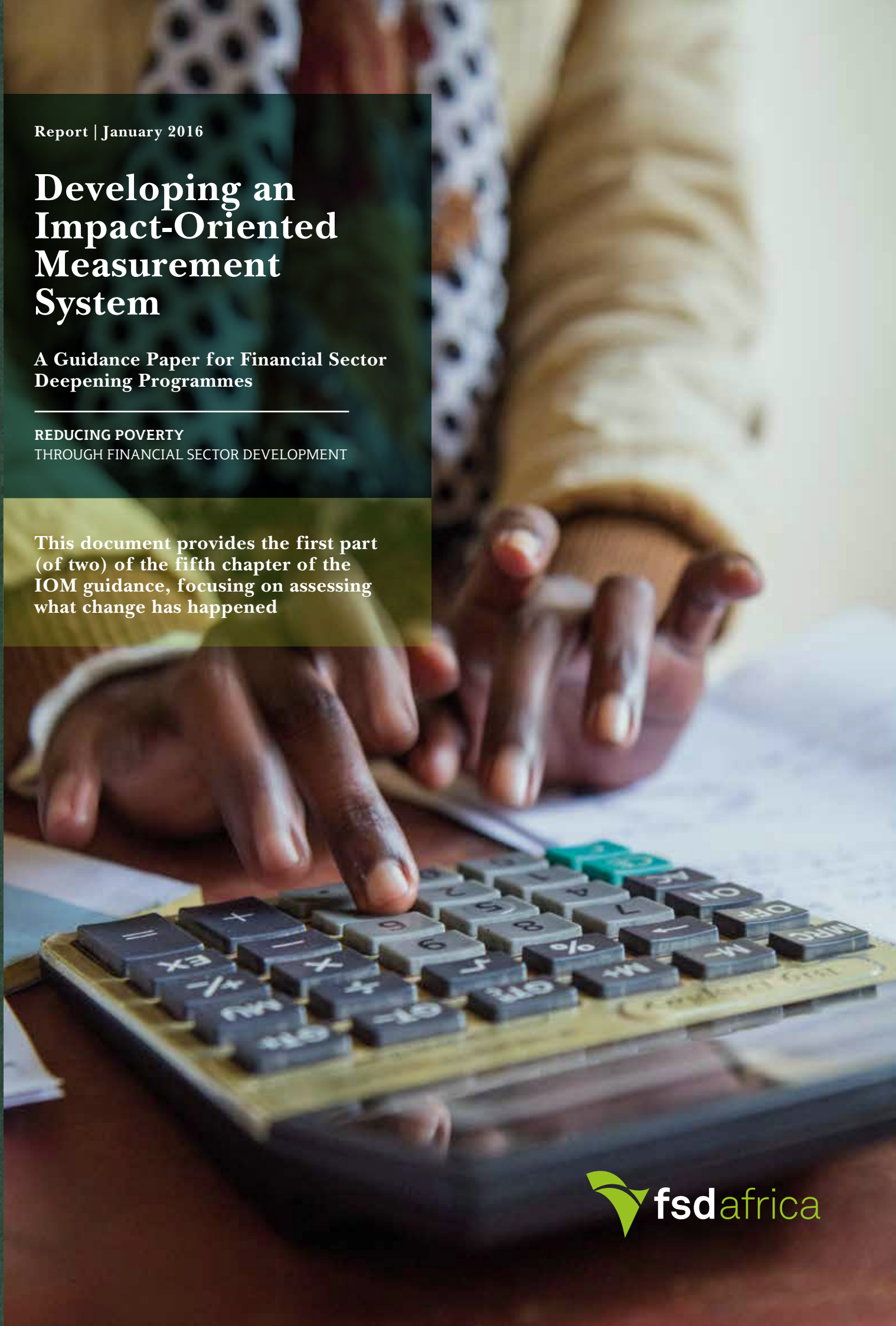

Report | January 2016

Developing an Impact-Oriented Measurement System

A Guidance Paper for Financial Sector Deepening Programmes

REDUCING POVERTY
THROUGH FINANCIAL SECTOR DEVELOPMENT

This document provides the first part (of two) of the fifth chapter of the IOM guidance, focusing on assessing what change has happened

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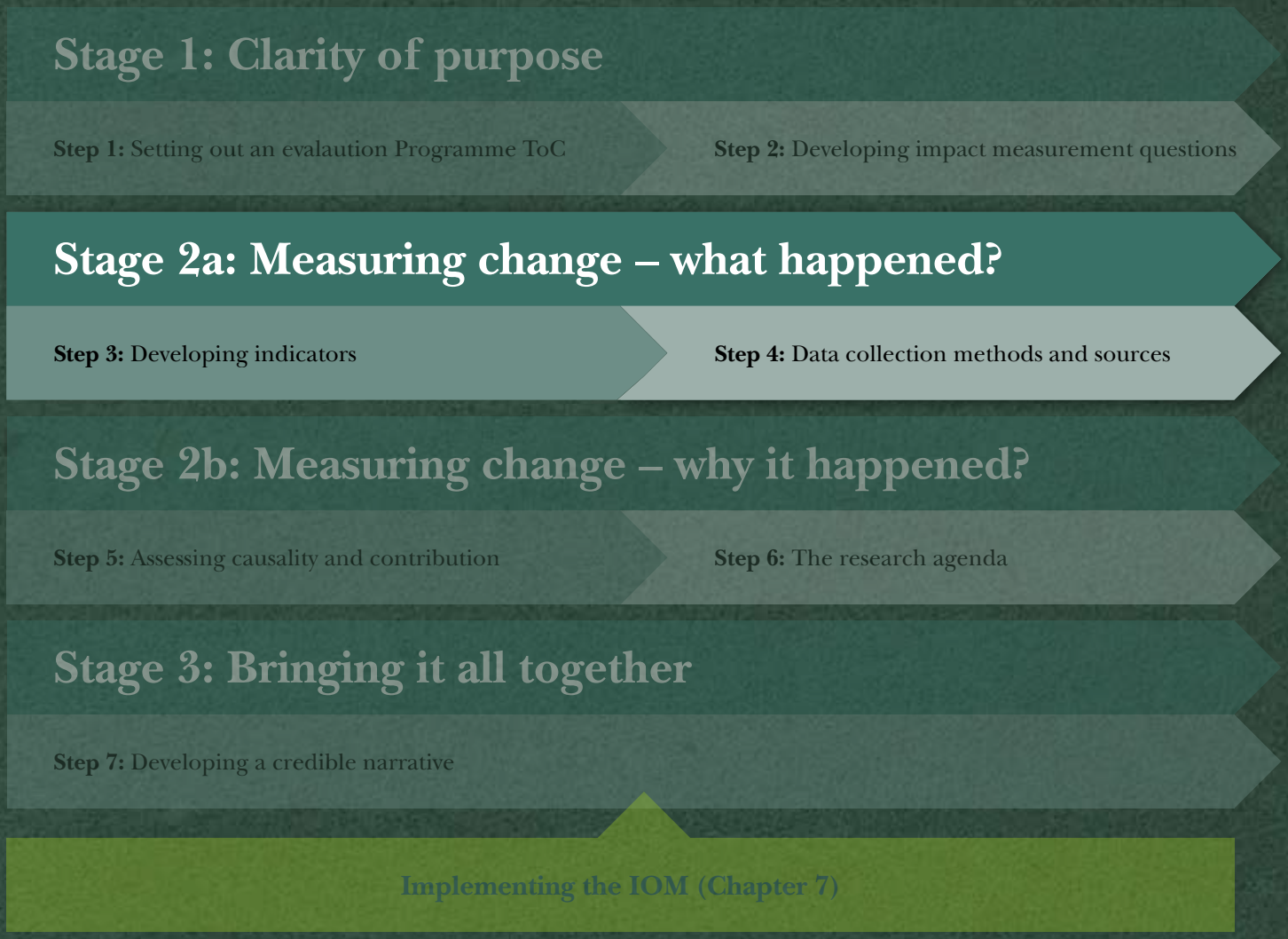
IOM – Chapter 5: Measuring Change – what happened (Stage 2a)



Chapter 5, Measuring change, covers Stage 2 of the process of implementing the IOM guidance: This stage is split into two sub Stages –2a, and 2b.

This section focuses on Stage 2a, providing guidance to FSDs on assessing what change has happened. This includes changes that are directly related to the FSD programme and projects, as well as changes in the financial system more generally.

Stage 2a is broken into two steps:

Step 3 – Developing indicators: This outlines a range of indicators FSDs can use to monitor the results of their programme.

Step 4 – Data collection methods and sources: This provides the corresponding data sources, and methods for collecting the information related to these indicators.

5.1 Developing indicators (Step 3)

5.1.1 Overview

1. Impact-oriented indicators are needed to monitor the overall programme ToC and the performance of specific projects. Such indicators will help both to improve programme decisions and to build an evidence base to inform impact assessments.
2. For FSD programmes, this requires moving beyond monitoring direct outputs and outcomes of projects, and augmenting 'traditional' monitoring in a number of ways. We have identified four key issues that FSDs should consider when developing or reviewing their indicators:

   a) **Progress indicators:** Because the clear, discrete outputs and outcomes of interest for the FSDs may take some time to materialise, it is important to also measure intermediate effects, i.e. the steps between these discrete changes. Such indicators can include changes in behaviour on the part of market players and policy-makers, as well as other shifts in the market.
   b) **Market system development:** Monitoring the 'systemic' changes stemming from FSD interventions.
   c) **Combining top-down and bottom-up indicators, including sector tracking:** Tracking how a complex and dynamic market is changing systemically beyond anything resulting from specific FSD projects through top-down monitoring /sector tracking and combining (and triangulating) that with bottom-up monitoring, thereby getting a richer picture of what is happening in a financial sector, and why.
   d) **Monitoring beyond indicators:** FSDs may also need to capture evidence that does not fit into regular monitoring; for example, stakeholder perceptions and views on particular (and unexpected) events, processes and outcomes in the financial sector.
3. **In practice,** once indicators are identified, FSDs need to consider specific issues regarding their use, including:

   i. how to set baselines, given that FSDs manage dynamic programmes;
   ii. how to update indicators based on changing information and changing priorities; and
   iii. how to incorporate impact-oriented indicators into an M&E system, traditionally built around a linear and usually static logframe and largely used as a tool to enforce accountability to funders.

5.1.1.1 Extending current monitoring systems

FSDs need good indicators to monitor the progress of their programme and projects against the ToC and the results chains. Indicators are also important for monitoring assumptions and risks, and for building an evidence base that will inform evaluation, facilitate cross-programme learning and help programmes to adapt current and future investments. It is good practice, already applied by many FSDs, to set out individual intervention logics using a results chain (linked to their overall ToC), and then set corresponding indicators to confirm whether various changes have occurred (see Step 1). These results chains should be complemented by a measurement plan clearly identifying the indicators, how they are defined, how they will be measured and what are the expected changes (targets/milestones). FSDs then aggregate and synthesise the indicators into an overall results matrix – most commonly a logframe.[34] Programme indicators for various FSDs, as recorded in these logframes, are available in a separate paper,[35] although commentary on the similarities and differences amongst logframe indicators used by FSDs is included in Annex C.

Table 11 Typology of indicators for an FSD IOM system – focus of this guidance paper

Types of indicators/ frameworks	Focus of guidance paper
Monitoring direct performance of projects	Limited (focus on building evidence of direct (and immediate) project impact)
Logframes	Limited (the logframe is considered as a sub-set of the evidence required to test a programme's ToC)
Progress indicators	√
FSD facilitated systemic change indicators	√
Sector tracking (and combining with bottom-up)	√
Beyond indicator monitoring	√

34. FSDK synthesise a range of indicators into an annual 'impact synthesis' framework, which is structured similarly to the logframe but is more comprehensive in terms of detail.

35. See FSDA website www.fsdafrica.org/knowledge-hub.

Discussion point: Funders, including DFID, stressed that there is more flexibility in setting indictors (including in logframes), than often thought by implementers. FSDs need to invest in establishing open partnerships with their funders to agree a coherent set of indicators that track progress towards programme objectives, facilitate learning and risk taking as well as ensure accountability. The indicators can be changed in consultation with funders and could distinguish between those used for accountability and others used for learning about broader market change.

This section does not seek to provide a 'best practice' set of indicators for individual projects or programme logframes. Each market and FSD programme operates in different ways, and will have to define indicators accordingly. FSDs will need to agree programme level indicators with their funders. **This guidance paper focuses on extending existing FSD processes to develop a more comprehensive set of impact- oriented indicators, most notably trying to improve the ways FSD measure systemic change** (Table 11). This will provide FSDs with a typologies of indicators/ themes which can influence FSDs' discussions about measuring project results chains, and can help to finalise programme reporting (e.g. logframes, annual reviews, programme evaluations).

5.1.1.2 Moving towards impact-oriented indicators

From an IOM perspective, the main gap in current monitoring is the limited evidence of results relating to the relationship between the direct outputs of the FSD interventions and the larger market change that the FSDs seek to effect[36] (see Figure 13), i.e. the development of inclusive, pro-poor financial markets and other changes in the underlying structures and dynamics of these markets.

Closing the evidence gap between FSD programme outputs and its final outcome of an improved market for financial inclusion presents a number of challenges, including:

