' performance.
Good	Unit costs for significant inputs meet agreed benchmarks.[4] FSD team can demonstrate results of good resource management, such as partner contributions (monetary, pro-bono and resources in-kind); value secured through contract negotiation/management. And meets all criteria under 'adequate' performance.
Adequate	Unit costs for significant inputs do not consistently or materially exceed agreed benchmarks. FSD team verifiably follows good practices to manage key economy drivers (consultants, procurement, administrative overheads, fiduciary risk management, and economies of scale).
Poor	Any of the conditions for 'adequate' not met.

Note that the time horizon for assessment of economy is the period since the last VfM assessment. Economy performance can be updated and tracked over time.

5.4. Evidence

In a logical and sequential process of evaluation design, it is only after clarifying criteria and standards that the appropriate sources of evidence can be identified. The preceding steps are important to help ensure the evidence is relevant to the VfM assessment, measures the right changes, and is appropriately nuanced (King & OPM, 2018).

From the criteria and standards above, it can be seen that a mix of qualitative and quantitative evidence will be needed. Indicator-based measurement makes a valuable contribution to evaluating performance and VfM. Indicators alone however, are insufficient to support well-reasoned judgements. Indicators are by their very nature narrow, providing individual pieces of measurable evidence that correlate with the VfM criteria. Broader contextual evidence is also important, to provide further information about performance and to support valid interpretation of indicators (King & OPM, 2018). This is one key area where differences between FSDs are likely to be found.

5.4.1. Economy indicators

Template 2 provides a framework for you to collate your economy-related indicator data. Note that the time horizon for assessment of economy is the period since the last VfM assessment. Economy performance can be updated and tracked over time.

It is suggested that all FSDs report on the same core set of indicators in Template 2, (below), in order to accumulate data for trend analysis across the FSD Network. However, it is recognised that some indicators will have relevant benchmarks, whereas others will not. Only those indicators that have clear benchmarks

[3] Note: This might end up costing somewhat more in the short term because of the need to pay international consultants to focus some of their time on developing local counterparts. Over time, however, this should yield greater economies, provided knowledge transfer is effective and local consultants end up performing as efficiently as their international counterparts.
[4] See section 5.4.1 below. It is suggested that all FSDs report on the same set of indicators in order to accumulate data for trend analysis. However, only those indicators that have a clear benchmark should contribute to judgements.

should contribute to the judgement about economy performance (but indicator data should still be presented for context).

You may add further indicators to Template 2 to reflect the sources of evidence that are available and relevant to your FSD. Refer back to your ToC in Template 1 to help identify significant input costs that are materially within the control of the FSD and can be compared to meaningful benchmarks. The choice of indicators and benchmarks needs careful consideration and definition, acknowledgement by governing bodies that this may need reviewing over time, and that the actual performance of an FSD is likely to depend on its maturity and context.

Template 2: Economy indicators for the period [date] to [date]

Indicator	Data	Narrative for Indicator-Based Evidence (context/ explanation)
Programme management costs as % of total operating costs Actual for period: [value]		
Benchmark: [value] [Brief narrative to support contextually nuanced interpretation of indicators. Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?] **Salary costs as % of total operating costs**	Actual for period: [value] Benchmark: [value]	[Brief narrative to support contextually nuanced interpretation of indicators. Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?]
Average daily cost of consultants: international	Actual for period: [value] Benchmark: [value]	[Brief narrative to support contextually nuanced interpretation of indicators. Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?]
Average daily cost of consultants: national	Actual for period: [value] Benchmark: [value]	[Brief narrative to support contextually nuanced interpretation of indicators. Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?]
Average cost per flight: international	Actual for period: [value] Benchmark: [value]	[Brief narrative to support contextually nuanced interpretation of indicators. Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?]
Average cost per flight: national/ regional	Actual for period: [value] Benchmark: [value]	[Brief narrative to support contextually nuanced interpretation of indicators. Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?]
Average daily cost of accommodation and per diems	Actual for period: [value] Benchmark: [value]	[Brief narrative to support contextually nuanced interpretation of indicators. Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?]
[Other indicators may be added if desired]	Actual for period: [value] Benchmark: [value]	[Brief narrative to support contextually nuanced interpretation of indicators. Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?]

5.4.2. Economy drivers – narrative evidence

Template 3 (below) provides space for you to add narrative evidence, briefly describing the verifiable evidence that your FSD follows good practices to manage economy drivers. As a guiding principle, you should refer to facts that could be verified if called upon – such as programme manuals, quarterly/annual reports, audit reports, etc. Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?

Template 3: Economy narrative

Standards	Narrative for Qualitative Evidence
Following good practice: consultant selection, recruitment and fee setting	[Note: this is part of the criteria for 'adequate'. Describe how you manage consultant costs. For example, this could include evidence that the FSD: has processes in place to drive quality service delivery and VfM through consultant procurement processes, pipeline management, and management of service delivery contracts; uses a robust benchmarking methodology, encompassing historical fee rates, and includes analysis of any mitigating factors such as currency fluctuations, inflation and local cost of living; DSAs reflect actual cost of suitable hotels and meals; efforts are taken to minimise flight costs, but without imposing unreasonable travel times or layovers.]
Following good practice: procurement and benchmarking	[Note: this is part of the criteria for 'adequate'. Evidence that you have robust procurement policies and processes in place and that you learn from experiences of other FSDs.]
Following good practice: administration and overheads management	[Note: this is part of the criteria for 'adequate'. Evidence that efforts are made to keep administrative and overhead costs to reasonable levels; this might include use of shared offlce space where feasible and appropriate.]
Following good practice: fiduciary risk management	[Note: this is part of the criteria for 'adequate'. Evidence that the FSD has effective management of its financial and other risks, including appropriate authorisation limits and clear approval processes.]
Following good practice: economies of scale	[Note: this is part of the criteria for 'adequate'. Evidence that where feasible and appropriate, the FSD team leverages economies of scale with other programmes, for example by sharing tools and know-how across the FSD network.]
Results of good resource management	[Note: this is part of the criteria for 'good'. Highlight a few (e.g., 3-4) leading examples of results of good cost and other resource management, e.g., partner contributions and/or savings secured.]
Maximising value from consultants or other significant inputs	[Note: this is part of the criteria for 'excellent'. Provide a few (e.g., 3-4) leading examples of how the FSD team maximised value from consultants or other significant inputs. To illustrate, here are some examples; your FSD may have different examples: in-housing corporate functions such as audit, legal rather than outsourcing; getting proportionately greater output for a relatively small increase in costs; or employing local consultants where appropriate to enhance the quality of the programme through local knowledge and connections and to avoid unnecessary cost of international consultants; having international consultants mentor local staff thereby enabling gradual withdrawal of higher-cost support.]

6. Efficiency

6.1. Definition

DFID's definition of efficiency is focused on the relationship between inputs and outputs (that is, technical efficiency):

How well do we or our agents convert inputs into outputs? (DFID, 2011, p.4)

In keeping with the generic FSD theory of change provided in the IOM document, this definition makes a clear distinction between outputs (for example, the FSD products or deliverables from activities such as policy/regulatory advice, technical assistance, capacity building, research, or awareness raising, which are the focus of the efficiency criterion) and outcomes and impacts (which are examined under effectiveness and cost-effectiveness respectively).

