



# EVALUATION CONNECTIONS

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ARTICLES – NEWS – EVENTS

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## PRESIDENTIAL MESSAGE

Dear EES colleagues and friends,

Following our rich deliberations at the 12<sup>th</sup> European Evaluation Society Conference in Maastricht last month, I am delighted with the opportunity to continue the fruitful debate our Private Sector Thematic Working Group launched regarding the role of evaluation in the challenging and dynamic domain of private sector-led social interventions.

In the Global North as well as the Global South, market-oriented social interventions have emerged as critical to the achievement of the Sustainable Development Goals (SDGs). Whether such initiatives address the painful and long process of reforming social sector services (as in my own country Finland) or whether they aim to open the gates of private capital markets to help fund the new Agenda 2030, the crucial contribution of market led interventions lies at the centre of public policy making worldwide.

To be sure, the private sector cannot do it alone. Multi-stakeholder approaches involving public, private and civil society actors have become the default option in the vital search for solutions to the chronic, complex and volatile challenges of poverty, inequality, hunger, disease and ignorance in a world faced by the existential threat of climate change and ecosystem destruction.

What are the implications for evaluation? Traditionally evaluation has been linked to

public sector operations and this has over time shaped evaluation practices in ways that do not always fit the new operating environment. Do we have appropriate methods? Can we deliver with adequate speed? Do we offer practical findings and recommendations? Are we cost-effective? Can we contribute substantively to the design and use of private sector metrics?

One of the Presidential fishbowl sessions at the EES conference discussed evaluation and market-oriented development. The positive surprise for me was how strongly the contributions focused on the demand side of the evaluation equation. New sources of demand for evaluation in market-oriented development range from intervention level and organization level assessments to normative reviews of policy, regulatory and legislation frameworks. In this context, I expect consumers' and citizens' evaluation advocacy to become increasingly important as an incentive to produce and use evidence for participatory decision making.

The stakes are high. Addressing the issues explored in this special issue of Connections and continuing the debate within our Thematic Working Group on Private Sector Evaluation and with other evaluation associations should help ensure that evaluation continues to serve democratic decision-making across all sectors of society.

**Riitta Oksanen**, President

## TOWARDS IMPROVED EVALUATION OF MARKET-LED DEVELOPMENT INITIATIVES

**Fredrik Korfker**

The private sector is a major driver of development. OECD's Development Co-operation Report 2016 on "The Sustainable Development Goals as Business Opportunities" states that countries that have adopted market led development policies such as Korea, the Peoples Republic of China and Singapore have had enormous development success.<sup>1</sup> By relying on private enterprise, these nations have experienced strong economic growth and several hundred million people have been brought out of poverty. The report further highlights that the Global Commission on the Economy and Climate expects that over the next 15 years, around USD 20,000 billion will be invested by the private sector.<sup>2</sup>

This special issue of Connections focusses on the evaluation of private sector development interventions. It starts with three articles about social impact assessment of private investment. The two articles that follow deal with the evaluation of micro insurance products and public private partnerships. The final article deals with factors affecting performance in private sector oriented projects. Five of the authors are members of the EES Thematic Working Group on Private Sector evaluation, while the sixth author, Iker Llabres Torres is a student with ample experience in the private sector.

These articles provide complementary perspectives on the evaluation of private sector interventions, Romeo Santos and Sara Vaca describe the nature of Impact Investing and the diverse interests of asset owners, asset

managers, service providers and investors. Their contrasting needs underlie the dilemma of double-edged impact, i.e. financial profits versus social and environmental sustainability. Next, Sara Vaca and Romeo Santos pose a central question: can impact investment and development evaluators learn from each other? It helps focus attention on similarities and differences in these two evaluation domains, especially with respect to impact measurement approaches and methods/designs for measuring impact. This includes useful references to the Impact Reporting and Investment Standards (IRIS) approaches adopted of the Global Impact Investing Network (GIIN) that contrast with statistical methods and experimental, theory-based, case-based, participatory and synthesis-based approaches of development evaluators. It follows that harmonisation of approaches across these two domains would be mutually beneficial. Similarly, Robert Picciotto shows that limitations of the current approach to social impact bonds evaluation help explain the modest growth and mixed results of a highly promising market led investment vehicle. In the same vein, Iker Llabres Torres puts forward an improved methodology for the evaluation of micro finance development interventions that ensures adequate treatment of social effects and risk assessment through judicious use of theory based methods and enhanced OECD/DAC-based evaluation criteria. Theory based approaches are also proposed by Mehmet Uzunkaya to improve the quality of public private partnership (PPP) projects/programmes evaluations. He puts

forward an intervention logical framework drawing on a combination of project finance and public investment theories which make it possible to address relevant cause-effect relations and also accommodates the OECD/DAC evaluation criteria.