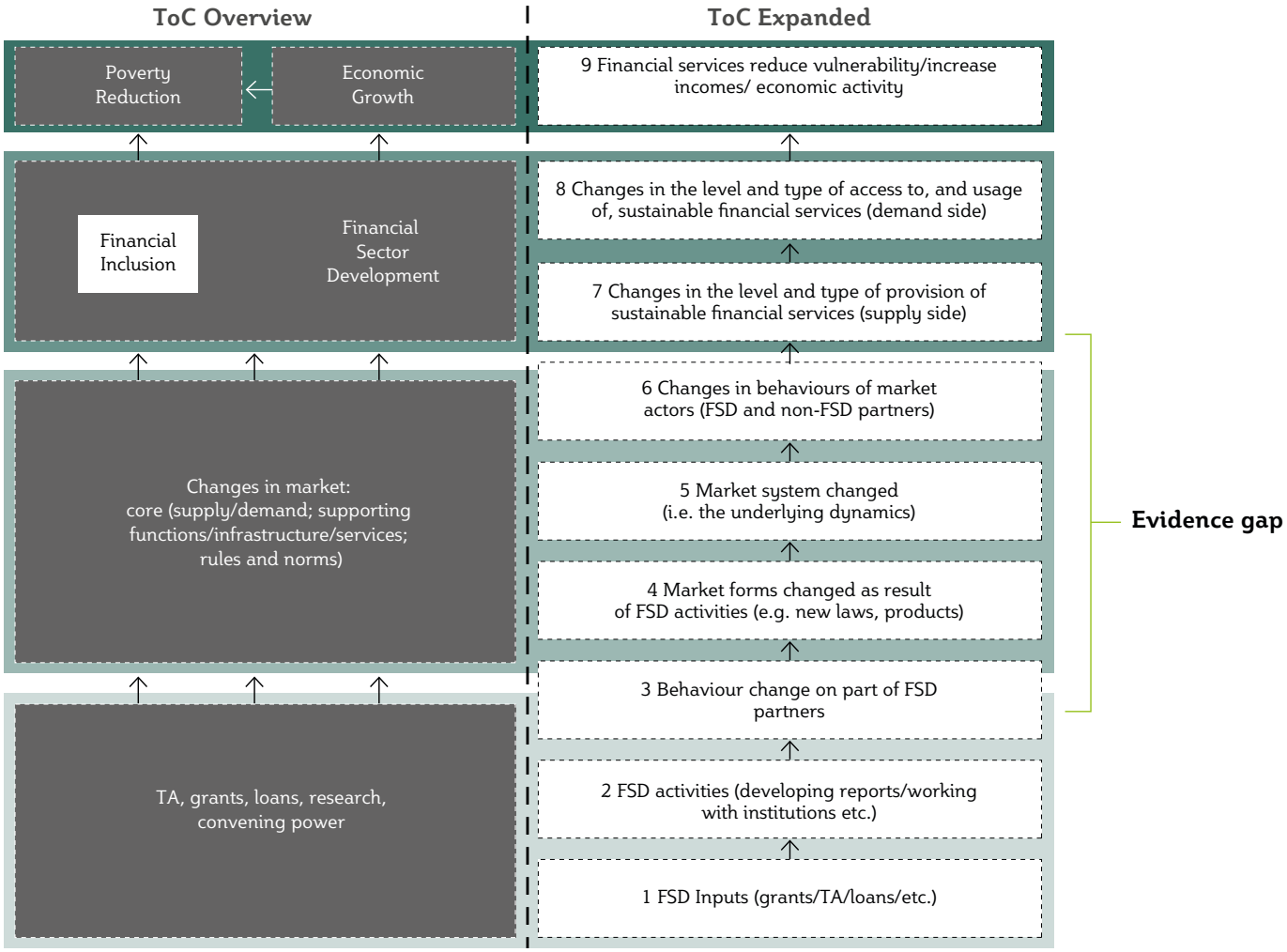
a) The progress indicators/ **intermediate steps** are often difficult to define and measure, especially with traditional quantitative indicators. These intermediate changes may include the easing of market constraints or changes in attitudes or behaviour. FSDs may informally monitor the progress being made, but this evidence is not systemically analysed and documented, and therefore is not easily available. These indicators also tend not to be captured in funders' results frameworks, as they are building blocks towards achieving programme objectives. But given that the time-scale of market change is unpredictable, FSDs need to capture indicators that show the potential for changes to come in the medium to long term.
b) **FSD facilitated systemic change** (i.e. going beyond changing specific forms of the market in the short term to assessing the results of these changes and longer term dynamics) can be difficult to define and measure, especially when using only traditional quantitative indicators. In addition, systemic change results can often be indirect, less attributable, and long term, which leads to the risk that systemic change indicators are deprioritised in place of indicators that focus on programme accountability. For FSDs, these types of market system development indicators are critical for measuring the true value of their interventions.
c) To collect appropriate evidence for a contribution analysis or impact evaluation, it is important to capture both **top-down (a financial sector focus) and bottom-up** measurements. Programmes are often hesitant about focusing on and tracking sector-level indicators (top-down) because they go beyond the direct results that can be attributed to the programme. However, complementing bottom-up indicators with sector-level change indicators is an important component of IOM, moving beyond an exclusive FSD focus and embedding a sectoral perspective in relation to systemic change. In addition to FinScope, sector-level tracking would focus on the size, access, diversity, efficiency, and stability of the financial sector, through annual collection of data from existing sources.
d) Some aspects of the ToC cannot be measured sufficiently well with indicators. By focusing only on simple quantitative measurements, FSDs are not able truly to capture the progress that is being made. As explained earlier, concepts like systemic change may require **measurements beyond traditional indicators,** including qualitative indicators and narrative description, particular where important unanticipated events have occurred.

36. Depending on the design of the ToC, this evidence gap may be classified either as an 'output' or as an 'outcome'. The essential challenge lies in measuring the steps/changes that occur between the FSD outputs and the outcome of improved financial access – for example, at market level.

Figure 13 below is an extract of Figure 4 and illustrates the need to ensure that the ToC is unpacked. Changes in boxes 3, 4, 5 and 6 are carefully tracked to help assess whether expected changes in box 7 and 8 are likely to occur in the next three to five years.

Tip: FSD programmes should focus on whether the chosen indicators for boxes 3,4,5 and 6 (within Figure 13) will help track progress towards boxes 7 and 8. They should not worry too much about whether these are included in the logframe and whether these are labelled as output or outcome indicators. Progress indicators of this type also provide FSDs with a more realistic approach to reporting results from what can be lengthy acts of facilitation, which may not result in concrete market changes in the short term.

Figure 13 Evidence gap and going beyond traditional monitoring



The rest of this section elaborates the IOM approach and illustrates how IOM can help address key issues identified above:

1. ensuring that there are sufficient indicators that measure progress (the intermediate steps) towards the medium and longer-term outputs or outcomes;
2. capturing systemic changes; and
3. capturing indicators of financial sector change beyond FSD interventions (i.e. top-down sector indicators). Some changes in the market are less amenable to specific quantitative indicators but are still important events that can be tracked using qualitative methods and what we call 'narrative reporting' and 'monitoring beyond indicators'.

5.1.2 Indicators of progress

Defining and measuring indicators of intermediate steps between discrete outputs or outcomes (as currently recorded in the logframes) is important. These indicators of progress capture the intermediate steps that are essential to achieving the financial inclusion outcome. Depending on the specific FSD ToC, three broad areas that an FSD may want to measure include: changes in the attitudes or behaviour of FSD partners; easing of market constraints; and process-based indicators of progress made by FSD partners.

5.1.2.1 Attitudes, knowledge, behaviour, skills

The FSD partner (financial services providers (FSPs), policy-makers, meso-level service providers) will go through a series of steps before market change actually happens. Indicators can be established to track the steps that the market or market players (including the FSD partner) are likely to take to improve their capacity and steps that contribute to change in the market, though not yet at a system-wide level. FSDs want to identify a **change in the attitude, knowledge, behaviour and skills** of the partners that FSDs are trying to influence, be it a private sector provider, a non-governmental organisation (NGO), a regulator or policy-maker. Indicators to measure such changes will be qualitative and will rely on partners being open about what is happening in their organisations. The data source may be a conversation/interview with a senior regulator or financial institution executive confirming that a particular change is underway, or, possibly a survey or FGD among FSPs. Proxy indicators can also be useful here. See Table 12 below on how to define progress indicators, as changes in attitude, knowledge, behaviour and skills are certainly key steps towards desired results. Also, see the Section 5.1.5 below on qualitative indicators and narrative reporting for additional ideas about how to measure these types of changes.

Box 10: Progress indicators

Progress indicators are akin to marking an ascent up a high mountain by establishing camps at different altitudes. No one is capable of climbing Everest or Kilimanjaro without breaks along the way to rest and take stock of the journey so far. Thus, progress indicators are just what they say they are: a way of taking stock along a route that leads to the summit, i.e. in the case of IOM for most FSDs, the outcome of greater financial inclusion. To achieve this outcome FSDs often need to engender and support new thinking, attitudes and behaviour changes, possibly with further re-thinking and attitude changes stimulated by evidence emerging from previous actions.

One illustration of this process involving progress indicators could be the development of new, less strict know your customer (KYC) rules for small-sized mobile money transactions. This would not be an end in itself. Rather, succeeding in ensuring there are lighter KYC requirements would be one key step (or 'camp') along the route to achieving greater access for poorer people by reducing the friction for small transactions. First, evidence from mobile network operators (MNOs) and banks might need to be gathered to show how mobile money transactions were not increasing as fast as expected and the reasons for this, along with comparable evidence from other countries. Then the regulator would have to accept that evidence and arguments, and change its thinking about the issue. This may be followed by new, less onerous KYC requirements. This in turn should encourage MNOs and banks to increase access and their customer bases, and change their behaviour in relation to such target groups.

However, it should be noted that not all results chains are going to be as linear as this example. Some progress and associated indicators might be achieved, but then other factors, mostly outside of an FSD's control, might come to bear on the overall process. So progress towards financial inclusion is made or may get stalled, or a different path towards the summit may need to be taken. Progress indicators help to identify key intermediate outcomes and track progress towards these.

Table 12 Example of indicators of progress for a micro-insurance project

	Progress indicators for the FSD partner	Progress indicator for the wider market
Expected result	Micro-insurance provider (partner) improves its capacity to serve low-income people	Product for the micro-insurance sector targeting poor people is established
Indicator/ change of interest	1. Partner attends a training session that is specific to the topic 2. Partner conducts a diagnosis of the sector 3. Partner conducts market research/ segmentation on low-income households 4. Partner designs suitable micro-insurance product 5. Partner take out a licence to provide micro-insurance products 6. Training budget spent on micro-insurance 7. Partner sets up new dept. to focus on micro-insurance 8. Strategy is developed/ adopted by partner for low-income households 9. Number of staff (in partner organisation) trained and certified in pro-poor product development 10. Board of FSD partner approves strategies/ business plan with micro-insurance elements	a. Partner designs suitable micro-insurance product b. Partner takes out a licence to provide micro-insurance products c. New micro-insurance providers registered d. Non-FSD-supported partners recruiting staff for micro-insurance team e. New product has reached market (increase in number of low-income households/ clients reached/ served; increase in number of micro-insurance policies)

5.1.2.2 Easing market constraints

Given that actual market change is often a long-term process of easing identified market constraints (for example, those constraints that are identified in the initial FSD market diagnosis), an intermediate indicator can help identify progress towards the expected market change. Some examples have been provided in the table below.

Tip: It is useful for an FSD to periodically revisit its original market diagnosis, which informs its ToC, to assess if there are signs of 'progress' that show that the important constraints in the market are changing. This may go beyond only identifying constraints that a specific project is working on. It may also happen that the removal of one market constraint reveals the existence of another constraint, not previously identified or clearly seen.

5.1.3 Capturing systemic change

5.1.3.1 Overview

As discussed in Chapter 3, systemic change moves the focus of a monitoring system away from direct acts of facilitation or direct numbers and seeks to understand the broader transformations taking place in the sector. It is difficult to define systemic change precisely, but characteristics used by other market development programmes appear to be well suited to FSD objectives:[37] trying to promote sustainability, scale-in that acts of facilitation benefit an increasing proportion of the FSD's target group(s), and resilience (ability to respond to shocks and adapt models/processes to changes in the market).

5.1.3.2 Measuring systemic change for FSDs

Measuring systemic change for FSDs Figure 13 shows that the core of the measurement process relates to a direct results pathway, from an FSD intervention creating some concrete change in the market (output) and leading to improved outreach of financial sector (outcome). For some FSDs, there are direct indicators that already capture such market system development in their logframes, offering evidence that they will promote sustainability, scale and resilience; but for others, either because they have not explicitly noted this aspect in their ToC or because the market system developments are for some reason not considered to be the main outcomes of interest or are too difficult to measure, there can often be an evidence gap as regards a particular act of market change and how this has improved the underlying dynamics of the system.

Discussion point: During the consultation there was discussion as to whether systemic change always happened at the national level, or if it could also be more localised. The IOM accepts both, as long as such change reflect changes to the underlying structures. While localized change may have less scale in terms of absolute numbers, it may have changed a low base (for example, marginalised farmers) significantly, and therefore in relative/ percentage terms it can viewed as having scale.

37. See DCED (2014b).

Table 13 Easing of market constraints

Level	Examples of constraints	Examples of indicators of progress towards constraints being eased
Macro	1. Restrictive KYC requirements 2. Lack of regulation for micro-insurance	a. Regulator agrees to new or amendment regulation that addresses the constraint identified b. Central bank and/ or ministry of finance, plus private sector FSPs, agree to and then participate in developing a national financial inclusion strategy which includes reviewing KYC requirements and micro-insurance c. Central bank and/ or ministry of finance form a task force to review relevant issues
Meso	3. Lack of reliable credit history information in the market	d. A study on creating a credit information bureau is conducted e. The central bank recommends a new law or issues directives on establishing a credit information bureau f. Number of unique clients added to the credit bureau g. Number of FSPs that report to the credit bureau
Micro	4. Market actors do not have the skills to leverage new delivery mechanisms 5. Market actors have not prioritised reaching out to new market segments	h. Number of market actors that receive TA in relation to developing products for the new delivery mechanisms i. Senior executives of the FSPs demonstrate increasing interest in financial inclusion topics j. The FSP has designated a person or unit to lead outreach initiatives or establish new branches/ agents for financial services delivery k. Market actors develop and roll out new products

There are two overlapping aspects of market change that FSDs can bring about. Although these aspects may be treated differently in results frameworks – the FSD has direct control over the first type (described below) whereas the second type will depend on many other factors – **they both should be acknowledged as important outcomes of the programme:**

1. Market system development indicators that are directly caused and identified by the programme, and that for accountability purposes can be included in the logframe (often at output level). In this case, FSDs need to be quite specific about the types of change they anticipate bringing about in the market, and therefore indicators are quite focused on their action. These may include indicators such as 'improving the enabling environment' or 'strengthening the capacity of financial institutions to offer pro-poor financial services' that build on and may overlap with the 'easing market constraint' progress indicators noted above. Such indicators, often focused quite narrowly on an FSD (i.e. the rules and policies they have worked on, or the financial institutions they have worked with), offer an important, albeit quite narrow, part of a market development narrative that tends to correspond to the initial rationale for the setup of an FSD – i.e. removing market constraints to pro-poor financial services.

Discussion point: Some FSDs questioned IOM's emphasis on systemic change, given that they spend considerable time identifying the 'systemic market constraints' in their ex-ante analysis. This has led some FSDs to ask – "isn't all our work systemic?" The IOM recognises this argument to a degree, and section 5.1.2.2 that addresses 'easing market constraints' guides this type of measurement. However, the IOM argues that FSDs need to go further than this, and understand the broader system changes that result from removing these constraints, both from a FSD's perspective (see 5.1.3), and across the financial system as a whole (see 5.1.4).

2. For IOM purposes we are also interested in indicators that signal a more medium-term and long-term shift in the market, which may go beyond the immediate actions of the programme. These can be considered indirect outcomes facilitated by the programme and may take longer to achieve. They are still important to capture, but because of the longer time-frame, it will also make sense to measure intermediate indicators that herald the changes to come.

Tip: Even if an FSD focuses on direct market change indicators for the outputs in its logframe, it should be aware of how these relate to the systemic constraints in the overall market. It should then monitor beyond the logframe to capture such systemic changes, or incorporate indicators into the logframe (see Box 13).

Box 11 Why we need specific FSD systemic change indicators

Having concrete indicators for assessing these changes provides a number of important functions (both for measurement and implementation) because they:

1. build an evidence base for a programme to assess how systems and the market actors within them are changing over time. For some market development programmes (including FSD programmes) the rhetoric regarding influencing markets in this manner is not backed by their measurement systems;
2. provide an evidence base for FSD programmes to show their impact beyond the financial outreach caused directly by their interventions (providing FSDs with a basis for claiming results arising from the full range of their interventions); and
3. guide an FSD programme as to where and with whom to intervene next. For example, if an innovative business model that is helping an FSD target group is not spreading throughout the market, an FSD may consider additional intervention to promote this demonstration effect (see Figure 9, above).

Buy-in indicators, measure the degree to which FSD partners have taken ownership over new ideas, whereas the broader **market indicators** look at changes across a financial sector or a sub-sector.[38] This latter type of indicator is particularly important for FSDs: it represents a departure from other non-FSD market development programmes in that it can capture the broader effects of work involving directly improving the structures (e.g. rules, infrastructure) of the market. Whilst changes in partners beyond a project are likely to be relevant to all FSD interventions, the other indicators in Table 14 below are likely to be more suited to particular interventions (for example, replication is less likely to apply to policy work).