It is worth noting that in DFID logframes, some of the indicators that are labelled 'output indicators' may actually be lower-level outcomes. For the purposes of VfM assessment, and in keeping with IOM guidance and general good monitoring and evaluation (M&E) practice, an output indicator is one that focuses on interventions and products directly delivered by FSDs and fully within their control, whereas the distinguishing feature of a lower-level outcome is that it involves some action or behaviour on the part of a market actor or other stakeholder, after the delivery of an output, and is within the influence, but not the direct control, of FSDs (King & OPM, 2018).

This definition of efficiency also reflects an expectation that FSDs will produce a specified set of deliverables within a fixed budget and that there is no expectation that they deliver below budget –for example, any 'savings' would be reinvested in maximising the performance of the programme.

The following efficiency criterion will be used in FSD VfM assessment:

Efficiency criterion: the [name of FSD programme] **produces the intended quality and quantity of outputs, within the available resources.**

6.2. Sub-criteria

The FSD efficiency sub-criteria are:

- Following good practice to manage key efficiency drivers (project management; consultant management; and the selection, management and facilitation of partnerships)
- Delivery of outputs according to workplans (of the required quality, on time and within budget, allowing for emergent strategy)
- Balanced portfolio in which the outputs delivered are linked to all intended outcomes (demonstrating a credible prospect of being able to achieve all intended outcomes on the basis of outputs delivered to date); the right interventions are selected to deliver a high return in relation to the FSD's objectives.

6.3. Standards

Performance standards for efficiency are set out in Rubric 2 (below). As with all the standards, this is designed to be used without modification, but can be tailored if required.

Rubric 2: Performance standards for Efficiency

Performance	Criteria
Excellent	Milestones for the year met or exceeded with regard to outputs delivered and/or quality and/or timeliness, within allocated budget (allowing for emergent strategy). The implemented interventions demonstrate potential to deliver a high return in relation to the FSD's objectives. And meets all criteria under 'good' performance.
Good	Milestones for the year generally met with regard to outputs delivered and/or quality and/or timeliness, within allocated budget ('generally met' means around three-quarters or more of the projects are on track, allowing for emergent strategy – e.g., changes to deliverables agreed in advance with FSD governing bodies or donors). The mix of interventions and outputs delivered is linked to all intended outcome areas through the ToC or results chain (demonstrating a credible prospect of being able to achieve all intended outcomes, on the basis of delivery to date). And meets all criteria under 'adequate' performance.
Adequate	Although not meeting all milestones, the work programme is showing acceptable progress overall, bearing in mind the delivery climate. In particular, slippages do not represent a significant risk to overall programme delivery. FSD team verifiably follows good practices to manage the key efficiency drivers (project management; consultant management; and the selection, management and facilitation of partnerships).
Poor	Any of the criteria for 'adequate' not met.

Note that the time horizon for assessment of efficiency is the period since the last VfM assessment. Efficiency performance can be updated and tracked over time.

6.4. Evidence

The following evidence of efficiency is likely to be needed (see Table 1 below) – though individual FSDs' requirements may vary slightly. Note that the time horizon for assessment of efficiency is the period since the last VfM assessment. Efficiency performance can be updated and tracked longitudinally. As a guiding principle, you should refer to facts that could be verified if called upon –such as programme manuals, quarterly/annual reports, audit reports, etc. Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?

Table 1: Summary of evidence needed to judge efficiency

Criteria	Evidence
The implemented interventions demonstrate potential to deliver a high return in relation to the FSD's objectives.	[Note: this is part of the criteria for 'excellent'. Brief narrative supported by systematic assessment (use Template 5 of section 6.4.2).]
Delivery within budget	[Note: this is part of the criteria for 'adequate', 'good', and 'excellent'. Evidence of interventions being delivered within budget (e.g., variance report showing budget and actual spend on each intervention – use Template 6 of section 6.4.3).]
Following good practices to manage effectiveness drivers	[Note: this is part of the criteria for 'adequate'. Narrative describing how the FSD follows good practices to manage the key effectiveness drivers – see section 6.4.4.]

Criteria	Evidence
The mix of interventions and outputs delivered is linked to all intended outcome areas through the ToC or results chain – demonstrating a credible prospect of being able to achieve all intended outcomes, on the basis of delivery to date	[Note: this is part of the criteria for 'good'. Brief narrative supported by systematic assessment (use Template 4 of section 6.4.1).]
Completing/exceeding outputs for the year	[Note: this is part of the criteria for 'adequate', 'good', and 'excellent'. Provide brief narrative evidence of actual versus planned output delivery, supported by a tabular summary or checklist of deliverables, highlighting which deliverables were exceeded, met, or not met, together with brief narrative on emergent strategy (use Template 4 of section 6.4.1).]

Note that although efficiency indicators of cost-per-output could be calculated, these are unlikely to provide meaningful data to support judgements in the absence of appropriate benchmarks. Such measures are more likely to have more relevance in programmes directly delivering aid (for example, cost per child vaccinated), than in programmes that deliver outputs such as knowledge products, capacity building and policy reform. Therefore, this type of indicator has not been recommended in the table above.

6.4.1. Delivery of outputs

Template 4 provides a suggested format for summarising delivery of outputs, together with brief narrative on emergent strategy. Emergent strategy is explained in the VfM framework (section 4.4.4). This table also allows you to link outputs to outcome areas – to assess whether there is a credible prospect of being able to achieve all intended outcomes on the basis of delivery to date.

When identifying outputs/deliverables, refer back to the efficiency level of your ToC (Template 1) to ensure the indicators are aligned with this. The purpose of this table is to demonstrate that the FSD delivered all its work as planned (taking into account any changes to plans because of adaptive management). Therefore, it is preferable that you refer to your work plan (rather than logframe) when you complete this table.

Template 4: Planned versus actual outputs for the period [date] to [date]

Intervention/ project	Number of outputs/ mile-stones/ deliverables planned for the year (a)	Number of outputs/ mile-stones/deliver-ables exceeded (b)	Number of outputs/ mile-stones/ deliver-ables met (c)	Number of outputs/ milestones/de-liverables not met (d)	% of output/ milestones/ deliverables met ((b+c)/a)	Delivery RAG rating *	Budget RAG rating **	Commentary
	[Summarise outputs from your work plan, or your individual project plans]							[If you delivered extra, over and above the workplan – e.g., extra deliverables, higher quality, ahead of schedule, or lower cost – explain. If there was slippage, state why. Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?]

Notes for template 4 (page 24)

* Delivery RAG (Red, Amber and Green) ratings should be based on the following definitions:

Green +	Targets all met and some exceeded
Green	90 – 100% of targets met
Amber	50 – 89% of targets met
Red	50% of targets met

** Budget RAG (Red, Amber, and Green) ratings should be based on the following definitions:

Green +	Under budget (below 80%) for good reason (e.g. procurement savings resulting from better value for money).
Green	On budget (i.e. actual expenditure within 80-100% of budget)
Amber	Slightly over budget (i.e. actual expenditure 101-110% of budget)
Red	Significantly under budget without good reason, or over budget (i.e. below 80% or above 110% respectively).

All ratings should be subjected to a reality check and further comments should be added where necessary.