Finally, based on multilateral development banks studies, Nicolas Mathieu adopts a meta-evaluation stance to identify the main drivers of performance in private sector oriented projects. A main finding is that project design and management factors appear to have more traction than contextual policy characteristics in generating positive development outcomes. This finding suggests that the improved evaluation methods described in the other articles of this special issue would greatly improve the development effectiveness of market led interventions. Equally, it emerges that systematic identification of the role of the significant factors embedded in complex logical frameworks has the potential of putting the evaluations of individual development interventions to work towards improved policy making in the private sector as well as the public sector.

This Special Issue on Private Sector Evaluation ends with Riitta Oksanen's recent Blog on private sector evaluation in which she maintains a dialogue with Fredrik Korfker and Marvin Taylor-Dormond on recent developments in the area of evaluation of market-led development interventions. ■

1 OECD (2016) Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities, OECD Publishing, Paris.

2 Global Commission on Business and Sustainable Development (2016), "New Global Commission to put business at the centre of global development", News, 21 January, Global Commission on Business and Sustainable Development, [www.businesscommission.org/news/2016/11/3/gcbs-launch](http://www.businesscommission.org/news/2016/11/3/gcbs-launch).

## CAN EVALUATION OF IMPACT INVESTMENT AND DEVELOPMENT INTERVENTIONS LEARN FROM EACH OTHER?

Sara Vaca and Romeo Santos

Impact Investment (II) and Development Interventions (DIs) seek the same outcome through different mechanisms. Both sets of interventions are intended to improve livelihoods. DIs originate in the non-profit sector or sovereign side, while II promotes development through the profit-seeking private sector. DIs support individuals, households and communities through grants, loans, in-kind goods and/or capacity building. II promotes local development through socially responsible private investment.

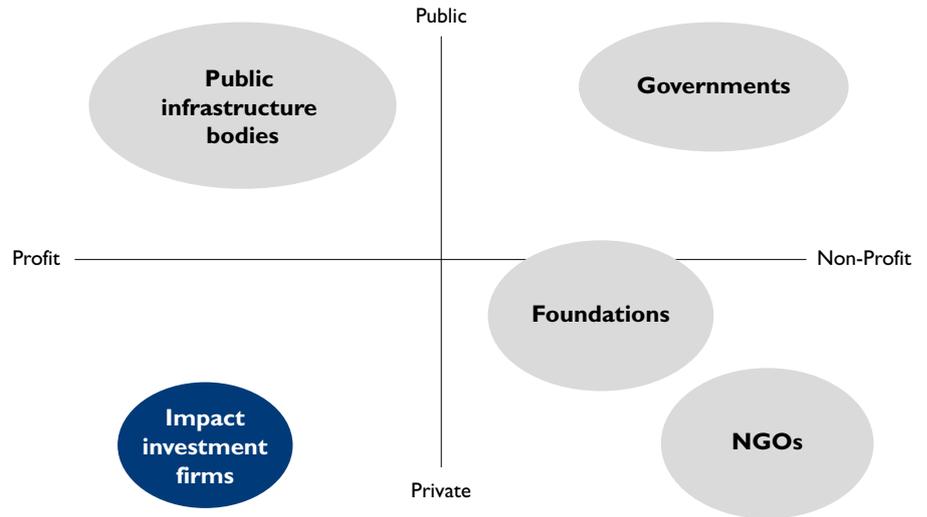
II and DIs have one challenge in common: social impact measurement. Yet, the literature on evaluation of social impact investment is scant and it is time for evaluation practitioners in both domains to share experiences and learn from each other.

This paper explores these two evaluation sub-disciplines and identifies the characteristics that bring them together in pursuit of impact measurement and impact generated by their different strategies.