Tip: It is also important for FSDs to try to define the parameter of the 'system' in which they are operating, otherwise measurement can quickly become unwieldy. To that end using results chains that extend horizontally (as per Figure 9) provides a useful tool for thinking through what types of systemic change may be relevant to a particular project. To recap, the IOM will need to track three types of changes:

To recap, the IOM will need to track three types of changes:

1. **Partner changes supported by an initial project:** such changes will be tracked within each project ToC and/or logframe
2. **Partner changes beyond an initial project:** FSDs are interested in assessing if partners have adapted and expanded their practices beyond the specific project goals (an indication of systemic change). It is useful to think of three types of FSD partner change that can occur beyond a project:[39]
   a) **Adopt:** This looks at the potential for the partner to continue the project after the FSD support has concluded. For example, an indicator may assess if the partner is financing work to continue the project beyond the scope originally agreed.
   b) **Scale:** Related to the above, and particularly relevant to micro projects, partners may scale up pilots.
   c) **Adapt:** The partner tailors the project in some manner, for instance to add more functions to a particular service provided, especially if adapting a product or service to better suit low-income customers.

38. Another framework, the adopt–adapt–expand–respond model provides a similar set of indicators FSDs can think through when trying to identify potential systemic change effects of their interventions. This is presented in Annex E.

39. Note, these do not have to be mutually exclusive categories; they can potentially all apply.

Tip: These systemic change indicators are not meant to suggest a linear progression of change occurring. The time when to measure these changes will vary depending on the nature of the market and intensity of the intervention, with adopt, and scale potentially likely to occur before adaption and replication. Different indicators will also be more relevant to certain types of projects (see Table 14). Moreover, there may be feedback loops: for example, a proliferation of new business models may lead to changes in regulation, which lead to further changes.

Table 14 Generic systemic change indicator typologies

Type of intervention	**1. Changes within the partner beyond initial project**			**2. Broader market changes**		
	Adopt	**Scale**	**Adapt**	**Replication, demonstration, crowding in effects**	**Incentive / structural change**	**Resilience / responsiveness**
MACRO: New/ improved regulation established	Change in attitude, knowledge, behaviour, skills of central bank Change in the internal organisation within the central bank, e.g. creation of financial inclusion unit Central bank's ability to continue to support and implement the new regulation	n/a	Policy-makers are better able to respond to changes and opportunities in the market	Not applicable in the context of an individual FSD programme; however, there are definite opportunities for FSDs and even FSD 'macro' and 'meso' partners to share experiences, and in this way replicate successful approaches.	New/ improved regulations introduced triggering new ways of working by market actors	Not always applicable but over time policymakers or market norms may respond to FSD interventions at meso and micro levels
MESO: Banking association strengthened	Change in attitude, knowledge, behaviour, skills of association Change in internal management of the association	% increase in the number of active members of the association Association continues to offer new services to its members	Association is better able to respond to new challenges and expand into new service areas for its members	While it is unlikely for a banking association to be replicated within a country, it is possible for other meso-level interventions such as supporting a financial sector business service provider to replicate	Not applicable for this example, but other meso interventions such as collateral laws may change incentives for a broad group of actors	Not always applicable but over time market infrastructure may respond to FSD interventions at macro and micro levels

Type of intervention	1. Changes within the partner beyond initial project			2. Broader market changes		
	Adopt	**Scale**	**Adapt**	**Replication, demonstration, crowding in effects**	**Incentive / structural change**	**Resilience / responsiveness**
MICRO: New business model created New delivery system piloted New product launched	Change in attitude, knowledge, behaviour, skills of FSP Change in the internal management systems used to develop and provide products and services Partner's ability to continue the project once FSD funding stops (e.g. financial, human resources etc.)	Percentage increase in the number of customers that use products or services provided by the FSD partner (based on trajectories) Partner is scaling up, with innovation becoming mainstream and/ or new business practices pushing innovation to scale[41]	Change in the relationship (collaboration) between the partner and others within its value/supply chain FSD partner organisation moves into new areas/market segment	**Replication:** Number of subsequent partners/ providers that take-up the business model as a result of pilot **Demonstration:** Leads other market participants to change their behaviour, without FSD involvement[42] **Crowding in:** Extent to which other market actors (not the same as FSD partner) respond to FSD-supported approach	New market strategies/ business models (based on change in structure) Change in attitudes to enabling environment Respect for rules/regulations/ standards (e.g. adhering to voluntary/ industry codes of conduct and compacts) Sector growth rates (pre/post change in structure)	Market actors reorganising, assuming new/ improved roles or repositioning to take advantage of opportunities/ mitigate challenges that have been created[43] Banks setting up new divisions to mainstream mobile money,[44] or policy-makers developing new rules to manage mobile money

3. **Broader market changes:** The third type of change is beyond the immediate sphere of the FSD partners and relates to signs that the broader sector is adapting and changing, with the scale and breadth of change being important characteristics. This is where what has been a fairly FSD-centric monitoring perspective (bottom-up) also connects with our broader sector tracking perspective (see below). There are three main categories of change here, which micro and meso/ macro level projects influence differently:
   a) **Replication, demonstration, crowding in effects:** particularly relevant for micro projects, these assess how an FSD project has triggered changes among non-FSD partners (either to do something similar, or to adapt and build on what the FSD partner is doing). This has close links to the types of change the DFIs look for (Box 12).

Box 12 IFC approach to systemic change[45]

The IFC have identified a number of characteristics of systemic change but recognise that there is no precise approach to measure if these outcomes are occurring and a yes/no answer in relation to their presence is largely provided by Programs, backed up with evidence, where available. These characteristics include:

- Demonstration effect
- Attracting foreign direct investment
- New structures/ instruments (e.g. new laws, or type of providers)
- Viability of (new) financing instrument
- Viability of lending to (new) sector
- Replication of financing instrument
- Corporate governance:
  - Improving board structure and function
  - Systems improvements (e.g. risk management, information technology)

41. Adapted from AAER framework in Annex E
42. Adapted from IFC
43. Adapted from Springfield Centre (2014)
44. Measurement methods might include case studies undertaken post significant events - see Step 4
45. Demonstration: Spread of new behaviours and activities. Demonstration of replicable products and processes new to the economy; new investments stimulated by the project; demonstration of ways of successfully restructuring companies and institutions; demonstration of new ways and instruments to finance private sector activity. See http://www.ifc.org/wps/wcm/connect/39a9c900488773bd8de1fd299ede9589/FIG+DOTS+Indicators-Final.pdf?MOD=AJPERES

b) **Changing incentives of market actors resulting from structural change:** particularly relevant to policy/regulations, infrastructure or even the advent of new market information (e.g. when FinScope was first introduced), this captures the effects of changing risks, costs and incentives of market actors (e.g. showing how lower-income market segments with strong demand might represent new opportunities for FSPs).

c) **Resilience and responsiveness:** is difficult to measure but relatively easier to assess ex-post rather than ex-ante while finalising project results chains. This applies to all market actors, from policy-makers to informal savings groups. Measuring resilience and responsiveness has the aim of assessing how well actors and market structures (e.g. rules / infrastructure) respond to shocks in the market – either beneficial ones, such as the introduction of new technologies, or negative ones, such as drought or sudden changes in interest rates. The AAER model (see Annex E, with further FSD examples) provides a seful question to consider here. *If you left now, would the system be supportive of the changes introduced, allowing them to be upheld, grow and evolve?*

Tip: When to measure systemic change? During consultation with FSDs there was a worry that systemic change requires measuring many years after an intervention given its focus on sustainability. The IOM guidance argues that the change processes need to be tracked on an continuous basis as trend data will provide evidence of the type and pace of change (useful if an FSD needs to adjust its intervention). This can then be triangulated with FSD actions and timelines (i.e. to measure an FSD's nature and timing of contribution). Some changes, particularly those at the macro/ meso level, may take some time to have an impact on financial sector outcomes, and may need to be measured one or two years after the intervention. This in turn has implications for the need to be flexible in terms of establishing/ updating baselines and agreeing that partners will share data on a long term basis (see Box 18).

FSDs can use these generic types of indicators to formulate and prioritise indicators that are specific and time-bound. Examples are provided in Annex D. The typologies of indicators set out in Table 14 above provide some examples which FSDs can use to adapt and develop context-specific indicators at project and programme level. This will help to ensure that FSDs consider systemic change mechanisms apart from delivery indicators (e.g. the number or value of SME loans). Which indicators are considered important by an FSD programme will depend on both the type of project and at what level of the market the FSD is operating.

Tip: In market development programmes some of the logframe indicators can and should change over time. For example, for each output there could be a mix of process and results indicators. Apart from measuring whether outreach has expanded, both the implementers and funders need to track progress in underlying structure and processes, which will be different over the course of the programme life cycle. Change in partner behaviour in a particular country may be critical in year one, but by year three the measurement focus may need to shift to demonstration effects in that country. Also, initially FSDs may place greater effort on providing support to FSD partners to test business models, gain market knowledge and credibility, while for more mature markets a greater proportion of effort is likely on improving the policy environment and supporting infrastructure.

Box 13: Linking systemic change indicators to the logframe

The monitoring of the above indicators will provide useful evidence for IOM purposes, but it can be challenging to incorporate such indicators into logframes, especially if the latter largely focus on direct results from FSD programmes (as an accountability tool) and assume linear progression from outputs to outcomes (See Tip above). However, FSD programmes can consider a few options to ensure that, for this snapshot of programme-level progress from a bottom-up perspective, they are able to report their overall impact to funders.

1. **Incorporate indirect outreach numbers resulting from systemic change:** for example, this would require aggregating financial access outcomes from those market actors with whom the FSD programmes have not been directly involved but who have copied FSD partner business models, or responded to changes in risk/costs and incentives resulting from FSDs improving the enabling environment. These can be recorded as 'indirect' outreach numbers in the logframe, with the evidence to demonstrate the contribution of FSD to these numbers being provided as part of the broader annual review.
2. **Provide an outcome proxy for the changes in the underlying structure of the market:** it is very difficult to provide just one or two indicators that can summarise if a market has developed (for example, is it sustainable, able to reach a greater number of people, and is it better able to deal with shocks?). However, using the set of indicators listed in Section 5.1.4 below to show that a financial sector has developed over time (e.g. efficiency, diversity, size, outreach, stability), it may be possible to provide a weighted average indicator (at outcome level)[46] for a few categories that are most relevant to an FSD.
3. **Incorporate systemic change indicators directly in logframe:** this would shift an FSD not only to focus on concrete outputs (e.g. laws passed, infrastructure strengthened, business models developed), but to attempt to provide a summary as to the sustainability, resilience and scale of these projects. These systemic change indicators would be included as output-level indicators in the logframe, and could be both programme focused (e.g. no. of projects showing sustainability) or focused on specific areas of the market (e.g. assessing if the enabling environment was more effective). Caution should be applied when adopting this approach as there is a risk that FSDs will be held to account for changes that are only partly in their control. FSDs can only use such indicators if funders allow variation in the use of indicators relevant for the next reporting period and these change over time as progress is achieved and new market development aspirations are agreed.

5.1.4 Top-down and bottom-up impact-oriented indicators

The sections above focused largely on extending FSD output monitoring, in order to think more about measuring FSD facilitated systemic change as an intermediate outcome (as shown in the ToC diagram in Figure 4), and in order to be able to confirm how FSD interventions have promoted such change. This section focuses more on the sector level (top-down) – that of the supply and demand for financial services, and how these dimensions can help FSDs to augment their evidence as to how the underlying dynamics of the market have changed (from a non FSD perspective). Top-down analysis can start with sector-wide analysis and data already available, e.g. annual reports of the central bank or other regulators, a special study by bankers or micro-insurers association, or relevant analysis from a Financial Sector Assessment Program (FSAP) report or an International Monetary Fund (IMF) Article IV consultation. A special study should be considered by an FSD only in regard to a specific evidence gap.

Incorporating top-down monitoring to complement the more traditional bottom-up monitoring is critical for bridging the evidence gap described in Section 5.1.1.2 above. Figure 14 shows different and complementary methods applicable for bottom-up and top-down monitoring and Table 15 summarises indicators for both bottom-up and top-down measurement of programme outcomes and impact. These indicators can be collected at a sector level and, in combination, help build a contribution story. For example, increases in the provision of financial services through FSD-supported institutions can be compared with overall increases in the sector.

46. Further work will be needed by FSDs and FSDA if this is considered to be a priority area.

Figure 14 Tracking changes in the ToC

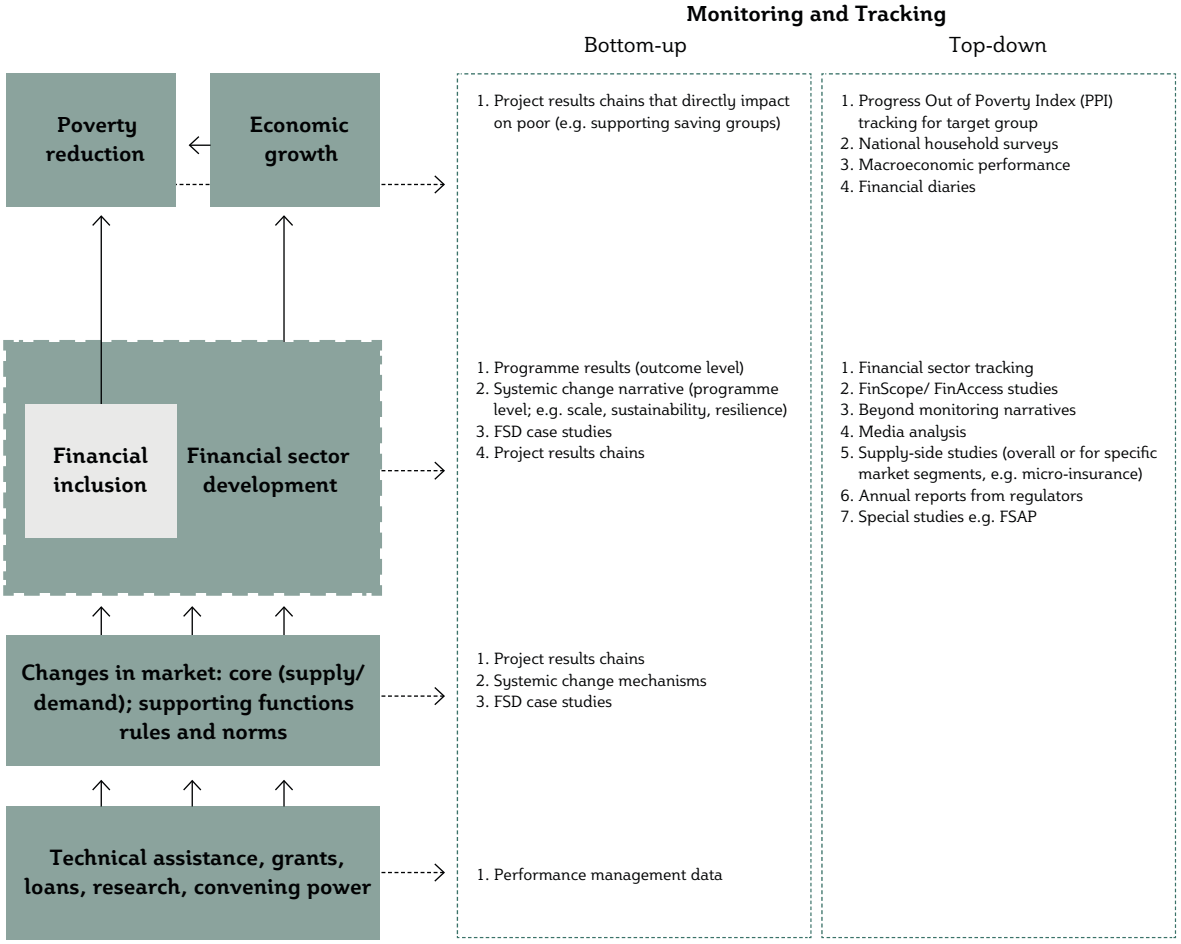


Table 15 Types of indicators – programme outcome and impact (top-down and bottom-up)[47]

PROGRAMME OUTCOME		IMPACT	
Financial Inclusion	**Financial Sector Development**	**Livelihood/ Poverty Reduction (for more details see Box 14 below).**	**Pro-poor Growth**
Examples of sector focused indicators – top-down			
FinScope/ FinAccess surveys complemented with: i. Frequency of financial services use ii. Reduced cost of use iii. Reduced account inactivity/ drop-out rates iv. Financial diaries and/ or ethnographic research to provide qualitative data on how people and small businesses view specific financial products, services and providers	i. Reduced use of cash transactions ii. Increased use of mobile money payments and remittances iii. Deposits/ GDP per capita increasing iv. Increases/ growth in credit to SMEs as a ratio to total credit outstanding v. Percentage of small businesses identifying access/ cost of credit as a major constraint (see also separate paper on Tracking financial sector development)	i. PPI ii. Reduced number of occasions when household needed to borrow from money-lenders to cover daily expenses or emergencies	i. Increase in private sector investment ii. Average growth rate for last three years iii. Additional jobs created in SMEs Possible tracking through: efflcient exchange of goods and services; mobilise/ pool savings; allocate capital (at financial sector and firm level); risk diversification and management. See Section 5.1.6
Examples of FSD-focused – bottom-up – aggregated indicators (including outcomes as a result of partners scaling up, replicating and responding to changing risks and costs resulting from structural changes)[48]			
(i) Number of individuals/ enterprises using financial services as a result of FSD interventions (ii) Volume of credit / deposits provided by a cross-section of FSPs supported by FSD programmes	(i) No. of banks and other financial institutions using FSD-supported credit reference bureaus (ii) No. of new entrants to sector supported by FSD programme (iii) Efflciency improved amongst FSPs supported by FSD programmes	(i) No. of people provided with income opportunities (ii) No. of people reporting reduction in losses when savings Many projects and factors (outside the control of FSD programmes) contribute to outcomes and impact, and FSD programme focused indicators are not expected at the impact level. However, project-specific evaluations may, for example, attempt to assess how income changes for a specific group of end-users benefited from the project	(i) No. of jobs created by enterprises funded by FSD-supported partners

Note: See separate papers on The relationship between financial sector development, economic growth and poverty reduction; Tracking financial sector development; and Assessing the quality of access.