6.4.2. Assessing potential of interventions to deliver a high return

The following tool (Rubric 3) offers a systematic approach that can be used to assess interventions' potential to deliver a high return in relation to FSDs' objectives. It cannot be expected that an intervention would necessarily meet all criteria for 'very high' in order to be considered worthwhile; on the other hand, it would represent poor VfM if many interventions were often scoring 'low' on several dimensions. This tool can be used retrospectively to support VfM assessment – and could also be used prospectively, for example, it could be incorporated into intervention proposal templates to support project selection (King & OPM, 2018).

Rubric 3: Assessing potential of interventions

Priority	Relevance	Significance of market issue	Likelihood of success	Impact if successful
Very high	Project is very well aligned with one or more programme objectives and fully meets all FSD investment criteria.	Issue/problem is a major and critical barrier to financial sector development and financial inclusion and/or is critically important to the success of the FSD's overall strategy: without successful intervention, other critical parts of the strategy will not be able to proceed.	The likelihood of this project having its intended impact is considered to be very high relative to alternative use of the project resources.	If successful, the project stands to have a profound impact on addressing the issue/problem relative to alternative use of the project resources.
High	Project is reasonably well aligned with one or more programme objectives and generally meets FSD investment criteria, allowing for a few minor issues.	Issue/problem is a substantial barrier to financial sector development and financial inclusion and/or is important to the success of the FSD's overall strategy: without successful intervention, it would be more difficult for other critical parts of the strategy to be successful.	The likelihood of this project having its intended impact is considered to be moderately high relative to alternative use of the project resources.	If successful, the project stands to have a fairly significant impact on addressing the issue/problem relative to alternative use of the project resources.
Low	Project is tangentially but defensibly aligned with programme objectives and/or meets FSD investment criteria to a minimally acceptable degree.	Issue/problem is a reasonably important barrier to financial sector development and financial inclusion and no other parts of the FSD strategy are critically dependent on the success of this intervention.	Success or partial success, though uncertain, is achievable enough to warrant consideration.	If successful, the project will have a modest but worthwhile impact on addressing the issue/problem.
Unsuitable	Project is poorly aligned or not aligned with programme objectives.	Issue/problem is relatively minor in the wider context of other barriers to financial sector development and financial inclusion.	Success is highly unlikely.	Even if successful, the project would only make a small difference to the issue/problem.

It is worth noting that not all proposed interventions will fit into a given row in the matrix above. For instance, some may have high relevance, but a low probability of success (or complete success) due to external factors outside an FSD's control. However, an FSD and its decision-makers may still deem it worthwhile to proceed with that intervention given its importance in contributing to the elimination of a key market barrier. FSDs are inherently risk-taking entities and this should be recognised when assessing VfM. What matters is how well the risks were assessed and then managed (see section 7 on Effectiveness).

The results of the assessment of each intervention can be collated into Template 5.

Template 5: Assessing potential of interventions

Intervention	Relevance	Significance of market issue	Likelihood of success	Impact if successful
[Name of intervention]	[Very high/ high/ low/ unsuitable]	[Very high/ high/ low/ unsuitable]	[Very high/ high/ low/ unsuitable]	[Very high/ high/ low/ unsuitable]

6.4.3. Assessing delivery within budget

Template 6 (below) sets out a suggested format for a simple variance report.

It is acknowledged that due to the structure of financial accounting systems, FSDs will not necessarily be able to disaggregate budgets by intervention – though this is desirable where possible. Alternatively, some other meaningful budgetary analysis may be presented in order to demonstrate that the overall spend is in line with expectations.

It is suggested that not a great deal of detail is needed here: just enough to determine whether the criterion of 'delivery within budget' is met. If this is already demonstrated through existing financial reports or audit reports, you could simply refer to those reports with a brief narrative.

Template 6: Assessing delivery within budget for the period [date] to [date]

Intervention (or key line item)	Budget for assessment period	Actual spend during assessment period	Variance for assessment period	Reason for variance
[Add name/label]	[value]	[value]	[value +/-]	[Add brief commentary]

6.4.4. Efficiency drivers

Template 7 (below) provides space for briefly summarising the evidence that your FSD follows good practices to manage efficiency drivers. As a guiding principle, you should refer to facts that could be verified if called upon – such as programme manuals, quarterly/annual reports, audit reports, etc. Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?

Template 7: Efficiency drivers

Efficiency drivers	Narrative evidence
Project management	[For example: all projects have annual and quarterly work plans and budgets; work plans and budgets are monitored on a regular basis, with action taken to address significant positive or negative variance in spend and delivery.]
Consultant management	[For example: well-crafted terms of reference which allow consultants to perform as well as possible, while being effectively supported by an FSD, partners, or both; core team members are fully aware of their roles and responsibilities; core team members have key performance indicators; consultants are given appropriate logistical and strategic support for effectively executing their duties.]
Partner selection, management and facilitation	[For example: project proposals clearly outline sustainability and exit plans; there is an effective process for identifying and selecting partners, and an effective partner diagnostic process is employed to identify constraints and incentives facing each partner; each partner has a clear FSD counterpart who communicates regularly and effectively with the partner and has a good level of trust with the partner; the MRM system provides regular feedback on how effectively partnerships are working (or not working).]

7. Effectiveness

7.1. Definition

In DFID's approach to VfM, effectiveness is the achievement of outcomes:

How well are the outputs from an intervention achieving the desired outcome on poverty reduction?[5] (Note that in contrast to outputs, we or our agents do not exercise direct control over outcomes.) (DFID, 2011, p.4)

Assessment of performance at effectiveness level requires looking beyond outputs, to identify evidence of behaviour change and market change to which FSD work has contributed, such as policy/regulatory advice, technical assistance, capacity building, research,[6] or awareness raising. Note the use of the term 'contributes' in the effectiveness criterion, which recognises the challenges in attributing outcomes and impacts to complex market change interventions. The criterion is aligned with an expectation that outcome measurement will be supported by contribution analysis (refer to section 4.4.3 of the VfM framework for details).

In alignment with IOM guidance and the Compendium of Indicators, a greater focus is placed on whether systemic change has occurred rather than on end-effects on beneficiaries. This is also in line with the DCED Standard (2016) that emphasises system- or market-wide impacts.

The IOM guidance noted that the initial behaviour change of market actors can be important to track, as final outcomes may take a long time before they can be observed. In market development programmes, indicators that track the quality and effectiveness of processes for enabling environment changes are also important in order to assess their long-term sustainability and resilience. This includes the capabilities of decision-makers in regulator and policy-making organisations, how they respond to legitimate concerns from market actors and, once a new law or regulation is in place, how well it is implemented by regulators.[7]

The following effectiveness criterion, for FSDs, is consistent with the middle levels of the IOM theory of change:

Effectiveness criterion: the [name of FSD programme] contributes to positive changes in the market, which may include: core (supply/demand); supporting functions (infrastructure/services); and/or rules and norms.

7.2. Sub-criteria

The following **sub-criteria of effectiveness** will be used:

- The nature and extent of outcomes at levels 3-6 of the Unitary ToC provided in the IOM document (and reproduced in Figure 4 of this VfM framework); and
- Following good practices to manage key effectiveness drivers (political economy analysis, identifying and managing risk, synergies and collaboration, governance and quality assurance, monitoring and results management).