### What does Impact Investment and Development Interventions have in common

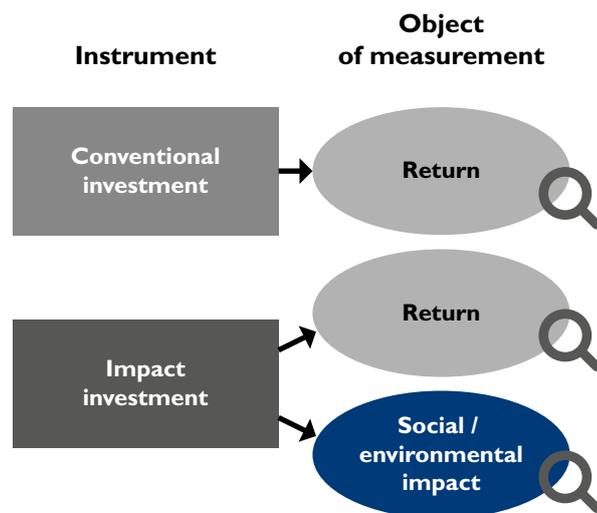
Although the two evaluation fields operate at different levels and within different contexts they have in common the measurement of impact.

While II is a business modality that looks for return as well as social impact from its investments, development evaluation is used as a management tool in the development sector. It judges whether interventions have merit, worth and value in their context by assessing their relevance, efficacy, efficiency, sustainability and impact, among other criteria (e.g. performance). Yet both sets of instruments face the same challenge – measuring the often intangible effects that contribute to social and environmental impact.



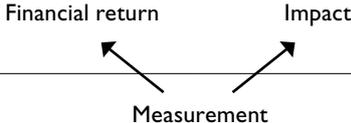
Vaca, S. (2016).

*Actors working for promoting development.*



Vaca, S. (2016).

*Evaluation.*

	Impact Investment	Development Interventions
How to choose whom to support	Selection of candidates	Targeting vulnerable groups
Modality of support	Investment	Grant support
Object of support	Economical activity	Intervention
	Financial return	Impact
Way of measuring		

Vaca, S. (2016).

The following table seeks to further deepen into their similarities and differences:

	Impact assessment of Development Interventions	Assessment of Social / Environmental impact in Impact Investment
<b>Similarities</b> <>	<ul style="list-style-type: none"> <li>• Multiple stakeholders</li> <li>• Complex environment</li> <li>• Challenging task of measuring intangible issues</li> </ul>	
<b>Differences</b> ><	<ul style="list-style-type: none"> <li>• Social impact is core</li> <li>• Main audiences: Donors, staff and beneficiaries (and general public)</li> <li>• Credibility is a major issue</li> </ul>	<ul style="list-style-type: none"> <li>• Social/environmental impact is one of the two expected outcomes</li> <li>• Main audiences: investors</li> <li>• Lack of external accountability</li> </ul>

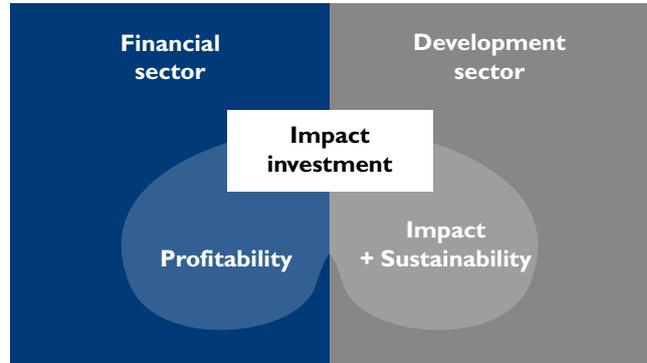
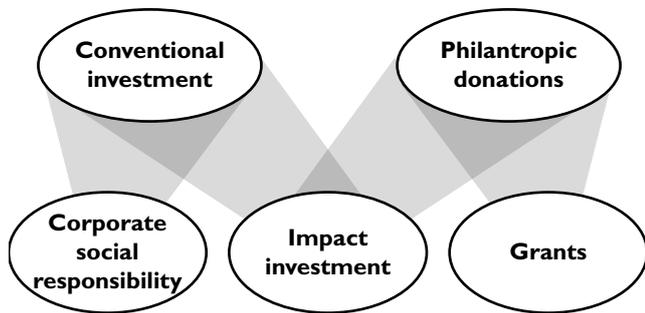
## Quick scan of Impact Investment and Development Interventions

Although both evaluation models share the challenge of measuring Social Impact they are distinctive in their goals, approaches and methods. A summary of their different characteristics is presented below:

