

Consultancy report

Added value of using the DCED Standard in Bangladesh from a donors' perspective

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1 The mandate

Brief introduction and background

The Donor Committee for Enterprise Development (DCED) first introduced the DCED Standard for Measuring Results in Private Sector Development (hereafter 'the Standard') in 2007. The Standard has since been continuously refined in collaboration with Private Sector Development (PSD) projects and programmes and independent specialists. Among others, the Swiss Agency for Development and Cooperation (SDC) and the Department for International Development (DFID) have supported the development of the Standard.

The main benefits to be derived from applying the Standard are commonly summarised under the terms 'prove' (for accountability) and 'improve' (for adaptive project management). The initial incentive to develop the Standard came from a desire by some programme managers to improve, combined with an increased emphasis placed by donors on credibly proving the validity of reported results; this has been especially important for projects following systemic approaches and advocating complex changes like, for instance, M4P. The challenge has in particular been to establish convincing causal links between a project's actions and outputs, on the one hand, and the reported direct and indirect impact, on the other hand. In addition, applying the Standard's monitoring and results measurement (MRM) system is to provide projects with sound information for proactive and adaptive strategic management. Qualified auditors, finally, are to confirm credibility of reported results through optional external audits of a project's results measurement system and processes.¹

For donors, the DCED Standard stipulates the following benefits²:

- It provides credible, well-researched results that can be used to report to governments and the public;
- It proposes a small number of “universal impact indicators”, to enable donors and others to aggregate their impact across programmes;
- It provides clarity on what programmes will report, as it calls for consistent supporting documentation or ‘paper trail’.

Objectives of the mandate

The overall objective of the consultancy was to explore whether the investments of SDC, DFID, CIDA, EKN (and soon Danida) in Bangladesh into the development and application of the DCED standard were meaningful and resulted in relevant added value for project design, steering, monitoring and evaluation by the funding agencies. More specifically, the effectiveness, efficiency and economy of the DCED Standard was to be assessed in achieving better results measurement and value for money on the basis of two concrete project examples, Katalyst and Samriddhi.

¹ DCED Standard for Measuring Results in Private Sector Development. One Pager Summary. DCED

² <http://enterprise-development.org/page/introduction-standard>

Many of the initial inputs to the DCED Standard came from the Katalyst project (in particular towards the end of phase I and during phase II) and the project continues to be an influential force for the Standard. Katalyst thus provides an excellent case to review the evolution of the DCED Standard, its potential and challenges in application. The Samridhdhi project, on the other hand, is exclusively funded by SDC and has adopted the Standard in mid-phase only, after it initially had developed a monitoring system without result chains, etc. The project has a much smaller budget than Katalyst and a much leaner M&E team with respect to funding and human resources. It thus complements Katalyst as case to review whether the application of the Standard is equally effective in projects that are constrained by resources or have adopted the Standard only at a later stage.

The findings of the consultancy are to allow SDC, DFID, CIDA, EKN and Danida to draw conclusions on the future application of the DCED standard in their projects.

Limitations to the present study are obvious: first, concrete experiences of only two projects in one country could be looked at. Secondly, it was not possible to compare projects with and without the Standard or, better, projects that apply the Standard and with project applying the 'traditional' type of M&E system, i.e. with a logframe and related indicators but without separate result chains for each intervention. Consequently, what follows is a qualitative 'snap-shot view from the ground in Bangladesh' – following a pragmatic approach that should be seen as but one input into an ongoing wider debate.

For a list of people met or interviewed, as well as documents consulted, please refer to annex 2.

The sample projects in brief

Katalyst is implemented by Swisscontact and funded by the Canadian International Development Agency (CIDA), UKAid from the Department for International Development (DFID), the Embassy of the Kingdom of the Netherlands (EKN) and the Swiss Agency for Development and Cooperation (SDC). Danida will join the consortium funding the project in the third phase while EKN and CIDA will withdraw.

At the end of Phase 1 in 2005, Katalyst was considered the global 'beacon' M4P project, but was also challenged by the donors to provide solid proof for their impressive reported results. Subsequently, the project team started to work on developing an intervention logic for each activity line (later named impact logic and finally results chain). The first monitoring and results measurement (MRM) system manual was developed in 2006. Currently, Katalyst works with the revised second version of its MRM manual. In any case, Katalyst is exceptional, as it was one of the original core contributors to the development of the Standard, but also due to the size of its MRM operations and the high skill levels of its staff.

Katalyst was the first project to undergo a pre-audit in 2010; formal audits by DCED auditors were made in 2011 and 2013 and a third one is planned for 2015.