When assessing the nature of outcomes, the framework focuses on whether the outcomes are initial/small market changes versus deeper, more transformational and sustainable market shifts. The following three types of changes are aligned to IOM guidance (refer to Table 14 in the IOM document) and the examples provided

[5] In the FSD VfM framework, impacts on poverty reduction are examined at the cost-effectiveness level, while the effectiveness level focuses on intermediate outcomes.
[6] This includes the role of research evidence in bolstering effectiveness. Research provides evidence that helps change thinking and behaviours, and can provide indicators for financial sector development and for decision-makers to adjust policies, laws and regulations.
[7] For details see IOM (2015) Technical Note: IOM for FSD Macro-Level Interventions.

here, though not exhaustive, are intended to provide sufficient specificity and flexibility to apply to the range of FSD interventions at macro, meso and micro levels:

- **Partner changes supported by an initial project** – for example, regulators adopting or working toward new laws or rules; implementing current laws or rules more effectively to promote financial inclusion; partners developing or trialling new or improved products, services, or business models, or targeting new market segments, within an FSD-supported project. Such changes are aligned with boxes 3 to 4 in the Unitary ToC for FSDs. If you use the Adopt-Adapt-Expand-Respond (AAER) framework, these changes are also aligned with the Adopt level.
- **Partner-influenced expansion or replication** – for example, regulators continuing to enforce or adapt new laws or rules to promote financial inclusion; partners continuing, scaling up or adapting new or improved products/services/business models after FSD support has concluded. Such changes are aligned with boxes 4 to 5 in the UnitaryUnitary ToC for FSDs. If you use the AAER framework, these changes are also aligned with the Adapt level.
- **Wider system changes** – for example, markets respecting and following new laws or rules; consumer protection working more effectively; markets changing to accommodate expansion, such as ease of entry for new players; industry bodies acting to facilitate market changes; market actors who are not FSD partners copying or adapting innovations, replicating new products or services engendered by FSDs in other countries, developing new market offerings; emergence of new service providers with new market offerings. Such changes are aligned with boxes 5 to 6 in the Unitary ToC for FSDs. If you use the AAER framework, these changes are also aligned with the Expand-Respond levels. Contribution analysis may be needed to link these changes to FSD intervention.

The extent of outcomes refers to the general pattern of movement seen in the indicators and narrative, when considered collectively. This requires a judgement to determine whether the outcomes seen are:

- **Strong** – indicators and qualitative evidence present a consistent picture of substantial and sustainable improvements, such as consistently meeting targets or expectations
- **Consolidating** – indicators and qualitative evidence present a reasonably consistent picture of improvements, such as generally close to meeting targets or expectations
- **Emerging** – some positive signs of improvements, such as progress toward targets or expectations.

7.3. Standards

Performance standards for effectiveness are set out in Rubric 4 (below). Only one column needs to be addressed: this relates to the highest level of the ToC at which you are targeting outcomes at the time of the VfM assessment. For example, if you are targeting outcomes at level 6 of the Unitary ToC by Year 3, then the Year 3 VfM assessment must include the broader market changes column.[8]

Additionally, you have the option of including changes at lower levels of the ToC, which would have the advantages of presenting a fuller picture of performance and assisting in contribution analysis.

Refer back to Template 1 to ensure the indicators are aligned with the effectiveness level of your ToC.

Rubric 4: Performance standards for Effectiveness

Performance (refer to detailed definitions above)	**Partner changes supported by an initial project** (ToC levels 3-4)	**Partner-influenced expansion or replication** (ToC levels 4-5)	**Wider system changes** (ToC levels 5-6)
Excellent	[Not used]	Strong – indicators and qualitative evidence present a consistent picture of substantial and sustainable improvements, e.g., consistently meeting targets or expectations.	Consolidating – indicators and qualitative evidence present a reasonably consistent picture of improvements, e.g., generally close to meeting targets or expectations.

[8] These standards are designed to support a fair appraisal of performance against the outcomes targeted at the time of the VfM assessment. Nonetheless it should be noted that an evaluation of effectiveness might in one year award an "adequate" rating, primarily because at the time of the evaluation only pilots and trials of a new product or service were underway. However, a subsequent evaluation might raise the standard to "good" or "excellent", assuming more evidence had by then emerged showing the requisite changes to justify those better ratings.

<table>
<tr><th>Performance (refer to detailed definitions above)</th><th>Partner changes supported by an initial project (ToC levels 3-4)</th><th>Partner-influenced expansion or replication (ToC levels 4-5)</th><th>Wider system changes (ToC levels 5-6)</th></tr>
<tr><td>Good</td><td>Strong – indicators and qualitative evidence present a consistent picture of substantial and sustainable improvements, e.g., consistently meeting targets or expectations.</td><td>Consolidating – indicators and qualitative evidence present a reasonably consistent picture of improvements, e.g., generally close to meeting targets or expectations.</td><td>Emerging – some positive signs of improvements, e.g., progress toward targets or expectations.</td></tr>
<tr><td rowspan="2">Adequate</td><td>Consolidating – indicators and qualitative evidence present a reasonably consistent picture of improvements, e.g., generally close to meeting targets or expectations.</td><td>Emerging – some positive signs of improvements, e.g., progress toward targets or expectations.</td><td>[Not used]</td></tr>
<tr><td colspan="3">and FSD team verifiably follows good practices to manage the key effectiveness drivers (political economy analysis[9] identifying and managing risk, synergies and collaboration, governance and quality assurance, monitoring and results management).</td></tr>
<tr><td>Poor</td><td colspan="3">Any of the criteria for ‘adequate’ not met.</td></tr>
</table>

Note that the time horizon for the assessment of effectiveness is cumulative up to and including the year of the VfM assessment. Typically, in a young programme, the VfM assessment starts by only looking at economy and efficiency. Later on, as outcomes start to be achieved, the VfM assessment starts to examine effectiveness. It may take several years for new programmes to start showing outcomes at the excellent level of the effectiveness rubric. In the interim, VfM assessments may say things like, “This is the first year we have looked at effectiveness, and although it is too soon to show results at the excellent level, it is encouraging that in the third year of the intervention we are already seeing outcomes at the good effectiveness level”.

Note that different projects may be at different levels of maturity and may be performing at different levels. For the purposes of assessing performance at effectiveness level, only look at those projects that have been operating long enough for outcomes to be expected. As discussed in section 10, performance should be judged based on where the centre of gravity sits overall. If in doubt, choose the lower of two levels.

7.4. Evidence

The effectiveness standards aim to be sufficiently specific to facilitate clear evaluative judgements about the level of performance, while allowing enough flexibility to reflect the diversity of FSD interventions and enable FSDs to select appropriate performance indicators for their contexts. Accordingly, effectiveness indicators are not specified. You should select appropriate indicators that relate to your FSD’s specific interventions and intended outcomes.

In general terms, however, the following evidence of effectiveness will be used. Section 7.4.1 addresses outcome narrative, section 7.4.2 addresses indicator data, and section 7.4.3 addresses narrative evidence of effectiveness drivers.

7.4.1. Outcome narrative

Annex B sets out a template for writing a narrative account of FSD outcomes.[10] Each outcome narrative should focus on one outcome area from the ToC. The outcome narrative tells the performance story of how the various FSD interventions work synergistically and adaptively to achieve the outcome. Over time, FSDs are encouraged to accumulate a series of outcome narratives – one for each outcome area.