	Impact investment	Development interventions
<b>Definition</b>	<p><i>Impact Investment</i> is a relatively new term used to describe investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances in sectors such as sustainable agriculture, clean technology, microfinance, and affordable and accessible basic services including housing, healthcare, and education (Global Impact Investing Network, GIIN).</p>	<p>Evaluation is defined as <i>judging the merit worth and value of an intervention in a systematic way</i> (Alkin, 2011. <i>Evaluation essentials</i>, p. 9). The process to reach this judgement requires expertise in evaluation methodology and approaches, in a professional, systematic and formal manner so as to be systematic, unbiased and context-sensitive.</p>

<p><b>Impact measurement approach</b></p>	<p>A hallmark of impact investing is the commitment of the investor to measure and report on the social and environmental performance and progress of underlying investments, ensuring transparency and accountability while informing the practice of impact investing.</p>	<p>In order to value the merit, worth and value of an intervention or the performance of an entity diverse criteria (also phrased as evaluation questions) are defined, the most common being relevance, efficacy, efficiency, impact, sustainability, and often also inclusion, participation, gender, coherence, among others.</p> <p>Though it greatly depends on the context of the evaluation and its purpose, the criteria of Impact is the one more intrinsically linked with the evaluation discipline, as it answers to the question “Has the intervention caused any (long term) effect in the target population whether direct, indirect, primary or secondary?”</p>
<p><b>Methods / Designs for measuring Impact</b></p>	<p>The development of specific methods for this discipline is also at its beginnings. IRIS, an initiative of the Global Impact Investing Network (GIIN) (a non-profit organization dedicated to increasing the scale and effectiveness of impact investing), is a catalogue gathering impact investment metrics designed to measure the social, environmental and financial performance of an investment.</p> <p>In general, components of Impact Measurement best practices for impact investing include:</p> <ul style="list-style-type: none"> <li>• Establishing and stating social and environmental objectives to relevant stakeholders</li> <li>• Setting performance metrics/targets related to these objectives using standardized metrics wherever possible</li> <li>• Monitoring and managing the performance of investees against these targets</li> <li>• Reporting on social and environmental performance to relevant stakeholders.</li> </ul> <p>IRIS metric is intended to help organizations categorize their social impact objectives in a standardized format. It is a catalogue of metrics, covering areas such as:</p> <ul style="list-style-type: none"> <li>• Access to clean water and sanitation</li> <li>• Access to education</li> <li>• Access to energy</li> <li>• Access to financial services</li> <li>• Access to information</li> <li>• Affordable housing</li> <li>• Agricultural productivity</li> <li>• Capacity building</li> <li>• Community development</li> <li>• Conflict resolution</li> <li>• Disease-specific prevention and mitigation</li> <li>• Employment generation</li> <li>• Equality and empowerment</li> <li>• Food security</li> <li>• Generate funds for charitable giving</li> <li>• Health improvement</li> <li>• Human rights protection or expansion</li> <li>• Income/productivity growth</li> </ul> <p>However this is a catalogue of purely quantitative indicators and it does not capture how well organizations achieve or manage against these impact objectives, let alone assess results on the ground.</p>	<p>The main designs useful for Impact Evaluation could be grouped as:</p> <ul style="list-style-type: none"> <li>• Statistical: where large numbers of cases and characteristics of these cases (variables) are analyzed through multi-variate and regression analysis.</li> <li>• Experimental: where different but similar situations are compared to situations when an intervention is or is not present. They can include ‘quasi-experiments’ (level of control over the programme setting is less than required by a fully randomized trial (RCT) and a control group is used rather than randomization).</li> <li>• Theory based: where what happens is compared with pre-existing theories or causal pathways identified during an evaluation. It can encompass Realist evaluation, Contribution Analysis and Process Tracing.</li> <li>• ‘Case-based’: where different cases (or case-studies) are analyzed and sets of case characteristics (configurations) are compared in relation to outcomes.</li> <li>• Participatory: where the judgements and experience of stakeholders and beneficiaries are best able to identify the most relevant theories of change and meaningful outcomes from among several possibilities.</li> <li>• Synthesis-based: where the results of a number of evaluations are combined in order to reach a judgement based on cumulative findings.</li> </ul> <p style="text-align: right;">(Stern, E., 2015).</p>

Other ways of looking at Impact Investment:



Way of addressing social and environmental issues.