The SDC funded Samridhdhi project of HELVETAS Swiss Intercooperation was chosen as example of a M4P project currently in the process of introducing and applying the Standard. Samridhdhi's first phase was to last from August 2010 to July 2013; it has since been extended until spring 2014. The project goal is to contribute to sustainable wellbeing and resilience of around 1 million poor households of Rajshahi and Rangpur Divisions, as well as Sunamganj District in the North through social and economic empowerment. On its own

initiative, the Samirddhi team started to introduce the Standard's MRM system in 2011 and underwent a pre-audit review by two qualified auditors in early 2013.

Disclaimer: The consultants who undertook the study are familiar with the two projects due to earlier engagements: Andreas Tarnutzer has participated in several Katalyst missions since 2005; last he was member of the annual OPR mission in 2012. Rubaiyath Sarwar worked earlier as senior Katalyst staff. Together they conducted the MTR of Samriddhi in 2012. Both have also designed, evaluated, or participated in other M4P projects of DFID or SDC that apply the Standard to various degrees.

2 The DCED Standard today

The Elements of the Standard

Based on the initial MRM work by the Katalyst team and, among others, an ILO seminar on BDS/PSD in 2006, DCED coordinated a process involved several programmes to develop the first version of the DCED Standard in 2007. The Standard has since evolved over several steps; version VI was published in January 2013.

The Standard specifies eight elements of a successful results measurement system.

1. Articulating the results chain
2. Defining indicators of change
3. Measuring changes in indicators
4. Estimating attributable changes
5. Capturing wider changes in the system or market
6. Tracking programme costs
7. Reporting results
8. Managing the system for results measurement

The eight elements are sub-divided into 27 control points (which are further split into several compliance criteria for scoring in audits). 19 control points are **MUST**, eight are **RECOMMENDED**.

Global application of the Standard

Exact figures on number of compliant (or semi-compliant) projects are not available, as donors do not systematically collect and publicise this information on their project portfolio. According to DCED estimates, currently over 30 large programmes are making serious efforts to implementing it fully and an estimated 100 or more projects have introduced at least some elements and would thus be partially compliant with the Standard.

Due to the restricted access to donor information, a recent desk study³ commissioned by DCED could identify only six upcoming projects that formally require the use of the Standard. Four of them are funded by DFID, one by AusAid, and one by Sida. The planned projects aim at market development, and all require the use of the M4P methodology. The search, however, also identified three upcoming M4P programmes that did not require the use of the DCED Standard, all from DFID.

Globally, nine projects have been formally audited so far (of which Katalyst twice); some audits are currently planned and an increasing number of projects has been or will be pre-audited, normally to prepare for a formal audit.

So far, the Standard has been applied foremost in M4P projects in agri-business sectors. Few projects are in sectors like challenge funds and business environment reform. Efforts

³ Upcoming Programmes Using the DCED Standard; Market Share Associates, June 2013

are ongoing to adapt the Standard for applying to sectors like skills, finance, health, financial inclusion, etc. According to the interviewed auditors, preliminary experiences in these other sectors point to required adaptations, for example related to universal indicators, as well as measurements tools, etc., that must be developed sector by sector. Specific guidance on how to comply with control points would also be required.

DFID, SDC, CIDA and Danida

The various interviews conducted during this mandate clearly show that, in all four donor organisations (DFID, SDC, CIDA and Danida), individuals and groups ultimately decide whether the Standard is pushed in a given sector or country programme.

On the one hand, the Standard is increasingly being recognised as good practice and included in calls for tender. On the other hand, it is not compulsory in PSD/M4P projects of any of the donors. So far, only AusAid has formally approved the Standard in their PSD strategy in 2012.

As of today, Standard-following projects therefore mostly remain stand-alone in a given country portfolio and donors consequently cannot use the reported results to aggregate their impact across programmes – originally one of the main expected benefits for donors.

Katalyst is the only DFID project in Bangladesh that formally applies the Standard. Globally, however, all DFID projects must now be based on a “Theory of Change” concept, which covers the core elements of the Standard (results chain, evaluation plan, push for attribution). DFID has also promoted Katalyst's MRM system with partner agencies in the country (IFC, PKSF, etc.) as model for a robust M&E system (but interestingly not as 'DCED Standard').

SDC funds at present three projects in Bangladesh that apply the Standard, i.e. Katalyst, Samirddhi and M4C. The special role of Katalyst in developing the Standard has been discussed while Samirddhi is still in the process of fully operationalizing the Standard. The M4C project started in 2012 and has applied the Standard right from the start.