The outcome narrative fulfils several important functions in the VfM assessment:

- It connects FSD activities and deliverables to its outcomes through the ToC – supporting sound contribution analysis.

[9] Political economy analysis (PEA) “aims to situate development interventions within an understanding of the prevailing political and economic processes in society – specifically, the incentives, relationships, and distribution and contestation of power between different groups and individuals. Such an analysis can support more politically feasible and therefore more effective development strategies by setting realistic expectations of what can be achieved, over what timescale, and the risks involved”. See: https://www.gov.uk/dfid-research-outputs/political-economy-analysis-topic-guide

[10] Adapted from an approach pioneered by OPM in the Pakistan Sub-National Governance Programme.

- It provides 'the story behind the numbers' – a more nuanced account of the FSD's activities and deliverables than can be demonstrated with indicators alone.
- It compensates for a lack of indicator data, for outcomes that are hard to measure or are not yet being measured.
- It can be used for communication purposes, to make the FSD's performance story interesting and accessible to a wider audience.

Each outcome narrative will summarise:

- One outcome area from the ToC
- The relevant 'problems' (such as market issues) that the FSD set out to address
- The relevant interventions that contributed to the outcome area
- How the FSD adapted its approaches in response to changes in the market environment
- The most significant short- to medium-term outcomes that have occurred as a result of the interventions
- How these short- to medium-term outcomes should contribute to the longer-term outcomes and impacts of financial sector development and improved financial inclusion
- The evidence that currently supports this
- Contribution analysis: how FSD interventions added value.

7.4.2. Effectiveness indicators

Template 8 (below) provides a framework for you to specify your outcome indicators, addressing the highest level of the ToC for which you are targeting outcomes at the time of the VfM assessment, and to collate your indicator data.

Refer to the Compendium of Indicators for advice on selecting appropriate indicators. As a guiding principle, choose the ones that are most directly relevant to your ToC and the criteria, and apply the principle of parsimony: only include as many indicators as are necessary and sufficient to inform a valid judgement.

Note that cost-per-outcome measures, though perhaps conceptually appealing, would be difficult to calculate (because costs of interventions usually cannot be cleanly apportioned between outcomes), and meaningless to support judgements (because they lack relevant benchmarks). Therefore, we are not recommending that such measures be included. Relevant cost ratios can be examined at lower (economy) and higher (cost-effectiveness) levels of the VfM assessment.

Template 8: Effectiveness indicators for outcomes achieved as at [date]

Effectiveness criteria level (level 3-6 of Unitary ToC)	**Intervention/ project**	**Expected outcomes by the assessment date** (at specified level)	**Outcomes achieved by the assessment date**	**Outcome RAG rating***	**Narrative** (context/explanation)
[Specify here what level of changes you are focusing on: partner changes supported by an initial project; partner changes beyond the initial project; or broader market changes]		[Add outcome indicators]			[Brief narrative describing the nature and significance of relevant changes, to support understanding and interpretation of the indicators. Refer to secondary sources as needed – e.g., MRM reports, stakeholder feedback, outcome narrative (see Annex B). Also cite your references: what document could the reader refer to if they wanted to verify the information provided?]

Note:

* Outcome RAG (Red, Amber and Green) ratings should be based on the following definitions:

Green +	Over-achieving
Green	Enough evidence to show progress or achieving outcomes
Amber	Early stage evidence, under-achieving
Red	Not achieving at all
Grey	No evidence

7.4.3. Effectiveness drivers – narrative evidence

Template 9 (below) provides space for you to add narrative evidence, briefly describing the verifiable evidence that your FSD follows good practices to manage effectiveness drivers. As a guiding principle, you should refer to facts that could be verified if called upon – for example, programme manuals, quarterly/annual reports, audit reports, etc. Also cite your references: what document could the reader refer to if they wanted to verify the information provided?

Template 9: Effectiveness drivers – narrative evidence

Effectiveness drivers	Narrative evidence
Developing a good understanding of the political economy of the programme and projects	[For example: programme has a clear ToC, which is evidence-based, plausible and logical; each project has a results chain aligned with the programme ToC; the stated outputs and outcomes of the programme are regularly reviewed and updated; the programme has a good understanding of the local systems in which it is intervening; this understanding is updated on a regular basis, to remain relevant and reflect changes in the operating environment.]
Identifying and managing risk	[For example: there are processes in place to identify, assess and manage programme and project risks; the risk management process is updated on a regular basis; risk management strategies and processes are implemented effectively.]
Synergies and collaboration	[For example: opportunities for internal and external collaboration are being consistently identified in projects and partnerships.]
Governance and quality assurance	[For example: governance and quality assurance arrangements are in place, aimed at ensuring that programme activities deliver good results.]
Monitoring and results management	[For example: the outcomes and impact of interventions are being consistently and effectively measured and monitored, including working toward implementing systems aligned with IOM principles.]

8. Cost-effectiveness

8.1. Definition

According to DFID (2011) cost-effectiveness considers the relationship between impact and total costs incurred:

How much impact on poverty reduction does an intervention achieve relative to the inputs that we or our agents invest in it? (DFID, 2011, p.4)

The key principle underlying the cost-effectiveness criterion is that the programme should create more value than it consumes, or that sufficient outcomes are achieved to justify the investment. In the FSD context, real cost-effectiveness in economic terms, would be seen when the value of economic expansion (or the portion attributable to the FSD) exceeds the cost of intervention. This is both temporally and methodologically outside the reach of this VfM assessment. Instead, proxies will be used, based on high level market change outcomes in the ToC.

The following cost-effectiveness criterion, for FSDs, is consistent with the IOM theory of change:

Cost-effectiveness criterion: the [name of FSD programme] creates more value than it consumes, through improved financial sector development and financial inclusion.

8.2. Sub-criteria

The following **sub-criteria** will be used as proxies of **cost-effectiveness:**

- The nature and extent of outcomes at levels 7-9 of the Unitary ToC provided in the IOM document (and reproduced in Figure 4 of this VfM framework) including:
- Scale/value of new products/services offered – supply side (ToC box 7)
- Scale/value of new products/services utilised – demand side (ToC box 8)
- Financial services reduce vulnerability/ increase incomes/ economic activity
- (ToC box 9)
- Credible contribution analysis linking these outcomes back to FSD intervention.

It is important to note that at the higher levels of the ToC, time to impact gets longer, and the contribution story becomes more difficult to untangle. The VfM framework needs to ensure FSDs are not penalised for impacts that they cannot reasonably be expected to measure and attribute. In particular, it will not always be feasible to measure changes in poverty reduction and economic growth: a) over a long enough timeframe that will provide an estimate of the impact of an FSD's work; and b) in ways that can really show the substantive contributions FSDs have made.

Accordingly, we recommend that for VfM purposes, FSDs assess their contributions only as far as financial inclusion is concerned. This should include assessments of not just how people are using financial services, but also why they do – that is, what difference has access to financial services been making to people's lives/ livelihoods and to the sustainability and growth of their businesses? Nonetheless, the performance standards do accommodate the option of FSDs demonstrating impacts on poverty reduction, economic activity, or economic growth where such evidence is able to be produced.