47. See Annex C for a discussion of how FSD programmes are currently tracking these indicators in their logframes.

48. It may be useful to keep indirect results (i.e. those from non-FSD partners copying an FSD-funded project, or from macro interventions stimulating a broader market responses) separate in the IOM system and the logframe.

Box 14 How far should M&E focus on the final impact of poverty reduction?

In general we advise FSD programmes to focus on financial sector outcomes, rather than expending significant resources on trying to understand the final impact on poverty reduction. Evidence should show that links to poverty reduction are present and, for a number of interventions, it should be possible to use the emerging evidence (linked to the type and context of your project, e.g. are poor people and small businesses getting financial services?) to show that these links exist. However, there may be times when FSD will be able to go further and collect specific data on poverty impacts of individual projects. Indeed many of the reasons listed in Box 25 in Step 5 on when to undertake in-depth evaluations of specific projects apply. The process may, for example, include collecting evidence on changes in livelihoods/poverty reduction when implementing a particular innovative project or a particularly expensive project (where VfM analysis may also be applied). These can be done to convince realtively informed critics of the link between market change and peoples' lives. Again, there is a spectrum as regards the types of studies/methods that can be used to collect and analyse such data. For example, light-touch methods for collecting poverty data may include FGDs, compared with more extensive (and expensive) representative sampling and before-and-after surveys.

5.1.4.1 Measuring and tracking financial sector development (Top-down monitoring)

Tracking financial sector development is crucial for FSDs to meet several different objectives:

i. to augment the evidence base for impact evaluation (e.g. it captures how interventions are changing the financial sector in ways that go beyond FSD partners) as well as to pick up unexpected impacts;
ii. to improve understanding of how complex and dynamic markets are changing and place the FSD interventions in the overall market context[49] so that FSD managers can assess the role and progress of their own programmes in order to develop an overall credible narrative around impact;
iii. to identify priority areas/gaps for future FSD work; and to strengthen dialogue and advocacy.[50]

FSDs are familiar with some of these objectives and have used FinScope and other studies to pursue similar objectives in the past. However, very few FSDs have systematically collected and used the financial sector data so far, especially on the supply side – and even on the demand side few have mined the FinScope data as deeply as they might. Of course, some financial sector data are at a much higher level than FSD contributions; but without an overview it is quite hard to map where FSDs are, or to prioritise in which sub-sector/market there is an opportunity for an FSD intervention to make a major difference.[51]

Discussion point: During the consultation FSDs commented that top-down measurement is difficult as it is always not clear where to start. However, there was agreement that a clearly articulated ToC (and theme based ToCs) can help provide some limits on the type of sector tracking an FSD undertakes. For example, an FSD focusing on finance for growth may want to focus on longer term loans whereas this need not be the case if the FSD focus is mainly on finance for all. Moreover, this type of tracking is intrinsic to what FSDs have already been doing, for instance with their funding of FinScopes/ FinAccess. This not only provides an essential source of data for measurement, but it also allows for informed discussions with policymakers and other stakeholders based on non-FSD specific set of credible evidence.

Tip: Given their lack of direct relevance to FSD interventions, sector-wide data need not be used by an FSD to show accountability of the FSD's performance through annual reporting processes, but they can and should be used for broader IOM measurement purposes.

As noted at the start of this chapter, a particular challenge for FSDs is measuring how the underlying structures of the market have changed. We have showed how to assess this from the perspective of FSD projects, but being able

49. For example, what are the implications for FSD-supported financial institutions showing x for a particular indicator while the sector is showing y for the same indicator? (x and y could be absolute numbers, growth rates or percentages, depending upon the specific indicator being analysed).
50. Sector-level data and insights can also provide a public good function (used by national policy-makers, market actors and other market observers). The process of identifying/prioritising sectorlevel indicators and discussions about how these market data should be compiled/ funded and disseminated in itself can be an important part of the FSD market facilitation function. These data also provide evidence for an active dialogue with financial institutions, policy-makers, bankers' association and others as to why the needle is shifting in some indicators (and not others) and what more can/ should be done.
51. There is something of a parallel here to a share market operator who needs to track the overall changes in the capital market even though the trader may only be interested in a few shares, bonds or other financing instruments.

to track how the sector is developing and changing over time is also important. Most of us could point to the structures (an enabling environment, innovative business models, developed infrastructure and skills, high levels of financial capability etc.) that we would want to see in a more inclusive market, with market players that were sustainable, had achieved scale and were resilient. But this is hard to measure in practice. Indicators that relate to financial sector development, along with descriptions of how forms in the market have changed (e.g. new rules/credit registries and the entry of new players), provide useful proxies for how underlying dynamics are operating.

Financial sector development incorporates (at least) certain types of change in a range of indicators (size, depth, etc.). Indicators that can be used to measure these changes, and which can be collected at relatively low cost by all FSDs, are identified in Table 16.[52] The trade-offs in selecting these indicators are further elaborated in a separate paper.[53] When considered together, the proposed indicators can provide a useful overview of the state of a country's financial sector and its evolution over a number of years.

Box 15 Do all interventions need top-down sector tracking?

Some form of understanding of how the sector or sub-sector is changing is important for most interventions. However, the sector/sub-sector indicators provided in the Section 5.1.4.1 are likely to be useful across a number of interventions, meaning that there is no need for additional sector analysis for each new intervention. Over time it may be found that these indicators are not related closely enough to an FSD project (to build up a contribution narrative), and will therefore need to evolve accordingly, with new indicators added and others dropped.

Discussion point: Recognizing that the total number of indicators the paper identified exceeded 30, there was a risk that if, for the sake of ease of data gathering, an FSD selected to track two or three of the five categories of indicators, these might paint a misleading picture. The example of Myanmar was given where, judged by some limited number of measures, the country might be considered to have a well-developed financial sector, which is clearly not the case. So it was probably important to track all five categories, even if the total number of indicators followed was reduced to a more manageable number.

Table 16 Tracking financial sector development – some common indicators

Financial sector change	Indicator
Size	Ratio of bank deposits to GDP Ratio of private credit to GDP Ratio of cash holding to deposits (given interest in 'cash-lite' economies)
Depth/diversity	A listing of the country's main non-bank financial institutions with a simple summary of their size based on total assets A composite indicator[54] comprising the following (or sub-set of): insurance company assets to GDP; life insurance premium volume to GDP; non-life insurance premium to GDP; pension fund assets to GDP; stock market capitalisation to GDP; stock market total value-traded to GDP
Access/inclusion	ATMs per 100,000 adults Bank accounts per 1,000 adults Bank branches per 100,000 adults Received loan from a financial institution in last year (% of adults) Saved at a financial institution in last year (% of adults) Small firm with a bank loan or credit line (%)
Efficiency	Bank net interest margin as a percentage of earning assets Bank overhead costs as a percentage of total assets Bank return on assets before tax (%), and return on assets after tax (%)
Safety and soundness	Ratio of bank regulatory capital to risk-weighted assets Bank non-performing loans as a percentage of gross loans Narrative descriptions from financial stability studies

52. Some individual FSDs may also be able to collect more granular information from their respective central banks at low cost.
53. See FSDA website, at www.fsdafrica.org/knowledge-hub.
54. More details are available in a separate paper on tracking financial sector development. See, www.fsdafrica.org/knowledge-hub

In total some 30 indicators have been identified. In many cases the data for use in the monitoring process can be assembled from readily available international databases. However, these sources would need to be supplemented by some limited new research efforts to extract relevant 'new' data from national data sources that will be available in most countries. They can also be supplemented by country-specific indicators if an FSD has ready access to more bespoke data.

For a stronger narrative, it will also be helpful[55] to analyse these indicators on a disaggregated basis: i.e. are financial inclusion-focused financial institutions as sustainable as those who serve the entire market, and/ or is efficiency and profitability of financial institutions improving over time? Similarly, while the bottom-up analysis may look at growth of FSD-supported FSPs, placing these data alongside market data can strengthen the narrative, e.g. absolute size and number of SMEs financed by FSD-supported FSPs and the overall market, and how this has changed from year x1 (when FSD support started) to period x2. Or if an FSD focuses on a particular sub-sector, say agriculture, additional indicators to the above can be collected, as shown in Table 17.

Analysing such sub-sector data over time may reveal surprising or unexpected trends. Whilst useful in itself for FSD programming, the data can also be compared back to FSD interventions, to see if the interventions were having unexpected impacts revealed by such trends.

5.1.4.2 Tracking financial sector development contribution to economic growth

Possible indicators for tracking FSDs' contributions to economic growth can be identified by considering functions such as: efficient exchange of goods and services; mobilising/ pooling savings; allocating capital (at financial sector and firm level); and risk diversification and management. Table 18 below provides some suggestions and comments in this area: a separate, more detailed paper (see Tracking Financial Sector Development) is available to explain why these indicators have been shortlisted.

Table 17 Focused sector tracking – illustrative example (agriculture)

Agri-financial sub-sector change	Indicator
Size	Ratio of bank (and any non-bank financial institution (NBFI)) deposits from agri-businesses and farmers to GDP Ratio of private credit to agri-businesses and farmers, to GDP
Depth/diversity	A list of the country's main NBFIs with a strategic focus on agri/rural-finance (e.g. insurance companies, savings and credit co-operatives (SACCOs) and microfinance institutions (MFIs), plus a simple summary of their size based on total assets[56] The proportion of adults sourcing credit from NBFIs and savings and loans and other informal groups (FinScope)[57]
Access/ inclusion[58]	Agri-finance loan from a financial institution in last year (% of adults) Agri-businesses and farmers who have saved at a financial institution in last year (% of adults) Agri-businesses with a bank loan or credit line (%) Purchased agriculture insurance (% working in agriculture, aged 15+) Received payments for agricultural products: deposited in an account at a financial institution (% recipients, aged 15+)
Efficiency	Bank net interest margin on agri-credit as a percentage of earning assets Bank return on agri-assets before tax (%) Top banks engaging in agricultural sector – net interest margins on all credit as a percentage of all earning assets[59]
Safety and soundness	Bank non-performing agri-loans as a percentage of gross agri-loans Narrative descriptions from any financial stability studies

55. We still encourage analysis of the above indicators in order to obtain an overall picture.
56. Use cut-off for minimum size, possibly based on number of members, e.g. 25,000.
57. FinScope also provides access indicators.
58. Agri-insurance indicators available from Findex and the World Bank can also provide disaggregation by gender.
59. This would be a proxy to be used in the event that central bank data were not available specifically for agri-finance.

Table 18 Indicators to track FSD contribution to economic growth

	Theme	Possible indicators	Comments
1	Efflcient exchange of goods and services	Volume of transactions performed through the banking system	Need to check with the central bank as to whether such data is easily available. The payment system survey by the World Bank may have these data, but it may not be available on a regular basis
		Transaction costs for payment services	Some countries have started collecting such data at bank level, but there is a need to check broad data collection efforts in this area
		Ratio of cash in the economy to deposits in the banking system	This might be the best and most readily available indicator
2	Mobilise/pool savings	Ratio of total deposits to GDP	Readily available
		Ratio of total credit to GDP	Readily available
		Loan–deposit ratio (a gauge of intermediation efflciency)	Can be easily calculated
3	Allocate capital (financial sector level)	Percentages of MSMEs noting constrained access to loans and other financial products (e.g. restrictive collateral requirements, high application fees and lengthy processes)	Assess percentage of MSMEs that obtain a loan compared to those who say they need a loan (i.e. exclude firms that do not apply because they do not need a loan)[60]
4	Allocate capital (firm level)	Ratio of assets of NBFIs to GDP	Ideally defined as the combined total assets of insurance companies, mutual funds and pension funds as a percentage of GDP. Initially data may be available for only some NBFIs; this that should be ok as long as similar metrics are used for comparison across countries and over time
		Doing Business indicator of property registration or efflciency of credit information-sharing	Important to note that these indicators are actually institution/ policy variables and – unlike the others – not 'output' measures of the banking system
5	Manage liquidity risk	Share of loans with a maturity above one year relative to demand deposits	Might be available for individual countries, more difflcult at cross-country level
		Actual number of firms listed on the stock exchange	Readily available
		The availability of a long-term yield curve in the economy	May be available for some countries
6	Risk diversification and management	Life insurance penetration	
		Market capitalisation of listed companies (% of GDP)	Readily available
		Stock traded, total value (% of GDP)	Readily available
		Ratio of cash in the economy to deposits in the banking system[61]	This might be the best and most readily available indicator

60. This is a difficult indicator as all the MSMEs who aspire to obtain a loan but may not be worthy of a loan: e.g. entrepreneurs may gloss over their own weaknesses and just blame the banker even though bankers may be right to refuse a loan in some circumstances.

61. This has been listed for efficient exchange of goods and services. The data are collected only once but can also be used to track evidence of changes in risk diversification and management at the level of the economy.

5.1.5 The use of qualitative indicators and monitoring beyond indicators

Some indicators are a straightforward quantitative measurement of what happened – for example, 'number of policies changed'. These indicators are well suited for inclusion in the donors' logframe or results framework because they are clear cut and easy to measure. On the other hand, other indicators address more complex outcomes. Often such indicators signify a mechanism of change rather than the change itself, let alone the desired end results of enhanced financial inclusion, financial sector development or impact on livelihoods.