In SDC headquarters, the e+i focal point is the main propagator of the Standard, in particular the results chain, as essential add-on to the standard LFA. The focal point acknowledges that SDC is still at the beginning of a process and no *unité de doctrine* has evolved yet. So far, the Standard has become de facto mandatory only in the Latin America Division. The LA Division also aggregates results at country level in the results frameworks of the respective cooperation strategies⁴. In the South Caucasus SDC funds a range of M4P projects that follow at least the main elements of the Standard.

SDC has no current plans for introducing a standardised MRM framework. However, awareness of the importance of working with result chains and attributing indirect impact and systemic change is gaining ground in the organisation. Still, the Standard is broadly perceived as something that is 'nice to have' rather than 'need to have' (with the exception of the above-mentioned Latin America Division where it is established best practice).

⁴ However, the LA division faces some issues related to aggregation of universal indicators: this relates for instance to measuring employment generation in full time equivalents, which are difficult to establish when the target groups are in rural areas or consist of self-employed people in the informal sector.

For attribution and indirect impact, SDC currently promotes a pragmatic approach, whereby qualitative plausibility-based estimations are accepted for claimed copying and crowding-in.

So far, the Bangladesh country programmes of CIDA and Danida do not apply the Standard in any of their projects (except for Katalyst in the case of CIDA) and the country offices are not pushing for its introduction. The M&E Departments of CIDA and Danida, however, actively encourage the application of the Standard within their organisations. Nonetheless, concrete figures on the number of projects that apply the Standard within CIDA and Danida were not readily available.

The Standard as applied in Katalyst and Samriddhi

For a compilation of key strengths and weaknesses in applying the Standard, please refer to Annex 1. Here, a summary is provided on how the Standard has been applied in both projects.

Katalyst

MRM is an independent division in Katalyst and currently staffed by 10 full-time specialists. The technical division managers make part-time contributions to the development of the MRM systems for their specific value chains and markets.

Due to the deliberate interconnectedness between monitoring and operational work (the 'improve' function), it was not possible to isolate the actual costs incurred in operating the MRM system. The MTR 2011⁵ assumed an estimated 8-10% of expenditure and 15-20% of staff time (excluding co-facilitators' resources and time) being spent on monitoring and related management tasks; it concluded that "the cost in terms of initial investment and staff time is high, and the project and donors would do well to assess the extent to which applying the standard was useful in relation to this cost." It might be added that donors in general have not reached consensus on how much of the budget of an M4P project should be spent on monitoring results in real time.

Katalyst has undergone two formal audits (after the initial pre-audit in 2010) that show a project with a good MRM system already in place, which was then further improved after the first audit:

Katalyst	2011 audit	2013 audit
Overall ratings	91% MUST 79% RECOMMENDED	96% MUST 89% RECOMMENDED

Critical audit comments were foremost made to elements 4 (Estimating Attributable Changes) and 5 (Capturing Wider Changes in the System or Market). Deficits were identified foremost related to the central issue of attribution: In 2011, the auditors found inconsistency in measuring attribution, with the result that reported impact could include results where attribution was not properly estimated, as well as insufficiently addressed attribution of

⁵ MTR Katalyst, January 2011, p 7.

systemic changes. This last finding was repeated in 2013; other shortcomings included that assumed copying ratios were not always verified, and that displacement was considered in all sector strategies, but not always properly documented.

The OPR 2012⁶ stated that "the MRM system has become an integral part of the way Katalyst designs interventions and monitors their implementation and impact. The project has spent considerable time and funds to develop the system that is probably one of the most sophisticated in use by any market development project. In conclusion, [...] Katalyst operates a very comprehensive and, in conception and intent, a solid system. But, at the same time, the MRM has shortcomings related to attribution and assumptions and what constitutes systemic change. Of a certain concern is especially the fact that, in the wider M4P community, the Katalyst MRM system is often referred to as a 'model' for other, much less resourced projects. In future, it may be advisable to rather work towards simplification by utilising more proxy indicators and still producing solid and representative results of acceptable levels of confidence without incurring the huge costs that are imposed on Katalyst."

Samriddhi

The 2012 MTR of Samriddhi⁷ acknowledged the substantial efforts made and progress achieved in adjusting the project's logframe and monitoring system to follow the DCED Standard on MRM. This had called for extensive rework of the original logframe to adapt it to the Standard; the exercise took around 11 months.