As with effectiveness, a judgement is required to determine whether the outcomes and impacts seen are:

- **Strong** – indicators and qualitative evidence present a consistent picture of substantial and sustainable improvements, such as consistently meeting targets or expectations
- **Consolidating** – indicators and qualitative evidence present a reasonably consistent picture of improvements, for example, generally close to meeting targets or expectations
- **Emerging** – some positive signs of improvements, such as progress toward targets or expectations.

Note that cost-effectiveness involves more than reaching targeted numbers of people through initial projects with partners. It is about achieving substantial and sustainable changes in the supply and access/usage of sustainable financial services.

8.3. Standards

Performance standards for cost-effectiveness are provided in Rubric 5 (below). Only one column needs to be addressed: this relates to the highest level of the ToC at which you are targeting outcomes at the time of the VfM assessment. For example, if you are targeting outcomes at level 8 of the Unitary ToC by Year 4, then the Year 4 VfM assessment must include the broader market changes column.[11] Additionally, you have the option of including changes at lower levels of the ToC, which would have the advantages of presenting a fuller picture of performance as well as assisting in contribution analysis.

Refer back to Template 1 to ensure the indicators are aligned with the cost-effectiveness level of your ToC.

Rubric 5: Performance standards for Cost-Effectiveness

Performance (refer to detailed definitions above)	**Changes in the level and type of provision of sustainable financial services – supply side** (ToC level 7)	**Changes in the level and type of access to, and usage of, sustainable financial services – demand side** (ToC level 8)	**Financial services reduce vulnerability/ increase incomes/ economic activity** (ToC level 9)
Excellent	[Not used]	**Strong –** indicators and qualitative evidence present a consistent picture of substantial and sustainable improvements, e.g., consistently meeting targets or expectations.	**Consolidating –** indicators and qualitative evidence present a reasonably consistent picture of improvements, e.g., generally close to meeting targets or expectations.
Good	**Strong** – indicators and qualitative evidence present a consistent picture of substantial and sustainable improvements, e.g., consistently meeting targets or expectations.	**Consolidating –** indicators and qualitative evidence present a reasonably consistent picture of improvements, e.g., generally close to meeting targets or expectations.	**Emerging –** some positive signs of improvements, e.g., progress toward targets or expectations.
Adequate	**Consolidating –** indicators and qualitative evidence present a reasonably consistent picture of improvements, e.g., generally close to meeting targets or expectations.	**Emerging –** some positive signs of improvements, e.g., progress toward targets or expectations.	[Not used]
Poor	Any of the criteria for 'adequate' not met.		

Note that the time horizon for the assessment of cost-effectiveness is cumulative up to and including the year of the VfM assessment.

8.4. Evidence

The cost-effectiveness standards aim to be sufficiently specific to facilitate clear evaluative judgements about the level of performance, while allowing sufficient flexibility to reflect the diversity of FSD interventions and enable FSDs to select appropriate indicators for their contexts. Accordingly, cost-effectiveness indicators are not specified. You should select appropriate indicators that relate to your FSD's specific interventions and intended outcomes. Template 10 (below) provides a framework for you to specify your indicators and collate your indicator data.

Refer to the Compendium of Indicators for advice on selecting appropriate indicators. As a guiding

[11] These standards are designed to support a fair appraisal of performance against the outcomes and impacts targeted at the time of the VfM assessment. Nonetheless it should be noted that an evaluation of cost-effectiveness might in one year award an "adequate" rating, primarily because it is early days to observe outcomes at the higher levels of the ToC. A subsequent evaluation might raise the standard to "good" or "excellent", assuming more evidence had by then emerged showing the requisite changes to justify those better ratings.

principle, choose the ones that are most directly relevant to your ToC and the criteria, and apply the principle of parsimony: only include as many indicators as are necessary and sufficient to inform a valid judgement.

Where feasible, this analysis should compare the relevant value of market access/use with the relevant FSD investment (for example, to produce a ratio of value created to value consumed). However, it is likely that even modest changes in access would rapidly exceed the cost of FSD intervention. Therefore, in our view a credible contribution analysis is more important than calculation of cost-benefit proxies.

Template 10: Cost-effectiveness indicators for impacts achieved as at [date]

Cost-effectiveness criteria level	Impact Indicator (level 7-9 of Unitary ToC)	Interventions/ projects contributing to the changes	Narrative (context/ explanation)
[At a minimum, address the highest level of the ToC for which you are targeting outcomes at the time of the VfM assessment. Specify here what level of changes you are focusing on: level and type of provision of sustainable financial services (supply side); level and type of access to, and usage of, sustainable financial services (demand side); or financial services reduce vulnerability/ increase incomes/ economic activity.]	[Add selected indicators: One per row. Add rows if more indicators used.]	[List relevant interventions.]	[Brief narrative describing the nature and significance of relevant changes; contribution analysis, references to outcome narrative (see Annex B). Also cite your references: what documents could the reader refer to if they wanted to verify the information provided?]

9. Equity

9.1. Definition

DFID (2011) does not define equity directly, but does acknowledge the importance of distributive fairness as a dimension of VfM:

When we make judgements on the effectiveness of an intervention, we need to consider issues of equity. This includes making sure our development results are targeted at the poorest and include sufficient targeting of women and girls. (DFID, 2011, p.3)

Equity considerations are embedded throughout the VfM framework and are likely to be particularly visible in the effectiveness and cost-effectiveness criteria. Nonetheless, it is important to include an explicit criterion for equity so that judgements of VfM give sufficient prominence to the targeting of resources and results to under-served groups, such as to poor people, women and girls, people with disabilities, people living in more remote rural areas, and other marginalised groups.

The following equity criterion applies to FSDs:

Equity criterion: the [name of FSD programme] reaches its intended target groups and contributes to financial inclusion and poverty reduction

9.2. Sub-criteria

The following sub-criteria will be used:

- Output equity (FSD strategy, interventions and outputs delivered, explicitly identify target groups for financial inclusion – for example, poor people, women and girls, people with disabilities, people living in rural areas, and/or other people traditionally at a disadvantage in financial services markets)
- Outcome equity (FSD partners and/or changes in market forms are reaching the intended target groups)
- Impact equity (FSD impacts demonstrate measurable gains in market access and/or use that benefit the identified target groups – for example, improves their livelihoods)

9.3. Standards

Performance standards for equity have been defined as follows (Rubric 6).

Rubric 6: Performance standards for Equity

Performance	Criteria
Excellent	**Impact equity** – corresponds to the 'cost-effectiveness' level (levels 7-9 of the Unitary ToC): FSD impacts demonstrate measurable gains in market access and/or use that benefit the identified target groups.
Good	**Outcome equity** – corresponds to the 'effectiveness' level (levels 3-6 of the Unitary ToC): FSD partners and/or changes in market forms are reaching the intended target groups.
Adequate	**Output equity** – corresponds to the 'efficiency' level (level 2 of the Unitary ToC): FSD strategy, delivered interventions and outputs explicitly identify target groups for financial inclusion.
Poor	Any of the conditions for 'adequate' not met.

Note that the time period for the assessment of equity is cumulative up to and including the year of the VfM assessment.

Template 11: Evidence to support judgements against the equity standards

Standards	Evidence
Output equity (criteria for 'adequate')	[Verify that your FSD strategy and interventions explicitly identify target groups for financial inclusion. List the target groups identified.]
Outcome equity (criteria for 'good')	[Narrative evidence that FSD partners and/or changes in market forms reach the intended target groups.]
Impact equity – (criteria for 'excellent')	[Narrative, including references to relevant indicators, FSD impacts demonstrate measurable gains in market access and/or use that benefit the identified target groups.]