Such data are critical for capturing and providing valuable insights for attribution or contribution analysis and impact evaluations. Examples might include changes in policy-makers' and regulators' attitudes (e.g. regarding the importance of informal savings groups for financial inclusion), changes in FSPs' strategies towards serving lower-income segments (also perhaps resulting from changes in attitudes – to the enabling environment, for example), and willingness of MNOs and FSPs to support inter-operability and non-exclusivity of mobile money agents. As we noted earlier, these types of indicators could be substantiated by memos recording conversations with senior regulators or FSP executives, or surveys or FGDs.

Table 19 provides examples of qualitative indicators and how they can be measured. The table also includes possible quantitative proxy indicators. These do not measure the qualitative indicator adequately, but they may be easier to track with greater frequency than qualitative measures; quantitative proxies are also helpful for triangulating the findings from the qualitative data collected.

Table 19 Examples of qualitative indicators

Qualitative indicator	Qualitative source of data/ means of verification	Possible quantitative proxy	How to report findings and results
Improved enabling policy environment	Meeting notes or recording from interviews, FGDs with regulators and/or with FSPs Special studies	Number of regulatory reforms Score on EIU Microscope[62]	Synthesise findings and report key findings and evidence in quarterly/annual report
Changing attitude of policy-makers towards financial inclusion issues	Meeting notes or recordings of interviews with regulators	Number of international meetings or events on financial inclusion topics attended by representatives of the central bank Perception surveys of selected market actors and/ or policy-makers (calculating average score on a few indicators)	Synthesise findings and report key findings and evidence in quarterly/annual report
Improved capacity of FSPs to reach 'down market'	Meeting notes or recordings of interviews with FSPs. Surveys of FSPs and/or FSP staff	Number of training sessions or TA received by FSP Proxy indicators for capacity agreed with FSPs and scored	Synthesise findings and report key findings and evidence in quarterly/annual report
Changing behaviour of FSPs to improve consumer protection	Meeting notes or recordings of interviews or focus groups with FSPs and clients. Surveys of FSPs and/or FSP staff	Non-performing loans Percentage of active account users Number of consumer complaints received by FSP or by regulator Percentage of complaints addressed	Synthesise findings and report key findings and evidence in quarterly/annual report. Case study

62. http://www.eiu.com/public/topical_report.aspx?campaignid=microscope2014.

Taking the concept of qualitative indicators a step further, it should be noted that even quantitative and qualitative indicators alone rarely present a full picture of the results that are being tracked. Results chains and logframes place an emphasis on the FSD as the influencing factor in the financial sector, but given the size and complexity of the financial sector, this may miss important relationships, different perspectives or influences outside FSD contributions, or new approaches/ perspectives/ providers that are much more important but are not being captured through indicators currently being tracked. For instance, as noted above, qualitative and quantitative indicators may not capture unplanned or unforeseen outcomes. This is a particular issue with complex programmes like FSDs, where results and their indicators are often difficult to define precisely in advance. In addition, such indicators only provide insights perhaps once or twice a year when they are updated. It is therefore important that we capture evidence of outcomes beyond specified indicators.

Box 16 Example of measuring beyond indicators: financial protection

An FSD seeks a long-term outcome: firms take concrete steps towards the adoption of new policy and industry practices that better protect base-of-pyramid financial consumers. Thus, the FSD could commission a comprehensive study to track firms that are adopting these practices. Alternatively, the FSD could ask their stakeholders (e.g. FSPs, trade associations or central banks) to refer cases that they come across, and FSD team members could also capture examples themselves, through field visits or through desk research. An FSD programme may not be able to establish how representative these cases are, but they can learn from them, as case studies, and feed that knowledge back to the relevant market actors with a view to improving the outcome(s) sought.

For sector-level tracking, there are also indicators – often broad in nature and more conducive to narrative description than direct trend analysis – that might be used to look at the systemic changes occurring in the sector from a broader perspective than those provided above in Table 14. There is no set list of things that can be identified, but Miehlbradt and McVay (2006) provide a number of examples of signs that a market system is functioning which can be picked up by such narrative reporting; including if attitudes are changing (Box 17), if a major event has taken place (such as a new financial institution has entered the market, or different organisations have started to create partnerships (e.g. between MNOs and banks)).

Box 17 Attitudinal change

Because some of the changes that FSDs aim to effect address fundamental market behaviour and are long-term, it is important to identify indicators that progress is being made towards those ultimate goals.

Changes in knowledge and/or 'mental models' (including attitudes) by policy-makers and other important market actors may indicate future changes in behaviour by these individuals as well as the market system. Such actors can include large bank and insurance company CEOs, central bankers and policy-makers.

Attitude changes of interest could include, for example, the attitude of policy-makers towards the relaxation of KYC requirements in favour of a more accessible formal financial sector, or the attitude of MFIs towards predatory lending practices. These changes can be tracked through surveys, FGDs, key informant interviews, media monitoring, case studies, and even through observations by FSD staff.

Tip: One way to explore these measurements beyond indicators is to define the specific assumptions or hypotheses based on the ToC that it is important to track and that are not sufficiently captured in the quantitative and qualitative indicators.

5.1.6 Impact-oriented indicators in practice

As market development programmes, FSDs also need to answer certain questions, as regards how they use indicators: **Are they useful?** FSD programmes should select indicators based on whether they are useful in relation to managing interventions, providing accountability to funders annually (through the logframe) and demonstrating impact. For IOM purposes the key is that indicators can help answer the measurement questions that are of interest to the FSD.[63]

– **Are they realistic/ feasible?** FSD programmes should be realistic and pragmatic in selecting indicators, and should choose a manageable number of such

63. Over time it is also useful to include checks as to 'Who is using (or going to use) the information?' and 'can it be used in a practical way?' If the answer to either of these questions is 'no-one' and 'no' for a specific indicator, then the indicator can be dropped or changed. Also, if FSD programmes notice important gaps, they can fill them by identifying what additional information or analyses are needed.

indicators, for which data can be collected. FSDs need to consider the people, time and money required to track these indicators.

- **Are they varied?** FSD programmes should select a variety of indicators that monitor shorter and longer term changes, in order to assess progress along the pathway. For example, FSDs should not only select indicators that establish longer-term systemic change, but should also choose indicators that measure short-term behavioural changes that are necessary for the longer-term changes to occur (and that help FSDs anticipate such longer-term changes).
- **Are similar indicators being used by others?** FSD should discuss the proposed indicators with the implementing partners and see which indicators could meet the needs of both the FSD and their partners. The FSD programme team can also draw on high-level indicators already being promoted by CGAP, DFID, the Global Partnership for Financial Inclusion (GPFA), World Bank, the Alliance for Financial Inclusion (AFI) and others.
- **Are they measurable?** The indicator should specify the **qualitative** or **quantitative** unit of measurement that will be used. Baselines, a key measurement tool for traditional monitoring, may also need to be adapted for dynamic FSD programmes (see Box 18). Given the wide range of indicators discussed as part of building an IOM system (on top of those core measurement processes FSDs are already using), it can be helpful for FSD programmes to develop detailed technical notes on each indicator – referred to as 'indicator profiles'. Indicator profiles can help to ensure that indicators are well understood by all potential users (stakeholders) and that there is a plan in place to capture information related to them. The indicator profile describes the indicator and its rationale, and clarifies definitions where needed. It identifies:

  i. the data source(s) and method(s) for data collection and any cost implications that they might have;
  ii. the baseline and targets, as well as the rationale for both; and
  iii. the responsibilities for data collection, analysis and reporting.

Tip: Where possible indicators should be prioritised in consultation with sector stakeholders. This prioritisation should recognise the fact that indicators are used not only for accountability to funders, but also for influencing decision-makers and market actors.

Box 18 The role of baselines

Baseline information is important for both the programme as a whole and for individual projects as it allows an FSD to compare the situation at the beginning of the intervention(s) with that at the end, to establish what change has occurred. Baseline information can be collected for all indicators, at all levels of the ToC, so that predicted change can be assessed against actual change, and adaptation can be made. **But given the nature of FSDs, some caution is required before significant effort is expended on gathering baseline data.**

At the programme level, it is difficult to design a detailed baseline for an FSD, although sector indicators such as level of overall inclusion are still useful. More bespoke baselines, focusing on specific households and enterprises, risk becoming obsolete as FSDs' plans (e.g. type of interventions, geographical areas, objectives) change or are adjusted.*

At the project level baselines are easier to construct. However, FSDs should still be pragmatic given the dynamism of FSD interventions: some of their interventions are pilots, and may not be scaled up; the formation of partnerships, for example, takes considerable time, so baselines should not be too fixed in case these relationships evolve in unexpected ways; and as FSDs are intervening in dynamic contexts/ trajectories of growth, crucial factors may be missed in baseline information that is obtained ahead of the full-scale implementation (see Figure 15)

Tips to mitigate these risks, include the following:

i. Effort can be made to identify pre-existing data that can be used for baselines. For example, this may draw on information gathered during the FSD diagnostic processes or information collected by FSD partner(s) as implementation proceeds.
ii. It may be easier and far less costly to start with supply-side data, which will be (or can be) more easily collected by the implementing partner, as against demand-side data for customer behaviour and usage.
iii. FSDs should not devote all their M&E resources to a programme baseline; instead, they should use a range of techniques, existing sector data and project monitoring and baseline information, as for different programme priorities, different data may need to be collected at different times.
iv. For complex interventions, it may be necessary

to establish baselines retrospectively once FSD understand how change is proceeding (e.g. through recall methods, documentation and other sector data). This is more useful than comparing an intervention against an inappropriate baseline.

v. FSDs should ensure that the baseline is appropriate given the trajectory of change in the area of intervention. This may require including trend growth rates in a baseline rather than only relying on performance at a particular point in time. It may also require updating baselines as the programme approach (and understanding) evolves.

For further reading, see Kessler and Sen (2013); Springfield Centre (2014)
**See OPM (2014).*

Table 20 Types of indicators and change trajectory

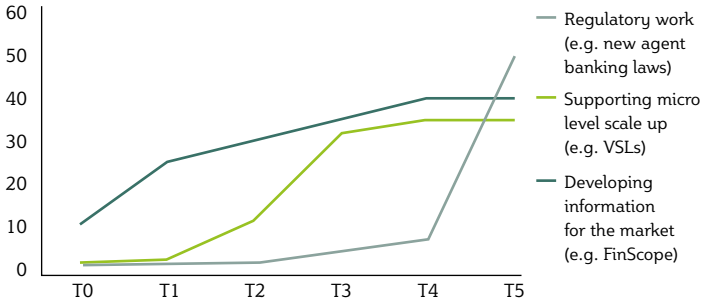
Type of indicator	Description
Leading	Provides information before the result takes place
Coincident	Yields information at about the same time as the result
Lagging	Provides data after the result takes place, often with considerable time lag, either due to data collection routines and/or long results chains

Source: Britt (2013)

– **Has the time-dimension been carefully considered (and have the projected results)?** Given the process of change is often non-linear, the indicator should consider the time-frame over which the change is expected. Table 20 highlights the fact that indicators can be used to provide information at different points of the change process. For FSDs, lagging indicators are likely to be less useful for programme management but are more useful in terms of evaluating how a system has changed over time. Where results may take considerable time to emerge (for example, in the case of policy change), an FSD can rely on indicators that would be expected to change in the shorter term, leading towards the expected longer-term change.

Furthermore, Figure 15 shows how different types of intervention can have different trajectories, in terms of when they produce results. Thus, the dates by which they can be expected to achieve their results will differ.[64] However, given the unpredictability of the pace of change, targets should be realistic, and should not be pursued at all costs, if that undermines the change process (for example, through moving away from facilitation towards more direct forms of intervention/ delivery).

Figure 15 Possible trajectories of impact by different interventions



– **Do the indicators need to be updated?** As with all aspects of a measurement framework, FSDs must also review and revise their indicators as their programmes and environments evolve. It is important to note that any revisions affect the ability to compare indicators with baselines, and to conduct trend analysis. Box 19 below describes FSDK's recent experience with its outcome and output indicators.
– **What incentives do the indicators provide?** Measurement systems can by themselves create incentives and distortions. Implementers are encouraged to focus more on what is being measured and may miss other important, but difficult, reform processes. For example, short-term support to an FSP may be justified to kick-start financial services delivery, but if the indicators being tracked only focus on outreach while failing to pick up issues around costs of delivery/ efficiency and customer response/ drop-out rates, this may not lead to sustainable business models beyond the period of an FSD's support, and other FSPs may be put off rather than encouraged to focus on this market segment.

64. Please note that these charts are hypothetical. The numbers on the y-axis are purely illustrative and the times shown on the x-axis could be months, quarters or years.

Box 19 FSDK's experience of updating indicators

In November 2014, after a mid-term review, FSDK made a number of adjustments to its outcome and output indicators. The main reason for changing the programme-level (outcome) indicators was practical: some of the indicators were ill-defined or there were simply no data to track them. Every year DFID and FSDK struggled to report against these indicators, and reporting to the donors on these indicators was not very effective. The idea was therefore not to revolutionise the logframe, which would have required a lot of negotiations with DFID and the PIC, but rather to maintain the core meaning of the indicators and to change them so as to make them more feasible and more meaningful as a means of assessing FSDK's performance.

The changes to the indicators were spread across the four themes (Formal financial services, direct poverty impact, inclusive growth and knowledge), based on the quality of the individual indicators rather than how they collectively measured the impact of the theme as a whole. For example, FSDK changed the indicator 'Average cost of a single retail transaction through formal financial providers' to 'Cost of a KSh 500 electronic transfer across most widely used retail payment platform'. The problem is that a 'single financial transaction' can be defined in very many different ways. By contrast, the revised indicator, though very broad, is feasible and not open to interpretation. At present, M-PESA is the 'most widely used retail payment platform', but this could change over the next few years. The KSh 500 figure might sound like an arbitrary amount, but it was chosen based on findings from financial diaries, showing that among low-income household, KSh 500 is the most common size of payments considered 'large-scale'.

Source – discussions with FSDK, 2015

Box 20 Step 3 checklist

- Indicators are aligned with the ToC and results chains, and the overall reporting is agreed with the funders
- Have you considered the different types of indicators suggested;
  - progress indicators;
  - market system development indicators;
  - top down sector tracking; and
  - 'beyond indicators'?
- Ensure your indicators distinguish between indicators used for accountability and those indicators which will help track and test the impact measurement questions (some overlaps can be expected)
- In the final selection of indicators prioritised, do you have clear indicators for systemic change and sector tracking
- Does the set of indicators adequately fill the gap between programme outputs and the final desired market change?
- Indicators capture key quantitative and qualitative data (especially, in the case of the latter, for sector tracking). Are you capturing both at different steps of your ToC/results chains?
- Have you prepared indicator profiles for each selected indicator – definition, rationale for use, the data source(s), frequency and method(s) for data collection, cost implications, and who will be responsible for data collection, analysis and reporting?
- Have you collected baseline information where possible? Have you set realistic and transparent targets (i.e. based on evidence and explicit assumptions) for those indicators?
- Have you established processes to:
  - periodically check if the indicators being measured miss a focus on key drivers for expected change and create distortions in the behaviour of FSD staff and/or implementers?
  - Are there unintended and/or negative impacts happening? Do you have processes to measure these?

5.2 Data collection methods and sources (Step 4)

5.2.1 Overview

- This step sets out examples of various types of data sources, mapped back to the indicator framework presented in Step 3. It includes:
  - guidance on relevant methods and sources for collecting information on systemic change;
  - sector tracking; and
  - monitoring beyond indicators.
- It argues that a mixed method (quantitative and qualitative) approach to evidence collection is appropriate for FSDs.
- It suggests tips for assessing data quality — in particular, what to watch out for with regard to supply- and demand-side data.