The MTR stated that the new system was a clear improvement, but still highlighted inconsistencies in the system. It also voiced its concern that it "had major difficulties in assessing where the project really stands despite being 'overfed' with monitoring tables and data."

Since the MTR, Samriddhi has undergone a pre-audit in early 2013 and many of the issues have been addressed. After the pre-audit, Samriddhi has increased its MRM related resources. Out of a total of 23 staff, four regional MRM coordinators are supporting, at 75% each, the MRM specialist and his half-time data entry assistant. Including the leadership contribution to MRM, the project estimates that not less than five FTE are now dedicated to run the MRM system.

However, when visited during this assignment, it was observed that progress achieved since the pre-audit is not impressive, as only four result chains have already been developed (for one intervention each in four out of nine value chains). The operationalization of these result chains, i.e. defining indicators, setting up a measurement plan and building the related database, remains pending.

Again, as was the case in Katalyst, no overall compilation was possible of the total cost of running the MRM system, as not all cost items could be readily isolated from the existing accounting system.

⁶ Katalyst Project, DFID Annual Review 2012, p 25/26.

⁷ Mid Term Review of the SDC Bangladesh Project Samriddhi, July 2012, p 18/19

3 Overall assessment of the Standard's application

Undisputed strengths

Interviewed organisations, resource persons, and specialists unanimously agreed that developing and introducing the DCED Standard has been a big step forward towards increasing the credibility of impact reporting and for better project steering. The results chains in particular are seen as the core innovation, as they introduced a structured approach, forced discipline in strategic thinking from activity to impact level and strengthened results measurement in general.

Complementing the static logical framework approach (LFA) with dynamic and systemic result measuring has had direct and tangible impact on project steering and management. Both Katalyst and Samriddhi have – based on fact-based information from their MRM systems – cited several examples where they stopped working in certain sectors or markets, adjusted or abandoned low performing interventions and/or switched to new ones.

The very positive statements were made foremost in relation to Elements 1 (articulating the results chain), 2 (defining indicators of change), and 3 (measuring changes in indicators), as well as 8 (monitoring for management); all resource persons proposed to make these elements mandatory parts of future project designs.

The audits (and pre-audits) were perceived as very useful for the projects, even if they required (in particular for the first runs) substantial financial and human investments in preparations and the subsequent adjustments. The case of Samriddhi shows that a 'catch up' during an ongoing phase is rather difficult and requires substantial resources; it thus indicates the importance of initiating a Standard-conform MRM system and process right from design and inception of a project.

Emerging issues

Next to all commentators emphasised the 'improve' benefit of introducing the Standard in projects. The 'prove' component was less mentioned; on the contrary, the projects regretted that donors in general have shown little interest or provided weak feedback on the new MRM systems that have allowed more evidence- and fact-based impact reporting than before. Reasons for this might be that resources and respective capacities at country offices are limited (while workloads continue to increase); a second reason is the still low numbers of projects applying the Standard, as is the case in Bangladesh.

Also, in the case of Katalyst, donors continue to ask for specific reports in specific formats for which the regular MRM information formats had to be adjusted. Frequent staff turn over in the country offices also meant that newcomers were not always familiar with the rather sophisticated MRM system. Finally, reporting to the Government of Bangladesh required again another format with a purely output-oriented focus.

In relation to the audit, the fact that the DCED Standard 'belongs' to DCED, not to the donors was seen as potential obstacle for supporting the Standard for fear of being seen promoting a vested interest of a small but growing group of consultants. DCED rules, however, forbid any consultant who has previously provided technical support to a programme from auditing it.

At least in the medium term, therefore, external and independent certification of the auditors would be required (as is the case for ISO systems). The DCED is aware of this issue but, given the currently still low numbers of audits and auditors, has its hands somewhat tied in this respect. The current intermediate solution is a system whereby a candidate auditor (already experienced in implementation of the Standard) accompanies a qualified auditor and can qualify after two successful assistances.

Assessing the different Elements of the Standard

Annex 1 provides a summary table with key strengths and weaknesses as they have evolved from discussing the Katalyst and Samriddhi experiences. Here, only the most salient features are presented.

As stated above, the first three and the eighth element are undisputed and part of many recent efforts of donors and projects to improve their MRM systems:

1. Articulating the Results Chain
2. Defining indicators of Change
3. Measuring Changes in Indicators
8. Managing the system for results measurement

Two elements did not raise any questions in discussions and are not further treated here:

6. Tracking programme costs
7. Reporting results

It is argued that an acceptable project design will in any case be able to track programme costs and produce the required reports in time. The Standard's addition is its intention (i) to control programme costs specifically to allow better prioritisation of activities and make projects more effective and efficient, as well as (ii) to report results in a way that donors can easily aggregate them into their overall portfolio reports.