10. Steps 6-8: Bringing it all together: Analysis, Synthesis and Judgements

Once you have completed the steps and tables above, you will have gathered and organised all of the evidence you need to make transparent, robust judgements about VfM. Now it is time to determine what the evidence indicates about your FSD's current level of performance against the standards.

The steps involved are:

1	**Analyse each piece of evidence on its own – what clues do each indicator and each piece of evidence provide about the level of performance?**
2	**Take each 'E' of the framework and look at all the evidence collectively (the synthesis step) – does the evidence overall best reflect the definition of excellent, good, adequate or poor performance? Are there particular strengths/weaknesses against individual sub-criteria?**
3	**Make a judgement about performance on each 'E' and collate the judgements into a summary table.**
4	**Look at the five VfM criteria collectively to make a judgement about VfM overall.**
5	**Prepare a short VfM report (King & OPM, 2018).**

The process of making judgements can feel a little unfamiliar to anybody trained in an academic research discipline, because it involves using evidence in a new way: comparing the evidence to the criteria and standards, and being deliberative about what level of performance it points to. An evaluative judgement cannot be made by an algorithm: it involves weighing multiple pieces of evidence – some of which may be ambiguous or contradictory – guided by the rubrics, to make a transparent and defensible judgement with clear rationale (King & OPM, 2018).

In some cases, different streams of evidence point to aspects of performance at more than one level of a rubric. This is normal. The key question to ask is, where does our centre of gravity sit overall? If in doubt, choose the lower of two levels. You can always include a qualifying statement – for example, "the evidence indicates that the programme meets nearly all of the criteria for excellent efficiency, but is held back by one important issue that needs to be addressed; therefore, a judgement of good efficiency has been reached."

10.1. Who should make the judgements?

Judgements should be made, not by one person working alone, but by two or preferably more. It is through this process of dialogue and deliberation that sound judgements are made.

Judgements can be made by an FSD's management, MRM staff, DFID senior responsible owners (SROs), other funders, independent evaluators, or some combination of these. As the judgements (and the criteria, standards and evidence upon which they are based) are open to scrutiny, the initial judgements can be validated, contextualised and challenged by funders and other stakeholders.

OPM's recommendation is that FSD, donor and independent perspectives are all important and will add value to the process. It is important to have an independent view on these judgements, but supported by the in-depth contextual and evidence base that can only come from FSDs, as well as the perspectives of funders. A preferred forum is therefore a joint meeting or workshop facilitated by independent evaluators.

The judgement-making process can be viewed as an opportunity for FSDs to engage with donors in reviewing the evidence and judging performance and VfM against the agreed criteria and standards. The general approach in this type of workshop is to present the evidence (the 'what's so') and a first-cut of the synthesis to participants and facilitate a process of collective sense-making. The purpose of this process is to reach a shared understanding about what the findings mean and the level of VfM to which the evidence points (the 'so what'). Throughout this process, the criteria and standards provide a focal point and a framework for systematically considering the evidence and making judgements. Realistically, it may take an FSD and its donors to go through the process several times before feeling comfortable with the way the VfM assessment system works, the results it throws up and how they help improve an FSD's performance.

10.2. Making an overall judgement about VfM

As well as assessing performance against each criterion, an overall assessment is needed of programme VfM against the five criteria collectively. This assessment will take into account DFID's definition of VfM as "maximising the impact of each pound spent to improve poor people's lives" (DFID, 2011, p.2).

Template 12 (below) provides a structure for collating the individual judgements, together with the most important evidence and rationale, and then making an overall judgement about VfM.

Critically, the overall judgement of VfM is not required to be a straight 'average' of the performance levels for each component; rather, greater weight should be given to those criteria that are deemed more relevant at the time the VfM assessment is carried out (King & OPM, 2018). For example, toward the end of a programme's strategic period, when full evidence of effectiveness, cost-effectiveness and equity are available, these three criteria would be given greater weight than indicators focusing on inputs (such as economy) and outputs (efficiency).

Conversely, in a young programme, early VfM assessments often start by only looking at economy and efficiency. Later on, as outcomes begin to be achieved, the VfM assessment starts to examine effectiveness. It may take several years for new programmes to begin showing outcomes at the excellent level of the effectiveness rubric. In the interim, VfM assessments may say things like, "this is the first year we have looked at effectiveness, and although it is too soon to show results at the excellent level, it is encouraging that in the third year of the intervention we are already seeing outcomes at the good effectiveness level".

Template 12: Making an overall judgement about VfM from the 4Es

VfM criteria	Judgements	Summary
Economy	[e.g., 'Good']	[Brief summary of evidence against the applicable level of the standards – e.g., 'FSD performance against the agreed criteria shows that the team manages project resources economically. Unit costs for consultants and flights are generally at or below agreed benchmarks. Evidence is provided of the results of good cost management, including partner contributions and savings from effective contract negotiation'.]
Efficiency		
Effectiveness		
Cost-effectiveness		
Equity		
Overall judgement of VfM		

10.3. How can VfM be improved?

The process of making judgements about VfM provides a systematic way to identify areas where FSDs are performing well and, potentially, areas where improvements can be made to strengthen VfM. To illustrate: an FSD might meet all but one of the criteria for 'excellent' efficiency; if so, the lagging criterion might pull the judgement down to 'good' or 'adequate' and would be identified as an area for improvement. These opportunities should be summarised in the VfM report. Template 13 (below) provides a suggested structure to guide the reflection and reporting on opportunities to improve.

Template 13: Opportunities to improve VfM

VfM criteria	Opportunities to improve VfM
Economy	[e.g., 'Trying to find domestic rather than international consultants capable of providing the experience and quality of output so that we can meet economy benchmarks, can cause delays that ultimately diminish effectiveness and VfM. Reviewing the balance between local and international consultants would enable the project(s) to be completed in a timely manner and at the required quality standards.']
Efflciency	
Effectiveness	
Cost-effectiveness	
Equity	

10.4. Reporting

The process of getting to a sound VfM judgement is not quite the same as telling a clear performance story, though it uses the same building blocks. The VfM Report Template provides a structure for the information so that key findings are presented up front and supporting evidence is available for those who want to read on.

The reporting structure emphasises clarity and brevity. A good VfM assessment/evaluation report:

Tells a compelling performance story, focused on and structured around the aspects of performance that matter (criteria) and presenting a clear judgement about the level of performance (standards)

Gives clear answers to important questions – by getting straight to the point, presenting transparent evidence as well as being transparent about the basis upon which judgements are made.

Accordingly, the report should be structured around the overarching VfM criteria (the 4Es), addressing each 'E' systematically in turn.

The first 1-2 pages of the report should present a summary of findings (such as a dashboard like the one suggested in Template 12 above). This summary should stand alone – for example, it should provide 'topline' information that would make sense for a Minister or CEO to understand what the programme has achieved and what conclusions were reached.

The report should then present each 'E' sequentially, and for each:

- The judgement (excellent, good, adequate, or poor)
- A brief summary of the evidence that supports the judgement, alongside the criteria and standards so that it is clear how the judgement was made
- Cross-references to any additional evidence (for example, evidence already presented elsewhere, such as annual reports or logframe assessments), in order to minimise duplication.