5.2.2 A mixed methods approach

As noted above, the use of both quantitative and qualitative data is important in order to understand all the changes and related processes FSDs are assessing. **A mixed methods approach is therefore recommended, no matter whether data collection and analysis is under-**

taken at the output, outcome or impact levels. Key arguments for using mixed methods include (Lund, 2014):

- Mixed methods can answer complex research questions related to both describing causal paths and explaining how they work.
- Mixed methods research may provide robust inferences regarding causal paths.
- Qualitative and quantitative results may sometimes be contradictory and can generate new insights.

A mixed methods implies the use of a combination of quantitative and qualitative methods, with data that can be captured from primary and/or secondary data sources (see Table 21). Data can be drawn from intervention-specific engagements from direct partners, industry associations, regulators, policy-makers, academic research or other donors' or programmes' reports and studies, as well as from global data sources.

Data collection methods should be determined by the type of question that is being asked (see Step 2). However, normally outcome and impact analysis should contain some quantitative measurement of the target group. In most cases, qualitative methods can be used to complement quantitative methods, either to define what to measure and/or to understand why the quantitative data reveal a particular trend. This helps triangulate evidence of impact and tests the plausibility of intervention pathways as laid out in the programme ToC and/or the nested project results chains. Qualitative methods also provide a mechanism for identifying unforeseen results by addressing why something did or did not happen. This is especially important when impacts are dependent on complex pathways of change.[65] Examples of common FSD data sources mapped against qualitative and quantitative, as well as primary and secondary, sources are illustrated in the table below.

Table 21 Data collection methods

	Qualitative	Quantitative
Primary *(collected or funded by FSD programmes)*	– Formal or informal interviews with key informants, market players and partners – FGDs – Case studies (can also draw on quantitative data sources) – FSD staff's professional experiences, educated judgements and opinions – Observations from the field (i.e. discussions with financial services consumers and field staff of FSPs)	– Surveys.[66] These include FinScope/ FinAccess and market studies (which can also draw on qualitative data) – Geospatial data on financial access[67]
Secondary	– Minutes of meetings – Memorandums – Policies/ laws enacted – Observations/ specific analysis in reports (e.g. central bank annual reports/ banks' annual reports, special studies, FSAP studies) – Press releases (can also draw on quantitative data) – Studies by FSD network	Data in annual reports of central bank and other regulators, FSAP, special studies, global databases

Other data sources for measuring supply- and demand-side aspects of financial inclusion can be found on CGAP's website: http://www.cgap.org/blog/10-useful-data-sources-measuring-financial-inclusion and http://www.cgap.org/blog/making-sense-financial-inclusion-data-sources.

5.2.3 Sources of data and indicators – systemic change and sector tracking

5.2.3.1 Systemic change

To illustrate this point, Table 22 takes a specific example related to systemic change and provides examples of the types of data sources that could be used for the micro-insurance example presented earlier in this step. Annex D provides a more comprehensive list of data sources for all types of projects.

65. ITAD (2012).
66. These can also collect qualitative data, to analyse and present in a quantitative form. An example of converting qualitative data into quantitative indicators is the Economist Intelligence Unit (EIU) report on the national regulatory environment and institutional support in the provision of financial products and services to low-income populations. See http://www.eiu.com/public/topical_report.aspx?campaignid=microscope2014
67. These may sometimes be from secondary sources.

Table 22 Data sources: Illustrated example for a micro project and systemic change

Categories of change	Change in attitude, skills, knowledge and behaviour of partner		Market change occurred (often presented as an output in a FSD logframe)		Changes within the partner beyond the initial project		Broader market changes	
Detailed measurement question	Has the micro-insurance provider (partner) improved its capacity to serve low-income people?		Has an innovative product for the micro-insurance sector targeting poor people been established?		Will the micro-insurance product continue to be provided to low-income people by the FSD programme partner in the absence of subsidies?		Has there been an increase in the number of providers of micro-insurance products in the last two years? How has the FSD partner and those influenced by the partner contributed to this change?	
Indicator/ change of interest	– Partner's attendance at a training session specific to the topic – Partner conducts a diagnosis of the sector – Partner conducts market research/ segmentation on low-income households – Partner designs suitable micro-insurance product – Partner takes out a licence to provide micro-insurance products – Training budget spent on micro-insurance – Partner sets up new department to focus on micro-insurance – Strategy is developed/ adopted for low-income households – Number of staff (in partner organisation) trained and certified in pro-poor product development – Board approval of strategies/ business plan with micro-insurance elements		– Partner designs suitable micro-insurance product – Partner takes out a licence to provide micro-insurance products – Partner sets up distribution channels (branches, agents, arrangements with mobile phone operators) to deliver insurance product(s) to customers – New product has reached market (increase in number of low-income households/ clients reached/ served; increase in number of insurance policies)		– Partner's business model is viable (i.e. likely to make money) [adopt/ scale] – Increase in number of insurance policies [scale] – Increasing number of policy renewals as % of total policies in a partner [adopt] – Partner adapts product to respond to demand [adapt] – Partner commits their own funds to scale up [adopt] – Partner continues to offer the product two to four years after pilot completion [adopt]		– Partner's market share increases [scale across the market] – Number of additional insurance providers serving micro-insurance market [scale] – Total uptake of micro-insurance across the market [scale across the market] – New types of micro-insurance products available (health, agriculture, insurance as a part of product package[68] etc.) [crowding in] – Decrease in the average market price for the insurance product [respond/ scaling across the market] Changing focus on micro-insurance amongst regulators [respond]	
	QUANTITATIVE	**QUALITATIVE**	**QUANTITATIVE**	**QUALITATIVE**	**QUANTITATIVE**	**QUALITATIVE**	**QUANTITATIVE**	**QUALITATIVE**
Data sources	FSD partner-level information: – Financial reports – Human resources (HR) data/ management reports from partner	Interviews with senior partner executives HR data/ management reports Partner annual reports and press releases	Market surveys Information from regulator Quarterly/ annual reports from partners Reports from industry association	Partner announcements Interviews with senior partner executives Information from industry association/ regulator	Partner-level information: client data analysis, annual reports, financial reports, business plan, management information system (MIS) data FSD survey of partners Market assessments Regulator information FinScope/ Findex	Interviews with senior partner executives/ industry association/ regulators/ competitors	Regulator reports Industry association reports FinScope/ FinAccess Market research/ product scan reports Findex annual reports of new market entrants	Client satisfaction interviews/ FGDs Qualitative research with partners and other micro-insurance providers Annual reports of new market entrants

68. Insurance sold as part of another purchase by customer.

Discussion point: During the consultation FSDs had different views on the time dimensions for examining these different types of indicators. For example, crowding in of other market actors could happen within a few months or a number of years. A results chain for an intervention can help provide some indication to an FSD of likely timing, but they may often be unpredictable, with both on-going project and top-down market tracking important to pick up key changes.

The above example sets out a number of indicators that can be monitored to assess if an FSD programme is contributing to systemic change. As noted above, indicators can be identified as part of setting out an intervention results chain and then tracked accordingly, using the data sources shown in the table, together with other indicators and data sources that FSD programmes may identify or prioritise.

However, there may be times when an FSD wants to go beyond this type of monitoring and use more in-depth techniques for tracking and assessing systemic change. Examples of such a case are set out in Table 23. Some of these tools go further than assessing what has changed – also looking at what has caused the changes to these underlying dynamics (discussed further in Step 5).

Table 23 Data collection methods for capturing systemic changes (qualitative insights and quantitative data)

Type of systemic measurement tool	Summary	Application
Monitoring beyond indicators (picking up narratives/ external stakeholders' insights)	– Pro-actively looking for, enquiring about and capturing observations in back-to-offlce reports, evidence of outcomes and the quality of outputs during FSD field visits, or those of colleagues and consultants (see Annex F) – Having sensitive antennae for this type of information remotely – keeping a log[69] of relevant references FSDs find in media, correspondence etc. – Convincing people in the field – local delivery partners, targeted institutions, etc. – of the value of looking out for changes that may be traced to the intervention. This could be in the form of logs/diaries or through regular processes of group reflection (amongst FSD staff and/or with implementation partners), especially while reviewing specific projects/ programmes[70]	– Leveraging tacit knowledge of FSD programme staff and perceptions of others – Picking up unexpected changes – Identifying changes that are not easily defined by indicators – Confirming that indicators that are being regularly tracked will help in tracking progress (i.e. the right indicators are being tracked)
Most significant change	– Unprompted, FSD partners choose most significant change caused by intervention (i.e. not necessarily what results chain said) – Highly participatory – FSD partners provide narrative and feedback on which stories/ changes the partners feel are most important	– Bringing in a range of market actors' perspectives – Pick up unanticipated change
Outcome harvesting	– Works backwards after change in outcomes has occurred – Use range of common tools to identify changes – Places project's contribution in context with other contributions	– Can be used to assess the causes of change – When causes of change are unclear
Outcome mapping	– Focus on behavioural and attitude change on the part of FSD partners – Use programme journals to capture behavioural change	– Picks up FSD direct partner perspectives (less useful beyond these) – Focuses on attitudes and behaviour – Used as ongoing monitoring

Source: adapted from SEEP (2015)

69. It is important to do this systematically so information can be readily retrieved, in order to assess progress towards systemic change, sector tracking and impact targets.
70. It is important that this knowledge be noted down as soon as possible after you have obtained it, to capture the flavour of the points being made and to minimise the risk of memory lapses. Simple diary entries or action logs can be used for this – see Hovland (2007) for guidance on this. Over time, these can be captured and analysed in specific FSD reports and studies.

Discussion point: It was argued by those working with FSDs that participatory methods can connect FSDs with market actors (including households) which is particularly important in re-examining our mental models of the poor and how they use and value financial services.

Tip: Check with other FSD network colleagues. They may have already identified similar information requirements, and how best to address these.

5.2.3.2 Sector tracking sources

Table 24 below outlines illustrative data sources at the programme level – financial inclusion and financial sector, as well as the two different levels of impact, poverty and growth. FinScope/ FinAcccess – perhaps the most common source – is discussed further in Box 21. A new FMT/ Centre for Financial Regulation and Inclusion (Cenfri) programme being set up in South Africa is summarised in Box 22.

Table 24 Data sources – programme: financial sector, poverty and growth (examples)

	PROGRAMME OUTCOME		**IMPACT**	
	Financial inclusion	**Financial sector development**	**Livelihood/ poverty reduction**	**Pro-poor growth**
	FinScope/ FinAccess (representative at national and, in some cases, at sub-national levels) Other local surveys Global Findex (national level) World Bank/ IFC Enterprise Survey (for SME credit) FinScope/ FinAccess – perception data Central bank, and other regulators supply-side data Trade association supply-side data (banks, insurers and microfinance providers) IMF dataset for cross-country comparisons GIS mapping of access points	Central bank data World Bank/ IMF IMF dataset for cross-country comparisons IFC Doing Business Index Perceptions surveys using SurveyMonkey or similar tools Financial sector development indicators shown in Table 5 are mostly available from Central Banks. Also from FSAP and World Bank	PPI results National/ regional poverty surveys National household budget and living standard surveys Census data FinScope can provide some information on proxy livelihood factors (e.g. LSM and PPI modules) Note – research underway in Kenya and Zambia may demonstrate the feasibility of developing correlations between FinScope and consumption module data in household budget surveys	Country statistics World Bank/ IMF/ GFS Labour statistics MSME employment surveys
Qualitative	Financial diaries, FGDs and in-depth interviews as part, for instance, of financial landscape studies – largely qualitative	Interviews with key policy-makers, regulators, FSP executives and civil society organisations	FGDs and in-depth interviews at household level	FGDs and in-depth interviews with entrepreneurs

Box 21 FinScope/ FinAccess – status, use and challenges

FinScope is a survey of individuals in a country that looks at demand for financial services and barriers to access (specifically referred to as FinAccess in Kenya and Access to Financial Services Survey in Nigeria, but the generic name is used here). FinScope provides an overall understanding of how individuals generate an income and how they manage their financial lives. It identifies the factors that drive financial behaviour and those that prevent individuals from using financial products and services. It also includes some psychographic questions looking, for instance, at people's attitudes, and issues such as trust. Implementing the FinScope survey over time provides the opportunity to assess whether, and how, a country's situation is changing. FinScope is designed to be at least nationally representative and, in several countries, the sample is enlarged to be representative at a regional (or lower administrative) level as well.

FinScope has been used in South Africa, where it was first developed and deployed by FMT in 2002, and in all the countries where FSDs have now been established, as well as several others in Africa (such as Ghana) and outside the continent (e.g. Myanmar and India). For all the FSD countries, FinScope has become an important yardstick for measuring financial access and changes over time. It is used as such not only by the FSD programmes, but by governments, central banks and the private sector, as well as by academics and other researchers.

FinScope has been tailored primarily to meet national requirements; cross-border comparisons requiring standardisation of at least a number of core questions have been of secondary importance. This is the main limitation when comparing FinScope with the World Bank's Global Findex, another household survey that looks at demand for financial services and barriers to access.

In 2011 the four FSDs (operational at that time) commissioned a study by OPM to take stock of where the various FinScope surveys stood, along with the strengths, weaknesses and challenges FSDs and other stakeholders faced in applying this tool more effectively. The FSDs recognised that, in most cases, the questionnaires had become too long (often in an attempt to meet a wide range of increasing demands from different stakeholders), the analytical framework linking specific indicators to relevant questions was not as strong as it should be, there was a lack of clear definitions, and there were conflicting demands between standardisation and customisation needs.

The FSDs have subsequently absorbed many of the study's recommendations in the recent rounds of FinScope surveys. For instance, questionnaires are shorter and are developed around much tighter and more coherent analytical frameworks. However, there is still work to be done, for instance on agreeing a common set of core questions and thereby balancing local customisation with cross-border standardisation. Also, to some extent FinScope still risks being a victim of its own success: too many stakeholders still want it to provide an increasing range of information and analyses. It will be up to the FSDs in each country as to how they address this. Ensuring clarity on FinScope's objectives in each FSD country remains an important issue, along with whether these objectives should be the same across all FSDs. However, lengthening questionnaires beyond those that take much more than an hour and a quarter to administer is unlikely to be the way forward. Developing complementary (and often qualitative) research tools would probably be more fruitful.

Box 22 New data programme being established by Cenfri and FMT

Cenfri and FMT are jointly establishing a new programme funded by the Bill & Melinda Gates Foundation and the MasterCard Foundation. The programme has secured funding for five years to achieve two broad objectives:

- improve the quality, relevance and comparability of indicators of financial inclusion and the data needed to design effective programmes, products and policies; and
- increase the use and quality of client-centric data, research and methodologies by FSPs to inform business decisions in a way that will lead to the design of a greater range of more relevant and impactful financial products and services for financially underserved individuals. This will largely include developing data solutions for the private sector to promote financial inclusion.

5.2.3.3 Beyond indicator sources/methods

Some of the narrative descriptions of change discussed in Step 3 are challenging to track and there is no single method that is applicable to all cases. At one end of the spectrum FSD staff can provide a narrative, from quarter to quarter, about what changes they are seeing in different characteristics of the system; for example, has a new player moved into the market, or has the governor of the central bank focused more on financial inclusion than previously? **This tacit and explicit knowledge that FSD programme staff gain from their day to day work, which goes beyond their immediate projects, is important and needs to be captured.** This places a greater emphasis on participatory data collection methods in an attempt to observe (from as many perspectives as realistically possible) the types of changes in the behaviours of policy-makers, market actors and customers that are likely to shape future outcomes. It will also require FSD staff and their partners to pro-actively look for, or have antennae to capture, interesting changes in the market, as well as to look out for changes that may be traced to the intervention (see Annex F for an example template that could be of help in this regard).