The two most challenging elements of the Standard are clearly elements 4 and 5:

4. Estimating attributable changes
5. Capturing wider changes in the system or market

From the interviews with experts, auditors and practitioners, it is evident that these two elements require the most extensive use of resources and, should they fail, can put into question the overall credibility of the results that are being communicated. The subsequent sections detail the findings on the challenges with these two elements.

Element 4: Estimating attributable changes

Element 4 is at the core of the 'proving' function – which was the initial reason for developing the Standard – as solid attribution is absolutely critical to establishing credibility of reported impact level results. However, only one (must) control point (out of 27) is allocated to this Element (which is further divided into 5 compliance criteria).

Element 4 is the most difficult to conceptualise and design, as well as the most resource intensive to operate, both related to the skill levels and financial requirements. The current delays in Samriddhi to operationalize their result chains are a case in point.

Two points merit special attention: (1) sample surveys and extrapolation of results; and (2) managing the required databases.

- At the heart of the matter related to the first point is the fact that sample surveys and case studies are used to extrapolate results on the outcome, purpose and impact levels for copying and crowding-in, i.e. defining the number of indirect beneficiaries and their additional benefits. Given the usually large numbers of indirect beneficiaries and thus multiplication factors, small changes in the original sample survey results can produce substantial differences in the finally reported impact figures.

The obvious danger is therefore that even minor research biases in the sample will translate into over- (or under-) reported aggregated top-level universal indicators, like for instance additional income generated. This statement is irrespective of the fact that Katalyst, for instance, has been commended by the MTR and OPR on the conservative attribution ratios utilised in its intervention results chains.

In order to have robust attribution, a project therefore needs (i) a high level of analytical and critical staff skills; and (ii) local organisations that can conduct professional surveys without any research biases. Such robust professional surveys (working with control groups, difference-in-difference methods, etc.), however, come at a cost and suitable organisations with the required professional skills are not necessarily available in all countries. It took a while for Katalyst to identify trustworthy Bangladeshi organisations for this sensitive task (as a matter of fact, some of them are spin-offs founded by former Katalyst staff).

Donors usually do not have the time and inclination to scrutinize or challenge reported impact figures but place their trust on the credibility of the system that produces the figures. It goes without saying that this trust needs to be carefully maintained and nurtured.

The audit evidently is given the central role in ensuring solidness and credibility of the Standard. However, the audit is only concerned with the process itself ("attributable changes are estimated using methods that conform to established good practice"), not with the underlying product (i.e. sample surveys are free from research biases or errors, data are properly analysed, etc.); consequently, the audit does not and cannot guarantee the final validity of the reported results.

- The second point to be raised relates to managing the databases for Element 4. An average intervention in Katalyst and Samriddhi requires regular monitoring of at least 20 indicators, some of which through routine reporting (usually on activity and output levels), some requiring the above-mentioned separate surveys (outcome to impact levels).

If Samriddhi will intervene, as planned, in nine markets with an average of four interventions per market, it will have to regularly and/or periodically monitor around 720 indicators (9x4x20). Its current data management system is not up to this task. The project will have to build and operate the required two system components: (1) build the data warehouse of software and statistical tools, as well as training people to enter and crosscheck the data. More importantly, however, will be (2) the data mining and analysis component, as well as the following interpretation of the resulting information. While the first component should be manageable, it is the sensitive second component that requires staff with high analytical capacities and a critical frame of mind that are not always available.

Consequently, substantial efforts will be required to bring the system up to the mark for full operations of the envisaged MRM. The point to be made is the inherent danger that weak MRM data management may produce a false sense of precision, as figures once entered into an excel sheet are often not sufficiently scrutinised anymore.

Katalyst, on the other hand, has established a world-class data management system over the years and already manages a large number of indicators; also, it can draw on a highly qualified team for this challenging task.

DCED auditors are aware of these two challenges and propose to (i) hire qualified people with the required professional background; (ii) provide sufficient training and guidance to the teams, as well as (iii) to prioritise important interventions over less important ones and thus reduce data volumes. While these are valid proposals, it still has to be questioned, whether (i) such highly qualified staff is always available in remote project locations; (ii) funds for external support are always available and, finally, (iii) why a project should embark on non-priority interventions in the first place.