Conclusions

Evaluation practitioners in the II and DIs domains share a common goal: the valid measurement of social and environmental impact. Yet each sub-discipline has nurtured a distinctive approach and generated different evaluation methods. It follows that they can

learn from each other. II evaluators tend to be more focussed on organisational accountability, effective monitoring, regular reporting and value for money analysis. DIs evaluators on the other hand focus on the public interest and draw on the full panoply of social

research methods to address a wide variety of evaluation questions, including attribution, contribution and formative evaluative conclusions. Harmonization of approaches across these two domains would be mutually beneficial.

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IMPACT INVESTING – THE EXCITEMENT AND DILEMMA OF DOUBLE-EDGED IMPACT

Romeo Santos and Sara Vaca

Credible measurement of outcomes and reporting on them are daunting tasks for evaluators. Evidence drawn from evaluation must be credible in order to establish that interventions are achieving their desired socio-economic outcomes. As the evaluation community still frenzies over how to improve its capacity<sup>1</sup> to address interventions that are complicated let alone complex it is faced with new challenges associated with such initiatives as the Sustainable Development Goals [SDGs] and the advent of Impact Investing, Crowd Funding, and Big Data, among others.

This article takes a look at Impact Investing (II). II has promoted investments in micro-finance, sustainable agriculture, clean technology, housing, healthcare, education, etc. The new private investment modality has evinced a great deal of excitement among major players in the financial world as well as the international development domain. Such eminent actors as JP Morgan, Goldman Sachs, Morgan Stanley, Deutsche Bank, UBS, AXA Investment Managers, Zurich Insurance Group, Prudential, Root Capital, Rockefeller Foundation, Oxfam, the Ford Foundation,

the Melinda Gates Foundation, the Calvert Foundation, Blain Capital, and the World Bank Group have joined the fray.

What is it?

Impact investing emerged at the turn of the century. It has been defined as “investments made to enterprises and businesses with the aim of achieving both social and environmental impacts and financial profits” – a “most creative and promising area of development finance” that, in the last half decade alone

has unlocked substantial amount of public and private capital “to generate social and environmental impacts alongside a financial return” (Jackson, 2013; GIIN, 2015). It represents a new market led approach that focuses on achieving both social and environmental impacts and financial returns.

Impact investors are committed to measure and report on “social and environmental performance and progress of underlying investments, ensuring transparency and accountability while informing the practice of impact investing and building up the field” (GIIN, 2015). The Global Impact Investing Network (GIIN), an umbrella organization, is “dedicated to increase the scale and effectiveness of Impact Investing. It lists 54 member institutions, firms, and fund managers in its Investors Council; 82 asset owners; 93 asset managers; and 54 service providers, with a total of US\$60b worth of assets under management. The industry has developed its own Impact Reporting and Investment Standards (IRIS).

### Dilemma of double-edged Impact

Credible measurement of fiduciary returns is commonplace in the business world. The determination of commercial profits is handled with relative ease. However, tying in financial profits with social and environmental impacts through interventions nestled within complex investments regimes is an enormous challenge.

Reliable information about II performance is scarce. Investors note a pervasive “lack of research data on products and performance” and deplore “inadequate impact measurement practice”. These obstacles stand in the way of rapid II growth (JP Morgan, 2015).

### How should the evaluation community deal with this situation?

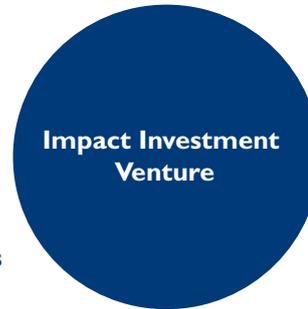
After quoting from House (2013), Picciotto (2016) observes that a “democratic deficit lies at the core of current assessment systems” of market led interventions. They are “under

#### Asset Owners

- High-net worth Individuals / Families
- Foundations
- Governments
- Corporations
- Employees
- Retail Investors

#### Demand-side Actors

- Social Enterprises
- Corporations
- Cooperatives
- Micro- Finance Institutions
- Community DFI
- SMEs



#### Asset Managers

- Investment Advisors
- Fund Managers
- Family Offices
- Banks
- Corporations
- Pension Funds
- DFI
- Sovereign Wealth Funds

#### Service Providers

- Consulting Firms
- NGOs
- Academia
- Government Programs
- Capacity Development Providers

Figure 1: Key actors in Impact Investing. Four main actors are playing significant roles in II (Jackson, 2013).

the control of decision-makers instead of amplifying the voice of citizens”.

