Measuring What Matters: Effective Performance Indicators

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Putting ‘development’ back into development banking

Effective monitoring and evaluation is one of the means to ensure that DFIs’ achieve their mandates and objectives effectively. This session will examine the best attributes in measuring key performance indicators for DFIs. It will also discuss the latest tools for assessing the economic, social and financial impact of DFIs.

1. Identify the key attributes of a sound monitoring and evaluation (M&E) framework for DFIs
2. Identify challenges faced by DFIs in client countries to build and put place their own M&E frameworks (financial & non-financial aspects) including having right KPIs to best reflect the effectiveness of DFIs in implementing their business strategies and targets.
3. Discuss the common areas that the DFIs are lacking in the implementation of robust M&E frameworks and areas for improvement
4. Highlight how a robust M&E should trigger changes within DFIs and result in better performance.
5. Discuss how M&E provide effective communication mode with stakeholders (internal and external) on challenges and achievements of DFIs
For a DFI to know whether it is successful it needs to define what ‘development’ looks like.

Defining the Results Chain

- **Inputs** facilitate...
- **Activities** which deliver...
- **Outputs** that are expected to change beneficiaries....
- **Outcomes** and contribute to Development...
- **Impact**
The Results Chain is depicted in a logical framework to describe a DFI’s development impact.
# Measuring Development Impact: the why, what, when, how and who

<table>
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<tr>
<th>Question</th>
<th>Answer</th>
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<tr>
<td>Why do we monitor and evaluate?</td>
<td>• Accountability requirements&lt;br&gt;• Assess DFI’s contribution to national development&lt;br&gt;• Learn lessons for improvement and planning</td>
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<tr>
<td>What do we measure?</td>
<td>• Development Indicators</td>
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<td>When do we measure?</td>
<td>• Timeframe/frequency based on type of results and program timeframes</td>
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<td>How do we measure?</td>
<td>• M&amp;E system/data collection &amp; analysis; evaluation methodologies</td>
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<td>Who measures and reports?</td>
<td>• Roles and Responsibilities</td>
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<td>Who is accountable?</td>
<td>• Ensuring it is resourced and implemented</td>
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An M&E framework is foundational for measuring development impact

It establishes:

1. the extent to which a DFI’s activities support the achievement of the development outcomes stated in its **Theory of Change**;

2. the **indicators** that are required to demonstrate its performance;

3. the required **data**, **data collection methodologies** and **roles and responsibilities** for **collecting**, **analyzing** and **reporting**, which feeds into the analysis required to address key evaluation questions.
The selection of appropriate performance indicators is central to measuring development impact.

- Banks need to do *ex-ante* and *ex-post* performance measurement.
- Reporting *ex-ante* only provides information on *expected* or *anticipated* impact.
- Reporting on an *ex-post* basis helps a bank understand what has worked and what has not, so it can incorporate these “lessons learned”.
- A lack of an M&E framework and poor M&E practices can create a significant *reputation risk*.
What is included in the M&E Framework?

- Logical framework depicting the Results Chain
- Development Outcome Indicators
- Data sources, collection and analysis – measurement of development impact ex-ante and ex-post
- Evaluation Plan
- M&E Reporting and Accountability Responsibilities
- Communicating Development Impact
- Review and Updating Development Impact Framework
A Results Chain shows the relationship between the DFI’s activities and Development Impact.

- Development Impact
  - Contribute to development...
- Outcomes
  - Development Results Indicators (e.g. exports, sector growth etc.)
- Outputs
  - Changes in production/employment/market share
- Activities
  - DFI Loans
- Inputs
  - Loan origination and approval
  - Budget & Staff

are utilized to change beneficiaries’...
Attribution of Development Impact to the intervention of the DFI is challenging.
Examples of Development Indicators

- Employment generated
- Value of Exports/FX generated
- SME revenue
- Number of patients served
- Number of students enrolled
- Value of investments

MOU on harmonised development results
A DFI’s Evaluation Plan will have a number of activities

- **Development Impact**
  - Firm Tracking Studies
  - Sector Studies
  - Market gap analysis
  - “Key Evaluation Questions”
  - EOP Reports & Case Studies

- **Outcomes**
  - Sector Reports
  - Annually
  - “Key Evaluation Questions”
  - 2-3 Years
  - End of Project

- **Outputs**
  - Satisfaction Surveys
  - Progress reports
  - Annual Reports
  - KPIs
  - Annual Trend Analysis
Roles and Responsibilities

Board of Directors:

- Policy direction and ensuring compliance
- Ensuring adequate resources for implementation
- Ensuring that Development Impact analysis is utilized for decision making

CEO:

- Advocate for adequate resources for implementation
- Quality control of the implementation of the Framework
- Oversight of Monitoring and Evaluation Unit
- Review and approval of major outputs
- Ensuring that Development Impact analysis is utilized for decision making
Roles and Responsibilities

M&E Unit:

- Implementation of the M&E Framework
- Responds to M&E demands from within and identifies key evaluation questions
- Identifies data and analytical needs to support decision-making and operations
- Provides analytical reports for decision making.
- Aligns indicators with Strategic and Operational Plans
- Ensures data collection tools are suitable to collect baseline information
- Ensures performance data is collected consistently
- Verifies data quality
- Monitors databases for completeness and accuracy
- Ensures mechanisms to store and analyze data are effective
- Identifies best way to communicate Development Impact to key stakeholders
Roles and Responsibilities

Business Originators:

- Establish relationships with clients to encourage accurate and timely data collection and submission of reports
- Collect data from clients (baseline, during and post implementation)
- Validate data (e.g. payroll, tax returns)
- Identify potential socio-economic impact at appraisal stage
- Ensure data entry in M&E database
- Identify and document intended and unintended effects of projects
A successful DFI integrates Development Impact considerations and measurement into its DNA

- Identify Development objectives
- Reflect objectives in investment/lending criteria
- Articulate Development objectives as KPIs
- Monitor results & verify performance
THANK YOU

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