One potential way to address the attributable change question is by outsourcing the entire impact monitoring and evaluation process under a separate contract to a third party (i.e. be conducted by someone else than the implementing organisation/project). In 2007, the Katalyst donors made an early attempt with outsourcing the evaluation function and contracted the American consultancy company DAI for this task. An initial DAI benchmark study in 2007 was followed by an intermediate evaluation in 2008; a post-project impact study had been planned but was finally not conducted.

The DAI 'experiment' was abandoned ultimately due to two main reasons: the first was the fact that DAI struggled with the same methodological problems as Katalyst itself (how to identify and sample indirect beneficiaries, how to isolate Katalyst attributable impact from wider systemic changes, etc.). Its preliminary results were therefore heavily criticised.

In addition, however, working relationships between Katalyst and DAI staff were strained from the start, as the former perceived the latter as something like 'policemen' who flew in to judge their work without contributing anything to actually producing the results.

Next to the additional cost that results from outsourcing (as any project will still have to run its own M&E system), the second point of the potentially difficult relationships between actual implementer and external evaluator has to be strongly considered when discussing this option.

Element 5: Capturing wider changes in the system or market

Element 5 is only recommended and also consists of just one control point (with five compliance criteria). Katalyst, with its very advanced MRM system, is currently working on improving this element at sector level, starting from the not quite simple task of defining a workable definition of a system. The 2013 audit acknowledged that Katalyst's intervention plans do capture systemic changes, which are properly assessed, but also stated that the assumed copying ratios were not always verified.

Capturing wider changes is naturally most difficult for projects with widely dispersed interventions in different markets and sectors; this, however, is rather an issue of overambitious project design than the Standard per se.

Key resource persons stated that complying with Element 5 of the Standard would in any case be less relevant for smaller and relatively straightforward projects. As mentioned above, DFID's 'theory of change', as well as the pragmatic qualitative attribution approach applied by SDC point in this direction.

The issue of systemic change is also debated in wider circles, as evident from a recent SEEP Network paper⁸ that intends to go beyond the Standard and postulates to include systemic thinking and complexity science approaches, etc. However, irrespective of some valid analytical points made, the seven principles proposed by the paper for building "usable systemic M&E frameworks" remain conveniently vague and look hardly applicable to concrete project designs.

For the moment, it can therefore be concluded that capturing wider changes in the system or market will remain a challenge in the near future, with Katalyst currently being at the forefront in addressing this issue.

4 Main conclusions

Three core points have emerged from the above qualitative analysis:

- First, all relevant organisations and resource persons agreed that the introduction of result chains was indeed a major step forward towards more realistic project designs as well as better monitoring and steering systems.
- Secondly, it was also agreed that it can help communication of complex projects and explaining causality to decision makers.
- Thirdly, the issue of attribution of reported impact in general and situating the project's influence within wider systemic changes are the main current challenges for projects in general and the Standard in particular.

Related to the third point, Katalyst, as well-resourced frontrunner, probably shows how far any project can go; few others have same experience, level of financial resources and skills at their disposition. However, even Katalyst is still working on how to understand and measure systemic change and the related issues of attribution vs. contribution, etc.

In term of whether the Standard does produce the envisaged added value, the following conclusions are drawn:

- In terms of improved **project designs**, the assessment is positive, both for proving results as well as for improving project management; however, the latter function was more in the forefront in interviews.
- In terms of improved **project steering**, the assessment is again positive; both projects have taken several important strategic decisions based on their MRM system. In terms of improved donor portfolio steering, the Bangladesh example shows that donors do not utilize (or at least underutilize) this potential.

⁸ Monitoring and measuring change in market systems – rethinking the current paradigm; SEEP Network 2013.

- Compared to standard **M&E systems**, utilising the Standard has been a clear improvement for projects, but not yet for donors; attribution for projects and aggregation for donors remains a struggle.

An overall assessment of the **effectiveness** of the Standard is positive for the 'improve' function in projects but less so for the 'prove' function where (apart from attribution and aggregation) the donors so far have not made use of its theoretical potential. The reasons for this 'underutilisation' can only be guessed; a probable hypothesis would focus on aspects like (i) staff in country offices not fully familiar with the Standard, (ii) the fact that the Standard is presently only being applied in a very limited number of projects in most country portfolios, as well as (iii) reporting requirements from headquarters that are not consistent with the outputs of the Standards' MRM system.

The **efficiency** of operating the Standard cannot really be assessed. While both projects report gains, the efforts to set up and operate the system are considerable, and double reporting is still required for different donors and the government.