At the other end of the spectrum specific monitoring methods can be used to assess if items of interest have changed. For example:

- surveys of perceptions of the regulatory environment (e.g. using SurveyMonkey);
- FGDs with important policy-makers;
- network analysis of core actors; and
- announcements in the press and other media tracked by FSD programmes.

A separate paper on research methods provides further guidance in this area.

5.2.4 Data issues for FSDs

The types of indicators and sources that are analysed above give rise to some implications for FSDs' measurement plans, including:

- **Measuring sustainability:** it is necessary to be able to rely on a few data sources for a longer time-frame, rather than on many data sources over a short period. This can mean that there is a need to build into FSDs' partnership agreements conditions that there should be progress reporting to the FSD during, and even after, the end of the direct engagement (in cases where a partner might suspend reporting on progress, it may be possible to build in audit requirements, as well as including sanctions, such as shutting off funding or refusing any future funding).
- **Discussions with market actors:** Some actors, particularly private sector players, are less interested in results such as replication and demonstration, so FSDs will need to look for other data to report these.
- **Leveraging tacit/ informal knowledge:** FSD staff and their relationships are an important data source; they should be considered as core data sources.
- **Using existing supply-side data:** Some data, particularly regarding sector trends, can be leveraged from existing sources. There have been some discussions as to whether FSDA should facilitate/ host a financial sector dashboard for FSD countries.
- **Using a market development approach to develop data sources:** where gaps exist FSDs can help market actors to provide data on a sustainable basis (Box 23).

Box 23 The role of FSDs as data advocates and supporting data initiatives

The combination of good data and the right champions can move markets, and FSDs as market facilitators can play a crucial role in bringing about this combination. Even though the primary driver for this need not be impact-oriented monitoring for FSDs, overlapping interests with other stakeholders can be easily identified. FSDs can encourage, say, a central bank or credit bureau to provide quality data to industry providers if/when there is sound analysis that such data can help inform and/or provide incentives to financial providers through, for example, healthy competition. The starting point for this is to identify which stakeholders will be interested in which data and how it will be useful for them. Once the potential demand and sources of data are identified, challenges around skills, costs, aggregation, confidentiality, prioritisation and dissemination need to be addressed.

FSDs can also provide funding or direct technical support to, for instance, banks and/or industry associations in relation to collecting, analysing and disseminating market data. **Direct funding by FSDs of new data sources should be carefully assessed in terms of sustainability (who pays and for how long) and incentives (why?).** FSDs should carefully assess the purpose of the information dissemination: e.g. does it provide one-off data to kick-start a dialogue and collaboration, does it drive strategic clarity, or are long-term data deemed necessary for market actors and policy-makers? Similarly, there may be a lot of data that are already in the public domain, are not easily usable (e.g. the prices charged may be available for each financial institution) but need further work (e.g. cost for a typical bundle of services or a pricing index) before they can provide useful insights for consumers and other potential users. For example, in South Africa an inflation-adjusted index of the cost-to-user of banking services for low-income users, averaged over the cheapest offerings, declined from 100 in 2010 to 80.6 in 2012. See http://www.afi-global.org/library/publications/use-financial-inclusion-data-country-.case-study-south-africa.

5.2.5 Data quality

It is important to be aware of the strengths and limitations of each of the demand- and supply-side data sources, depending respectively on the evaluation questions and indicators. Demand-side data (data that originates from the users of financial services – individuals, households and enterprises) vary in their indicators, the frequency of data collection, the sampling approach and the extent to which data are representative at the national or sub-national level. Supply-side data (data that originates from FSPs) similarly can vary in their frequency of collection and sub-national representation.[72]

Data quality issues can be mitigated by following the recommended tips in Table 25. However, given the resources and availability of data, FSDs may simply have to find ways to work around these issues. Regarding issues of accuracy/validity, reliability, integrity and completeness – we cannot always be sure that we can trust what the data tell us. It is important that when interpreting the data these limitations are taken into account. It is also critical that when reporting their findings, the FSD acknowledges the possible limitations of the data and the findings and, if possible, the implications. For example, surveys can be too long and this may risk compromising the validity of answers in later questions (both respondents and questioners may become bored), or sampling may go wrong. With regard to issues of precision and timeliness, we have to work around insufficient data, unavailability of some desired data points or data not being available at the time it is needed. These issues are usually mitigated by proper planning and, to the extent possible, by diversifying data sources.

72. Note that the demand-side and supply-side data definition depends upon the specific context, e.g. for credit bureau, usage of credit bureau services by financial institutions is demand-side data whereas financial institution records of the number of loans given is supply-side data as regards an expansion of credit programme.

Table 25 Dimensions of data quality

Dimension	Definition	Tips
Good planning	Analytical plans are the starting point for all research	– Develop an analytical plan to show how data will be analysed, used and reported (responding to research questions) before designing data collection tools to ensure that all necessary data are collected
Accuracy/ validity	Valid data are considered to be accurate. They measure what is intended to be measured	– FSDs can support data collection by market actors to fill measurement gaps (see Box 23) – Data quality checks built into data collection and analysis processes – For demand-side data, sampling and survey methodologies follow industry standards and, typically, are based on master sample frames prepared by national statistics offlces – If using electronic data capture, review and test the scripting thoroughly to ensure skip routines and consistency checks are automated correctly
Reliability	The data are measured and collected consistently (i.e. in the same way and using the same data collection instruments) over time	– Ensure adequate training for enumerators and others in charge of collecting data – Put in place proper documentation and checks to ensure that data are measured and collected in the same way, regardless of who carries out the measurement and collection
Completeness	An information system provides the complete list of data sources and organisations	– Collaborate with partner organisations that can contribute to ensuring the completeness of the data – Review the data for completeness with key informants and stakeholders – Complement quantitative surveys with qualitative research, such as FGDs, as considered necessary
Precision	The data have sufflcient detail (e.g. are collected by gender, urban/ rural location, etc.)	– This should be an output from the planning process (see 'Good planning' above)
Timeliness	Data are up to date (current) and data are available on time	– Plan data collection based on when the data are needed. Allow for adequate time for training of relevant staff, data collection, data entry, data cleaning etc.
Integrity	The data are protected from deliberate bias or manipulation for political or personal reasons	hould be held to the same standards of integrity as the FSD programme – Data practices should follow industry standards, be documented and made transparent – Oversight can be given by external experts and others. If appropriate, form a politically neutral technical team to oversee the data process
Confidentiality	Clients are assured that their data will be maintained according to national/ international standards for data gathering and management	– Enumerators are trained to explain clearly to survey respondents that their names and information provided will be kept confidential. If necessary include in client contracts provisions relating to maintaining confidentiality – Also make data handling policy transparent, possibly also including this policy in the client contract

Source: Adapted from Duvendack (2013)

Box 24: Step 4 checklist

- Are you using mixed methods to take advantage of the strengths of both quantitative and qualitative methods in answering measurement questions?
- Review all data sources listed under indicator profiles and cluster these to identify the most important data sources and data gaps
- Identify data sources for selected IOM indicators, e.g. progress indicators; market system development; top down sector tracking; and 'beyond indicators'
- Assess data quality using standard criteria; FSDs should, in particular, be aware of the known strengths and limitations of demand – and supply-side data.
- Review data sources for frequency and time lag of data availability (i.e. to assess if the data will be available in time for reporting), and whether the data are already in the public domain
- Once data gaps have been identified, consider what additional data collection methods and analyses will be needed for indicator tracking
- Periodically review and refresh selected indicators and data sources
- Be data advocates — provide support to other organisations in relation to collecting, analysing and disseminating data, and in relation to doing so more effectively. Consider what is the rationale for the FSD directly collecting these data, as opposed to supporting a national stakeholder to do so?

Annex C FSD indicators

The eight FSDs in Africa have similar ToCs, with most seeking market change, leading to financial inclusion and subsequent impact on poverty.[95] However, despite there being a fair amount of consistency in regard to objectives at different stages (i.e. impact and outcome statements) of their results matrices (i.e. the logframe), there are considerable differences in the indicators that FSDs actually use.[96]

Impact statements mostly focus on poverty and livelihoods, with a fair degree of commonality. In terms of impact indicators four FSDs[97] focus on national poverty levels – although there are doubts over how relevant an indicator this is for FSDs to measure, given that the difficulty in attribution jumps considerably from financial inclusion to country-level poverty reduction. There are also some significant differences in indicators used. For example, EFInA focuses on financial access at impact level (not poverty reduction), FSDZ measures the numbers of poor people experiencing an expansion in income opportunities or a reduction in *vulnerability* (i.e. not focusing on a change in poverty or income per se),[98] and FSDMoç includes an indicator for jobs created in the country. AFR includes an indicator for percentage savings to GDP, principally as a proxy for reduced vulnerability.[99]

Even at the **outcome** level, there are considerable differences. Four out of the eight FSDs use similar (albeit not directly comparable) indicators in terms of focusing on financial access. These include:

- the proportion of total adult population using services in formal (regulated) financial institutions (FSDK);
- the percentage of adult population using formal financial services (FMT and FSDT); and
- the number of poor people and microenterprises accessing a new financial service (FSDZ).

Three more FSDs have similar indicators but focus on direct FSD interventions, rather than country-level trends:

- the number of people in Rwanda using financial services as a result of AFR's interventions; and
- the number of adult individuals accessing financial services as a result of FSDU's interventions (disaggregated by type of product/service, gender and other categories).
- increased financial inclusion for poor Mozambicans and small businesses as a result of FSDMoç interventions (defined by first time usage of or using new financial products, disaggregated by type of product/service, gender, urban/rural and other categories as required).

95. FSDA has been excluded from this analysis.
96. A full list of FSD indicators is provided at www.fsdafrica.org/knowledge-hub
97. FSDT had yet to define its impact indicators at the time of writing.
98. Although a reduction in vulnerability is a measure of reduced risk of entering into or increasing poverty.
99. Although the attribution to the FSD programme is a challenge.

Table 36 Indicators for individuals/ households and MSMEs[100]

The figures in brackets show the number of FSDs using this or a similar measure.

Individuals and households[101]

Access (8)	***Vulnerability***	***Cost of access***
% of adults using formal financial services[102]	% adults with reliable access to lump sum equivalent to one month's expenses (1)	Total average annual cost of running an account as % GDP/ capita (1)
% adults using informal financial services (only)	Increased volume of deposits mobilised from poor people by (supported) providers (1)	
% adults excluded		***Volume of credit***
		Increased volume of credit to poor people (1)

Enterprises

Access	***Vulnerability***	***Volume of credit***
Increased no. (M)SMEs accessing financial services (formal only or formal + informal) (2)	Increased volume of deposits mobilised from (M)SMEs by (supported) providers (1)	Increased volume of credit to (M)SMEs (1)
Increased no. (M)SMEs[103] accessing new financial services (1)		Increased aggregate (M)SME loan portfolios of formal providers (1)

The table illustrates the extent to which FSDs have, in practice, developed common outcome indicators for financial access of individuals/ households, even though there are variances in the actual measures used. FinScope-type surveys typically provide these measures. These indicators raise several questions and issues (see Table 37). The table also shows less common ground when it comes to access for enterprises.

100. NB: this does not include the second outcome indicator for FMT, i.e. number of legal, policy or de facto barriers to cross-border capital flows removed.
101. Some FSDs refer to households in some of their access indicators.
102. Access figures are usually disaggregated by gender; they may also be disaggregated by wealth/ poverty levels, e.g. quartiles or quintiles.
103. FSDZ disaggregates this figure to show increased number of smallholders using a new agricultural financial service.

Table 37 Review of FSD indicators

Question/ Issue	Answer/ Recommendation
If financial access in some form is the only truly common outcome indicator across FSDs, is it sensible and feasible to seek others?	In its business cases for FSDs, DFID regards financial access as a common binding constraint on financial sector development and on economic growth. Common financial access indicators for MSMEs (subject to agreeing a common definition) as well as individuals does make sense and should be feasible, especially in the light of DFID's increased focus on its growth agenda.
Should vulnerability indicators be used at the impact or outcome levels, or are both acceptable?	Vulnerability is an indicator of the risk of poverty increasing (or decreasing). As such it seems to be sensible to include such measures at the impact level, and to ensure that all FSDs adopt vulnerability measures in line with their impact statements (i.e. they should not make a statement that refers to reduced vulnerability and then fail to include an indicator for this).
Volume of credit	*This falls into two categories:* (i) Credit to MSMEs (from FSD-supported partners) – given the increased focus on growth, it seems sensible to measure this explicitly and include it as an output indicator. Two FSDs do this in one form or another. (ii) Credit to individuals – this may be important as an indicator, particularly in terms of poor people's ability to secure credit for income smoothing and to reduce vulnerability to economic shocks. It is therefore recommended to measure this at the outcome level. One FSD does this at present, but it should not pose much of a problem for others.
Cost of access	This reflects both the affordability of financial services and, albeit indirectly, market efflciency. It is thus a useful measure that can also reflect systemic change. However, the sources of this indicator are pricing surveys, central bank data or proxy indicators, such as FSP overheads. These might not always be available to, or available at an acceptable cost to, all FSDs. It is therefore not recommended that this be a common indicator for all FSDs. However, those that wish to and can feasibly adopt it should do so.[104] FSDK has recently changed this indicator to 'Cost of a KSh 500 electronic transfer across most widely used retail payment platform' and will be able to confirm in a few months whether this indictor works.
Should indicators be linked specifically to FSD interventions or measure overall changes, only some of which may be related to FSD interventions?	– At the outcome level, Mozambique, Rwanda, Tanzania and Uganda indicators specify links with the respective FSD interventions, whereas Kenya, South Africa and Zambia do not.[105] – The advantage of defining indicators with specific links is that this strengthens the case for the contribution that FSDs make. The disadvantage is that it may miss other factors that influence outcomes, but still relate to those cases where FSDs have intervened, especially where there are unintended outcomes that might be more clearly seen over a wider sample than just FSD interventions. – It is up to each FSD to work with their funders to decide whether the indicators should be limited to FSD intervention. However, we would recommend (either captured as part of the logframe or separately) that FSDs use indicators that are not limited to FSD interventions. However, in drawing up samples for measurement, FSDs include some cases where they have intervened, as well as ones where they have not.

104. At the overall sector level the 'tracking financial sector development' paper provides indicators of efficiency which may provide some indications of cost of access. See, www.fsdafrica.org/knowledge-hub

105. An update of Nigeria's outcome indicators had not been provided at the time of writing.

The final point to make here is that indicators should always be defined so that FSDs can measure change. Simply stating numbers at any point in time may fall short in this respect. At the outcome level in particular, it is also important to measure the effect of that change. Thus, an indicator that measures a given number of individuals or enterprises that have received support from an FSD does not capture the effect that support may have had (intended or unintended) on those individuals or enterprises.

Output indicators

Consistent with the common analytical framework that all the FSDs use in approaching market failures in the financial system, the broad themes of the outputs across the countries relate to:

Macro – Improvements in policies and strategies, along with legal and regulatory frameworks relating to the financial sector

There are three main types of interventions on which FSDs focus at the macro level, with corresponding programme indicators:[106]

1. Focus on changes in rules:
   - change in number of financial sector policies, strategies and activities that are aligned with appropriate international codes or standards;
   - FSPs, surveys or FSAP report improvements in regards to identified constraints in enabling environment (e.g. access to credit indicators/ microfinance business environment); and
   - number of policies/ regulations/ administrative procedures improved (supported by an FSD).
2. Focus on regulator/policy-makers:
   - change in and number of research products being used by policy-makers; and
   - improved capacity of policy-making bodies to formulate and implement effective financial sector policies and regulations.
3. Focus on groups interacting with regulators/ policy-makers:
   - working/ advocacy groups strengthened (as reported by both groups and central banks/ policy-makers); and
   - number of organisations demonstrating improved effectiveness in advocacy.