The report should be prepared in your own FSD document template.

Annex A: Outcome Narrative Template

[This template provides a structure for showing narrative evidence to support sound contribution analysis and judgements of FSD effectiveness. Each outcome narrative should focus on one outcome area from the ToC. The outcome narrative tells the performance story of how the various FSD interventions work synergistically and adaptively to achieve the outcome. Over time, FSDs are encouraged to accumulate a series of outcome narratives – one for each outcome area in your ToC].

	Summary information
Featured outcome areas	[Title of applicable outcome area from Theory of Change.]
Outcome indicators	[List the relevant outcome indicators.]
Relevant interventions	[List the interventions that contributed to the outcome.]
Spend to date on this outcome area	Budget: [value] Actual: [value]

1. What were the problems that the interventions relevant to this outcome area were designed to address?
[Briefly describe the financial market shortcomings that the interventions in this outcome area were attempting to address.]

2. What were the interventions?
[Highlight the relevant interventions and related activities that were key to the results achieved.]

3. How did you adapt in response to changes in the market environment?
[What was the institutional context you were operating under, and how did you have to adapt the approach to make it work? This can be reported against the Emergent Strategy framework (in the VfM framework document) – that is, what was the original plan (intended strategy), how did the requirements change en route (unrealised and emergent strategy) and what was delivered (realised strategy)]

4. What were most significant changes in target markets as a result? Are they sustainable? How do you know?
[Describe some of the most important results that came about because of the interventions.]

5. How do these changes contribute to financial sector development and improved financial inclusion?
[Either describe what has been achieved in these areas, or, if it is too early to see these outcomes, describe how they should/could happen.]

6. What evidence currently supports this?
[Select the most compelling evidence, or combinations of evidence (qualitative and quantitative).]

7. How did FSD intervention add value?
[Contribution analysis – the text in the preceding sections should summarise evidence of delivery and results as intended in the ToC. In this section, determine whether the evidence provides a link between FSD outputs and market system outcomes, and consider the extent to which the outcomes seen represent the FSD's contribution, or could be explained by other influences: what would have been different without the FSD contribution?. Use the following considerations as a checklist]

Factor	How did FSD add value? What would be different without the FSD contribution?	Judgement for each factor: is it relevant? If so, how, and to what extent? If not, why not?
Deadweight	What would have happened without any intervention?	
Shared effects	Were there other (non-FSD) interventions/ programmes that also influenced changes?	
Losses through displacement, substitution, leakage or negative externalities	Did FSD interventions divert human resources from other relevant work, reduce outputs or outcomes elsewhere, benefit people outside the intended target groups/ areas, or have negative side-effects or costs for other parties?	
Gains through positive externalities or multiplier effects	Are there verifiable second-round benefits that should be taken into account, e.g., increased investment or consumption as a result of improved market systems?	
Sustainability	Do you expect results to increase or drop off over time? Why?	

[Step 4: Present an overall conclusion: based on the considerations above, how did FSD add value? What might the outcomes have looked like without FSD? How do you know?]

8. What have we learned?

[What has been learned through working toward this outcome that could inform future interventions by this FSD or other, similar organisations?]

Annex B: Briefing note on the new VfM framework

The following text is provided to assist MRM staff in briefing FSD management, governance bodies, and funding bodies on the new VfM approach.

FSD Africa (FSDA) commissioned Oxford Policy Management Ltd (OPM) to develop guidance for assessing and reporting on Value for Money (VfM), as a resource for the FSD network. This briefing note summarises the context, the process that was followed to develop the VfM framework, the nature of the VfM framework, and next steps for its deployment.

Context
FSDA has previously commissioned work in the area of results measurement. Whilst these studies were relevant and informative, it was felt that gaps in knowledge remained, and the FSD network could be better supported in this work with better tools.

OPM supported this prior work through the Impact-Oriented Measurement (IOM) project which provided guidance for measuring and evaluating the impact of the FSD programmes. Following this, FSDA carried out a needs assessment which identified the lack of a harmonised approach to results measurement as a further opportunity for improvement.

Concurrently to the development of the VfM framework, Adam Smith International (ASI) provided bespoke in-country monitoring and results measurement (MRM) support to FSDs on results measurement. In addition, OPM ran a parallel project to produce a Compendium of Indicators for outcome and impact-level results measurement.

VfM framework development
The VfM framework was developed in a collaborative fashion. Telephone/Skype consultations were undertaken with FSD MRM Leads, CEOs, DFID Senior Responsible Owners (SROs), other funders[12] and with FSDA, to help align the VfM framework with their existing MRM systems and their stated needs for VfM assessment. A review of FSDs' capacities (as documented in the outputs of other FSDA-commissioned work carried out by various consulting firms, together with review of recent VfM frameworks and assessments) was also undertaken.

Verification consultations with FSDs were undertaken midway to check back and help ensure that the VfM framework's content was shaping up in the appropriate direction. This process was undertaken by email, by submitting a concept paper and seeking written feedback. A final draft was discussed in a day-long consultative and training workshop following the FSD network conference in Livingstone, Zambia, on 17 November 2017. Written feedback was also invited on the final draft. These processes were carried out to facilitate the building of a high degree of consensus and rigour into the VfM framework, informed by practical insights derived from FSD network partners themselves.

VfM approach
The new VfM framework is intended to be practical, user-friendly and to minimise the reporting burden for MRM staff. At the same time, there is a minimum level of effort required in VfM assessment to ensure credibility. The framework also aims to support a consistent approach to VfM assessment and reporting across the FSD network, while retaining sufficient flexibility to accommodate differences in context and guard against making invalid comparisons.

[12] For example, the Bill & Melinda Gates Foundation, Sida and UNCDF

To meet these needs, the VfM framework uses an approach based on cutting edge evaluation theory and practice:

- It sets out explicit criteria (dimensions of VfM) and standards (levels of performance) to provide a transparent basis for making sound judgements about performance and VfM, based on a general approach developed by Julian King with OPM
- It combines quantitative and qualitative forms of evidence to support a richer and more nuanced understanding than can be gained from the use of indicators alone
- It is aligned with the IOM guide in a deliberate fashion, to ensure consistency of frameworks, concepts and terminologies
- It links explicitly to the new Compendium of Indicators (which was developed at the same time) to guide the selection of outcome and impact indicators for VfM assessment
- It incorporates and builds on the 'Four Es' approach to VfM assessment, which is familiar to FSDs and donors.

The VfM framework is accompanied by a document titled Value for Money Design, Assessment and Reporting: A Practical Guide, setting out a step-by-step process and a series of templates to guide FSDs in designing and completing a VfM assessment.

Next steps
It is intended that MRM staff across the network will implement this VfM approach within their respective FSDs. This includes engaging with FSD leaders, governance bodies and funders to socialise the approach, as well as becoming fully conversant with the content and processes involved in conducting a VfM assessment.

It will be crucial to ensure SROs understand that the VfM framework is designed to support self-assessment by FSDs, bringing the VfM assessment processes in house to align with (and support) wider organisational processes and to make more use of routinely collected data. It would not be appropriate to hand the manual over to an external reviewer who has not been trained in the approach, and to expect the reviewer to implement it.

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