Consequently, also no 'quantified' final statement can be made as to whether the Standard has provided more **value for money**. The actual costs for introduction and routine operation of the Standard could not be calculated and, in any case, no comparison was possible with the costs of operating other M&E systems. However, the MTR for both projects and the OPR for Katalyst have voiced apprehensions as to the considerable resources required.

The interviewed auditors acknowledged that the Standard would require higher investments than routine systems, but argued that “the cost of poor systems is much higher, as it leads to weak projects” and therefore endorsed the value for money argument from their side.

Overall, it can be concluded that DCED has definitely placed the Standard on the map but it has not yet gained in influence as much as it might. Some constraints and 'construction sites' remain:

- Full-scale buy-in from both donors and implementers has not happened so far and much depends on individuals and interest groups within organisations. The complexity of operating the full system does not always tally with the level of locally available resources and skills.
- The essential element of solid credibility of reported results remains a potential shortcoming, as simple probability checks by various missions have raised apprehensions on large reported results even after audits have been conducted. ‘Sound-proof’ attribution is absolutely crucial, but it is in this central aspect that the Standard needs being further developed. This point of course touches two aspects mentioned above, i.e. the resource envelope typically allowed for monitoring, as well as availability of the required high skill levels for operating the Standard.
- Main current 'construction sites' are therefore in particular (i) elements 4 and 5, which must be further expanded and refined, but also made more practical for less resourced projects, as well as (ii) the audit, which ultimately must include the central issue of the products – sample survey results that are used for impact indicator extrapolations – in order to ensure validity and thus credibility of reported impact figures.

5 Recommendation

The recommendation below is based on the following considerations: While the current momentum in mainstreaming the Standard is good, the question still remains what the ultimate aim is. For it to become mandatory everywhere and for everybody is probably not realistic, given the way development organisations operate and function. Would not a less ambitious goal be more realistic of establishing the Standard as essential **tool** for project design and management? If yes, which would be the 'need to have' vs. the 'nice to have' elements? And: given the distinction between large and small, and simple and complex projects, is it advisable to aim for a 'one type fits all' Standard?

Based on these considerations, it is proposed to work towards two basic versions of the Standard: (A) Full Version, and (B) Lean Version. The following illustration depicts the core attributes proposed for both versions:



For large, well resourced projects:

- Commensurate resources for MRM
- Highly skilled MRM staff
- Funds for training/guidance
- Solid basis for attribution
- High quality impact surveys
- At least one formal audit that also looks at the product not only the process aspect

For smaller projects:

- Limit to DFID 'theory of change' or similar i.e. focus on Elements 1 to 3 and 8
- Only qualitative means for Elements 4 (attribution) and 5 (systemic change)
- Only measuring what is within their control/limits/resources
- Pre-audit if funding available

The above dichotomy between option A and B is not to be understood as carved in stone. While result chains (i.e. foremost elements 1 to 3 and 8) should be mandatory for any project (as they do not require additional resources), the decision whether to go for an (A) or (B) type of MRM system (i.e. the full Standard or using elements of the Standard as a tool) should also look at other parameters (apart from size only), like complexity.

While impact of straightforward projects (for instance in VET or health, etc.) is usually measurable with reasonable efforts through quantitative methods, the situation is more difficult in complex M4P projects working in different sectors or markets. In these cases it has to be agreed whether qualitative measurements and attribution are acceptable in principle for the donor and can be expected to produce plausible and credible result statements.

The latter may also be the case with large projects where appropriate human resources are either not available or cannot be built with reasonable efforts within the given time limits. Last but not least, (too) high costs may also call for placing even a larger project in category B.

Annex 1:

Key strengths and weaknesses of different Standard elements

The matrix below summarizes the key strengths and weaknesses of the different elements of the Standard, as observed in the case of Katalyst and Samriddhi.