Participatory and democratic evaluation is sorely needed to redress this situation. II is undoubtedly exciting and a promising resource mobilization vehicle in pursuit of socially and environmentally sustainable development. But the double-edged nature of its impact poses a great challenge to evaluators. Evaluation should squarely stand up to the task.

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## SOCIAL IMPACT BONDS: MYTHS AND REALITIES

Robert Picciotto

### The vision

The mental model underlying the rise of market led social interventions (including social impact investing) is rooted in the belief that the information technology revolution can be replicated in the social sphere. Just as far sighted profit seeking investors unleashed the power of innovation in the information technology sphere it is assumed that private giving can be mobilized on a sufficient scale to allow a growing community of social entrepreneurs to upscale creative, high risk/high reward pilot interventions into large scale social programs that have the potential of transforming society.

This bracing vision is consistent with a dominant theme of the Sustainable Development Goals (SDGs) adopted by all United Nations members in 2015. The SDGs propose to achieve social change that "leaves no one behind" through the joint and pivotal

contribution of the public, private and voluntary sectors working together. Unfortunately, tri-sector partnership solutions do not come free.

### The logic

Conceived as a way of relating government policy priorities to the concerns of non-government investors and social service providers SIBs imply a commitment from government to use a proportion of the estimated savings from a successful intervention to reward investors. If the interventions are successful and the social outcomes exceed a pre-determined benchmark investors secure a return on their investment based on a pre-agreed payment schedule. If the interventions fail and the social target is not reached the risk is borne by nongovernment investors: they incur a loss. Conversely governments (ultimately the taxpayers) only use scarce fiscal resources for interventions that "work".

The underlying premise is that SIBs will readily enable philanthropic organizations, social entrepreneurs and government to work together. While highly innovative interventions may not be fit for individual investors they are expected to attract charitable trusts and foundations specialized in the identification and funding of innovative market led interventions. The same philanthropists may also choose to underwrite scaling up activities. Their involvement is critical since it allows venture capitalists as well as risk-averse ethical investors to participate.

In principle SIBs can be tailored to each situation and structured to reflect the diverse interests of stakeholders around specific social outcomes captured by quantitative indicators. The resulting contract is designed to relate risks to rewards at various phases of a social innovation. Once the contractual arrangements are in place, funds are raised from private investors.

SIBs have generated a great deal of enthusiasm by promising to enhance social entrepreneurs' access to funding on suitable terms; guaranteeing social benefits for fiscal outlays; and at the same time generating reasonable financial rewards for ethical investors. But the number of successful SIB initiatives has been modest and the results have been mixed.

## The reality

Aligning authority with responsibility requires transparent delineation of roles and reciprocal obligations and this generates transaction costs that rise disproportionately as the number of actors rises. In the increasingly crowded playing field of social interventions institutional designs are ever more intricate. As a result, a vast market for intermediaries populated by consultants, auditors, lawyers, etc. has materialized. Thus complex contractual arrangements characterize Social Impact Bonds (SIBs).

The first social impact bond was designed to help demonstrate that reoffending rates out of the Peterborough Prison in the United Kingdom can be reduced at reasonable cost based on a pilot scheme launched in 2010 (Disley et.al, 2015). The scheme was cancelled in 2014 and replaced by a straight public private partnership as a result of a government policy shift – the kind of uncertainty that typically limits demand for a SIB.

This first experiment confirmed the usual pitfalls associated with payment by results schemes and it also highlighted the high development costs associated with creating a SIB as well as the inherent difficulty of pricing outcomes appropriately. This and other recent examples have led some commentators to conclude that the SIB is a niche product rather than a revolution in public finance (Palandjian and Hugues, 2013).

The slow uptake of SIBs may be traced to a scarcity of proven projects ready for up-scaled funding. It is also explained by the high transaction costs involved in designing, negotiating and monitoring contracts that satisfy all parties. An even more serious obstacle lies in investors' perceptions that the risks are too high given the likely payout. SIBs are frequently predicated on naïve conceptions of what it takes (and how long it takes) to achieve success in the social and environmental domain.