Meso – This can be divided into three main components:

1. improved capacity of financial institutions, including trade associations, platforms, and policy-makers to deliver appropriate products and services (e.g. EFInA and FSDU);
2. enhanced knowledge and information as a public good, e.g. FinScope and similar surveys of both individuals and small businesses; and
3. improved financial capability delivered through financial education (e.g. EFInA, and FSDMoç).

Micro – Greater financial access provided to poorer individuals and small enterprises. In several cases these two segments are treated as separate groups.

As expected at the output level, most indicators focus on 'how many' of a particular thing were achieved; for instance, number of people reached, or number of knowledge products disseminated. Given that most of these indicators are based on programme-level interventions, the source for the information is largely based on M&E system aggregation.

One key point is the link between outputs and outcomes, which is also discussed in the section on ToCs. While outputs like the number of workshops held or the number of times FinScope and similar surveys and databases are accessed and reportedly used are useful, they do not take the essential next step of assessing how FSPs and policy-makers use the information to make better decisions. While this is perhaps more of an outcome level measure, it is critical to assess what impact(s) such additional knowledge actually has in practice. A similar point could be made about the provision of financial education.

106. As adapted from FSD logframes.

Annex D Indicator sheets – systemic change

The tables in this annex show types of changes and related indicators that are general and not specific to a country context. They have not been presented as 'SMART' (specific, measurable, achievable, relevant and time-bound) indicators but are provided here for illustrative purposes to summarise a number of group sessions during the workshop. They are also not provided as a template that can be slavishly followed. Which type of indicator should be used, and in which column, is more of an art (i.e. requires the exercise of judgement) than a science.

Before finalising indicators, FSD teams may consider how these can be made SMART. As summarised below, each letter refers to a different criterion for judging objectives. Different sources use the letters to refer to different things. Typically accepted interpretations for SMART indicators are as follows:

Table 38 Developing SMART indicators

Letter	Common interpretation	Alternative interpretation
S	Specific	Significant, stretching, simple, sustainable
M	Measurable	Motivational, manageable, meaningful
A	Achievable	Agreed, assignable, attainable, actionable, action-oriented, adjustable, ambitious, aligned with corporate goals, aspirational
R	Relevant	Realistic, results-oriented, resourced, reasonable
T	Time-bound	Time-oriented, time-based, time-specific, time-sensitive, time-frame, testable

Source: Adapted from https://en.wikipedia.org/wiki/SMART_criteria

As noted in section 5.1.3, the IOM will need to track three types of changes: i) partner changes supported by an initial project; ii) partner changes beyond an initial project; and iii) broader market changes, i.e. signs that the broader sector is adapting and changing with emerging evidence of scale and breadth of change. This is where what has been a fairly FSD-centric monitoring perspective (bottom-up) connects with a broader sector tracking perspective. Evidence around these last two areas (e.g. partners' adopting, adapting, scaling up, replication, demonstration, crowding in effects, changing incentives of market actors resulting from structural change and changing resilience and responsiveness) can help articulate the narrative around systemic change.

For micro interventions see Table 22 in Section 5.2.3. The tables 39 to 41 below give examples of meso and macro level changes. Changes on the part of the partner as well as the wider market have been broken into during and after FSD support. However, the systemic change indicators cannot be seen as a linear progression and will be influenced by factors such as country context, diversity of projects, feedback loops across projects and dependence on many actors for timing and pace of change.

D.1 Supporting function/ meso: services

Table 39 Scenario: your FSD is supporting one product design service partner that aims to develop products appropriate for low-income consumers

Categories of change	Change in attitude, skills, knowledge and behaviour of partner	Market change occurred (often presented as an output in a FSD logframe)	Changes on the part of the partner beyond the initial project	Broader market changes
Detailed measurement question	How has the product design service (partner) demonstrated skills to meet the needs of low-income consumers?	Is a new support service established in the market for low-income consumers?	Will the product design service (partner) continue to provide design services to target low-income consumers after FSD support ends?	How many new product design services companies have incorporated design services for low-income customers in their long-term business plans? How has the FSD partner and those influenced by the partner contributed to this change?
Progress indicator/ change of interest	– FSD partner hires staff with skills in low-income market – Partner invests in training of staff and associate consultants – Partner carries out research on low-income market	Partner contracts with one or more FSPs to provide product design services focused on low-income consumers	– Partner develops good working relationships with FSPs (scale) – Credibility of product design partner in the market (adopt/scale) – Product design partner being hired by FSPs (scale)	– Other capacity service providers enter market (replication) – Increased number of new products on offer in the market (scale across market) – Increased competition among capacity service providers (scale across market) – FSPs develop internal units to deliver product design (respond)
Data sources	– Market research – Partner information on staff and skills – Periodic reports to FSD	Partner contract(s) interviews with FSPs which contracted partner	– Interviews with market players – Contract with capacity partner and FSPs	– Survey of design capacity service providers and FSPs

D.2 Supporting function/ meso: infrastructure

Table 40 Scenario: Your FSD is supporting the development of a collateral registry

Categories of change	Change in attitude, skills, knowledge and behaviour of partner	Market change occurred (often presented as an output in a FSD logframe)	Changes on the part of the partner beyond the initial project	Broader market changes
Detailed measurement question	Has the project helped change the attitude of the national stakeholders involved in the establishment of the collateral registry?	Is the collateral registry operational/ has it been strengthened?	Has the project helped the collateral registry to become more operationally efflcient and accessible to FSPs?	Has the collateral registry increased the security of collateralised debt? Has this led to increased supply of credit by FSPs, especially to poorer segments of society?
Progress indicator/ change of interest	– Stakeholders agree on clear action plan for establishing collateral registry – Private and public sector agree/ sign up to action plan – Expert(s) hired to support process – Government and private sector invest in its establishment – Government allocates budget to the registry – Contractor appointed for the registry – Policy roadmap developed	– Collateral registry established – Number of members registered – Number of items registered – Number of queries submitted to the registry – Any regulation or policy change needed are identified and implemented – Registry creating awareness with FSPs	– Financing of registry improved (adopt) – Increased outreach to smaller FSPs (adapt/ scale) – Increased usage by FSPs (scale) – Usage costs falling as economies of scale develop (adopt) – Registry adapting to new market opportunities (adapt) – New channels for submitting information to registry (adapt)	– Volume of lending to new segments (incentive structural change /scale across market) – Increase in average SMEs lending (incentive structural change /scale across market) – New credit products developed to target new segments (incentive structural change /scale across market) – Perception of risk of lower-income segments by providers (incentive structural change /scale across market)
Data sources	– Policy paper – Minutes of meetings – Memorandums of understanding – Press releases – Contracts – Interviews with public and private players involved	– Registry MIS – National Financial Inclusion reports – FSDs own observations/ interviews – Press releases	– Registry MIS – Small business surveys – Annual report of collateral registry – National financial inclusion reports – FSD programme staff's own observations/ interviews – Press releases	Small business surveys Interviews with FSPs and MSMEs Annual report of collateral registry Regulator announcements Press releases

107. NB: in this example the FSD partner is the central bank and/ or MNO regulator.

D.3 Macro/rules and norms

Table 41 Scenario: Your FSD is advocating for a new mobile financial services regulation

Categories of change	Change in attitude, skills, knowledge and behaviour of partner	Market change occurred (often presented as an output in a FSD logframe)	Changes on the part of the partner[107] beyond initial project	Broader market changes
Detailed measurement question	Supervisors' and regulators' understanding of the business case for the provision of services in low-income and low-density areas?	Is the regulation in place and being effectively implemented?	Have the banking and MNO regulators learned from the experience, e.g. about the value of consulting with stakeholders, and the role of digital financial services in increasing financial access?	Does the mobile financial services regulatory framework incentivise actors – or remove constraints/ reduce risks and costs – to extend services to low-income and low-density areas? Has there been an increase in usage of mobile financial services by low-income people in low-density areas since the regulation was implemented?
Progress indicator/ change of interest	– Different regulators (banks, MNOs) collaborating – Regulator consulting with providers and other industry stakeholders – Regulators agree that change is needed – Regulations analysing/ using information about risks – Regulators commissioning analysis of risks and costs for providers – Regulators conducting diagnosis of access, usage and uptake – A new MFS unit set up by the government – AFI/ national commitment/ included in national financial inclusion	– New regulation and guidelines enacted – Effective implementation by regulator(s) – coordinating where necessary – Initial challenges faced by customers, agents and providers identified	– Regulators adapt in how they tackle constraints on increasing financial access and how to deal with innovation and new technologies (adapt) – Improved capacity to enforce MFS regulation (adopt) – Improved internal processes and decision-making relating to new regulation (adopt)	– Increase in access points in low-income areas (incentive structural change) – Lower entry barriers for new actors or new actors enter market (depends on market) (incentive structural change /scale across market) – Increase in number of entrants into the market (incentive structural change /scale across market) – Average number of transactions carried out by agents, especially in rural areas (incentive structural change /scale across market) – Private sector actors making additional investments, including in agent networks (respond) – Uptake of mobile financial services (number of active users and active agents increases) (incentive structural change /scale across market) – Changes in volume of transactions (incentive structural change /scale across market) Quality of service – Redress mechanism for clients operational (respond) – Satisfaction of clients with (a) service and (b) redress mechanisms Resilience – MFS product innovation [resilience/respond] – Regulator uses risk based approaches to supervision [resilience]

Table 41 (continued)

Categories of change	Change in attitude, skills, knowledge and behaviour of partner	Market change occurred (often presented as an output in a FSD logframe)	Changes on the part of the partner[106] beyond initial project	Broader market changes
Data sources	– Minutes of meetings between regulators and industry stakeholders – Press releases or news articles – Interviews with regulators and other stakeholders – Analysis/ reports – Minutes of FSD meetings with regulators, policy makers – Industry reports	– Announcements by regulators – FSP and MNO interviews – Regulator interviews	– Interviews with regulators – Interviews with FSP providers (FSD partners and others)	– Mapping of access points (financial inclusion reports or FSP maps) – Regulators' data + announcements/ websites – Interviews with stakeholders – Press releases/ government gazettes – IMF FAS – Information from providers – Industry tracking of price data – Reports on the state of the market

Annex E Adopt, adapt, expand, respond model

The adopt, adapt, expand, respond (AAER) model is a framework that can help to measure if a project is being implemented in a way that will contribute to systemic change: i.e. are systemic change mechanisms present? There is also a lot of overlap with the indicative indicators provided in Table 11 and Table 12 in the main report (and in the Annex D above), although the AAER provides a slightly different framework. In theory it can be used to measure all interventions, but it is much more suited to interventions at the micro level.[108] FSDZ currently uses this framework.

It can be used in three ways:

- As a useful sense check for monitoring how interventions are effectively contributing to systemic change: e.g. a quarter/bi-annual check to see in which quadrant you can identify evidence, and if interventions need to adapt.
- To build the evidence base for evaluation and annual reports.[109] For example, this year x number of projects exhibited adapt mechanisms, as shown by these results.
- Rather than use it as a single consistent framework, FSDs can also borrow those indicators they view as relevant to be used alongside a project's result chain.

Table 42 AAER indicators

Quadrant	Description	Measurement/ indicator[110]	FSD examples
Adopt **If you left now, would partners return to their previous ways of working?**	– New or improved product/ service offer, business model, or the uptake of a new role/responsibility	*Can be measured during the life of intervention (signs of adoption) as well as after intervention.* – Partner contribution to the pilot – Long-term viability (financial) /benefit of practice (inspires) – Partner satisfaction and intent to continue (e.g. ownership, future work plans, costing strategy etc.) – Partner ability to continue (e.g. financial, HR etc.) – Target group's satisfaction with, and benefit from (or at least signs of / or theory that it will benefit from) new behaviour from partners	– Financial institution increases sales (financial) – Financial institution targets new market segment (inspires)

108. Its design largely evolved from enterprise programmes that tended to carry out the majority of their projects at the micro level. While it is possible to apply the boxes at other levels (i.e. meso and macro), the frames of perspective change (for example, you do not want policy to be replicated, although you may want responses to that policy change to be replicated) and it becomes less relevant.
109. Interventions can ex ante specify what they expect to achieve in relation to the AAER model to help design the results chain, BUT it is a measurement rather than design tool.
110. See http://www.springfieldcentre.com/wp-content/uploads/2014/06/2014-03-Adopt-Adapt-Expand-Respond-Briefing-Paper1.pdf for a list of more in-depth indicators.

Table 42 AAER indicators

Quadrant	Description	Measurement/ indicator[109]	FSD examples
Adapt **If you left now, would partners build upon the changes they have adopted without us?**	– The partner acts independently of project support to continue, in some manner, with the role change and/or innovation that they originally piloted – The player is keen to improve the performance of the innovation further and works to tailor it, making investments that support its continuous and perhaps improved operation	– Independent investment improving changes beyond FSD project objectives (e.g. has new money been devoted to it)? – Has project changed (been made more efflcient; has more experimentation occurred; has it been extended to new areas)? – Has there been any behavioural change in relation to innovation in the partner? (e.g. new resources devoted to innovation / branding of innovation etc.) – Target group benefits sustained (i.e. change of direction still provides benefit to the poor)	– FSD partner organisation monitoring project beyond project agreement to better align with their objectives – Innovation within one part of FSD partner (dept.) has spread to another – FSD partner organisation moves into new markets
Expand **If you left now, would (significant) pro-poor outcomes depend on too few people, firms, or organisations?**	– A number of other market players have adopted the innovation, or clear variants thereof – BUT can also examine nature of system as well (to accommodate such expansion) – can be linked to any work FSD undertaking in this area	– Competitors or similar types of organisations are copying innovation[111] – Partner is scaling up, with innovation becoming mainstream and/or new business practices pushing innovation to scale[112] – Ability to accommodate competition or collaboration (depends on the nature of the system) *Nature of system* – Ease of entry for new players – Respect for rules/regulations/standards (e.g. adhering to voluntary/ industry codes of conduct and compacts, etc.).	– Market organisations copy new business practices of an FSD partner organisation – FSD brings two organisations together – FSD produces data to show demonstration effects that are taken up *Nature of system* – Are industry bodies playing a pro-active role in facilitating organisations to broaden outreach?
Respond **If you left now, would the system be supportive of the changes introduced (allowing them to be upheld, grow and evolve)?**	– The innovation triggers a secondary response from players in the wider system such as changed or new supporting functions and rules – BUT largely based on analysing how FSD projects at micro (and to some extent meso) level can lead to wider changes (i.e. not interventions directly related to changing rules and supporting functions)	– Supporting systems respond to help organisations engaging in FSD project area (e.g. new service providers emerge; rules have been adjusted; add-on products emerge) – Long-term resilience and sustainability of partners (and others copying them) to cope with shocks and 'move with the times' (e.g. change in economic circumstances; change in rules etc.)	– Regulatory bodies have changed or are considering changes to adapt to new products – New players are developing products (e.g. mobile payment add-ons) – How responsive is the market compared to comparative countries?

111. When working with less commercially-oriented partners, rather than looking at copying it may be more appropriate to consider how the influence of the project has 'spread' and if practices are being used elsewhere.

112. e.g. working with 'apex' players that have influence over a large number of relevant players.

Notes

About this guidance document

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

About FSD Africa

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

FSD Africa is also a regional platform. It fosters collaboration, best practice transfer, economies of scale and coherence between development agencies, donors, financial institutions, practitioners and government entities with a role in financial market development in sub-Saharan Africa. In particular, FSD Africa provides strategic and operational support to the FSD Network. FSD Africa believes that strong and responsive financial markets will be central to Africa's emerging growth story and the prosperity of its people.

About the FSD Network

Today, the FSD Network:

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

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