Element	Strengths	Weaknesses
1. Articulating the results chain	<ul style="list-style-type: none"> - Improves project design and helps steering and tracking of activities and impacts against targets - Results chains make result measurement a dynamic process allowing the project to capture lessons learnt - Focus on intervention specific results chains help projects to establish a micro system for M&E which often remains broad and focuses on macro indicators - Helps illustrate the causality of indirect systemic changes which is difficult to present in the static logframes 	<ul style="list-style-type: none"> - Can become complicated because of complexities in systemic changes; difficult for non-practitioners to comprehend - Has so far been successfully applied in agricultural markets; application in skills markets, financial markets, health markets is yet to be proved albeit being tested by different projects
2. Defining indicators of change	<ul style="list-style-type: none"> - Helps articulate the causality in systemic change in the market achieved through an intervention - Helps project managers to think critically about use of indicators since the disconnect becomes visible in the results chain - Helps establish the critical link between the results chains and the log frame 	<ul style="list-style-type: none"> - Use of too many indicators results in a complicated and resource intensive process for measurement - Of particular concern is the lack of universal indicators for health markets, education etc. - Use of qualitative indicators like women empowerment, enabling environment, gender integration, climate resilience etc. are being pushed by the donors; evidence of successful use of such qualitative indicators is still absent - Aggregation of results by the donors has remained a proposition rather than a practice; differences in country specific mandates of the donors is a major bottleneck in aggregation
3. Measuring changes in indicators	<ul style="list-style-type: none"> - The continuous monitoring of changes helps project managers make effective steering decisions 	<ul style="list-style-type: none"> - Often becomes complicated because of use of too many indicators (around 20+ per intervention in case of Katalyst and Samriddhi)
4. Estimating attributable changes	<ul style="list-style-type: none"> - Key to credibility of results - Makes attribution one of the key elements for results measurements 	<ul style="list-style-type: none"> - No evidence of global best practice - Projects coming short because of lack of time, finance and human resources to establish an evidence based attribution strategy - Even though the DCED audit highlights the deficiency in the process for attribution

		(if identified), the donors often end up reporting non credible results since the audit does not comment on reported results. Besides, the donors do not review intervention specific results chains and are focused on log frame level targets; this key element in the standard has thus not caught on yet with donors
5. Capturing wider changes in the system or the market	<ul style="list-style-type: none"> - Critical for M4P projects since wider systemic changes are essential to ensure sustainable outcomes from project interventions 	<ul style="list-style-type: none"> - The standard only proposes one recommended control point; this might act as an encouragement for project managers and M&E team to devalue the importance of wider systemic change - The cost and complicity in measuring wider systemic change in M4P projects is a deterrent to adoption of a more rigorous process to capture this element.
6. Tracking programme costs	<ul style="list-style-type: none"> - Helps project managers to be critical about expenses against outcomes and work towards ensuring value for money 	<ul style="list-style-type: none"> - The standard does not promote accounting for the M&E cost as a separate item from management; consequently its own value for money cannot be assessed
7. Reporting results	<ul style="list-style-type: none"> - The standard promotes a rigorous process for reporting results - Highlights the need to present gender disaggregated impact 	<ul style="list-style-type: none"> - Many M4P projects achieve impacts on different income strata rather than only on the poor; the standard advocates capturing gender disaggregated impact but does not advocate for capturing results on economic inclusiveness; this appears to be a disconnect since the standard proposes income and employment as universal indicators but does not have any control point on the reporting of these indicators
8. Managing the system for results measurement	<ul style="list-style-type: none"> - The standard sufficiently underscores the need for investment in management of the results measurement system 	

Annex 2: People met and interviewed, documents consulted

Representatives met

- DFID: Shahnaila Azher, Anirban
- CIDA: Meaghan Byers
- Danida: Mogen Strunge Larsen
- SDC: Siroco Messerli, Derek Müller
- EKN: unfortunately no direct contact was possible

Projects and implementers met

- Katalyst GM Martin Stottele and team
- Swisscontact country representative Manish Pandey
- Samriddhi Project Director Gias Talukder and team
- Helvetas Swiss Intercooperation country representative Felix Bachmann

Key resource persons interviewed

- Jim Tanburn Coordinator DCED Secretariat
- Markus Kupper former Head of MRM Katalyst
- Hans Posthumus DCED Auditor
- Alexandra Miehlbradt DCED Auditor
- Peter Beez Head e+i focal point SDC
- Written info from CIDA DFATD

Main documents consulted

- DCED audit reports of Katalyst (2011; 2013)
- DCED documentation, including associated guideline documents, v. VI January 2013
- GIZ PowerPoint presentation on experiences of GIZ with DCED Standard, 2012
- Katalyst Project, DFID Annual Review 2012
- Mid Term Review Katalyst, January 2011
- Mid Term Review of the SDC Bangladesh Project Samriddhi, July 2012
- Monitoring and measuring change in market systems – rethinking the current paradigm; SEEP Network 2013.
- Samriddhi pre-audit report, 2013
- Tim Ruffer, Elise Wach (itad): Review of M4P Evaluation Methods and Approaches, April 2013
- Upcoming Programmes Using the DCED Standard; Market Share Associates, June 2013