Unfortunately, SIB advocates do not always perceive that trade-offs must be struck to balance the imperatives of the “three bottom lines”. They frequently favor for profit interventions based on unrealistic premises. They fail to recognize that in order to overcome market failures subsidy is often necessary. Equally they tend to measure success through the measurement of naïve indicators.

The harsh truth is that achieving sustainable results often requires frequent changes in the designs of social interventions so that indicators are a moving feast and the experimental methods privileged by SIB sponsors are not appropriate. Furthermore, few social interventions can be justified through straightforward cost benefit assessments that do not take account of the indirect and secondary effects of the intervention. This makes risk sharing and contractual arrangements very hard to design and to monitor.

## Filling the evaluation gap

Given the tight linkage between ‘results’ and assumption of risks by SIB partners, the focus of SIB assessments has largely been on whether the intervention ‘works’ (with heavy reliance on simplistic metrics) whereas in the public interest evaluation should also involve stakeholders in determining for whom it works and why it works (or fails

to work); how best to make it work; who needs to know what and when; what is to be done if downside risks materialize; how losers should be compensated; how rewards should be allocated; etc. Such questions have been evaded instead of being confronted and resolved.

In other words, SIBs have been handicapped by a severe evaluation gap. Experienced evaluators have been exposed to these issues in the public sector. Working in tandem with subject matter specialists they have the capacity to contribute to improved alignment between risks and rewards by providing sound and independent assessments of the merit, worth and value of SIB interventions at entry as well as at exit using mixed methods. Avoiding simplistic approaches by filling the evaluation gap may well be one of the prerequisites for getting SIBs off the ground.

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## EVALUATING LIFE MICROINSURANCE INTERVENTIONS

Iker Llabres Torres

**“The poorest citizens of the poorest countries are typically exposed to the greatest risks.”**

(Morduch, 2006, p. 352)

In developing countries, where a gap in social protection exists and informal employment levels are high, microinsurance has emerged as an innovative instrument to manage the risks that are prone to undermine the livelihoods of the poor and disadvantaged. While low-income households have relied for a long time on informal risk management strategies (diversifying productive activities, informal loans, etc.) such mechanisms are limited and unreliable. By contrast microinsurance provides a safety net that complements the assistance that governments and relatives are in a position to provide. It is one of the social protection instruments that helps the poor prevent the impoverishment that often results from hazardous shocks.

Microinsurance products protect low-income populations against pre-defined risks in exchange for the payment of a premium. Since they target low-income populations they should be designed to be simple, affordable, and inclusive. This sets them apart from regular insurance services. As clients normally have not achieved high levels of

education, subscription and claim processes need to be straightforward. The main risks covered are those affecting life, health, and agricultural production. This article focuses on life microinsurance programs.

Life microinsurance schemes cover the economic losses that households incur in the event of death of one of its members, most often income-earners. Most of the products are designed to cover funerary costs and/or the outstanding amount of a microcredit. Some are evolving towards higher-value products with further benefits such as maintaining a household’s income after the decease of income-earners (Wipf, Kelly and McCord, 2012).

Life microinsurance has the potential to increase the wellbeing of low-income populations along three dimensions: (i) *material*: a person’s resources; (ii) *relational*: what people are able to do with those resources in society; and (iii) *subjective*: the wholesome effect on recipients’ attitudes and dispositions (McGregor and Sumner, 2009).

Mutual benefits arise from the delivery of well managed microinsurance services (Radermacher, McGowan and Dercon, 2012). First, in the event of a loss not only direct recipients but also community members

benefit. Even when clients do not have claims they tend to allocate resources more efficiently given the positive psychological effects of increased security. Second, providers can broaden their markets and increase their profits while achieving social objectives that burnish their reputation. Finally, benefits also accrue to partners and distributors of microinsurance products, e.g. financial institutions, cooperatives and other retailers.

Despite its recent expansion, microinsurance has not reached its full potential. Coverage ratios have remained low (Microinsurance Network, 2015) due to such supply side constraints as high administration and distribution costs, poor infrastructure, and providers’ unwillingness to expand in what they perceive to be a risky market. On the demand side, perceived low client value, poor understanding of the product, complicated protocols, etc. may inhibit service expansion.

Against this background life microinsurance programs need to be evaluated for three main reasons. First, to improve the program’s performance by correcting failures and extending success, aiming for financial sustainability. Second, summative evaluations can demonstrate the impact or generate the evidence that providers and funders need as well as reinforce client value and sustain demand.

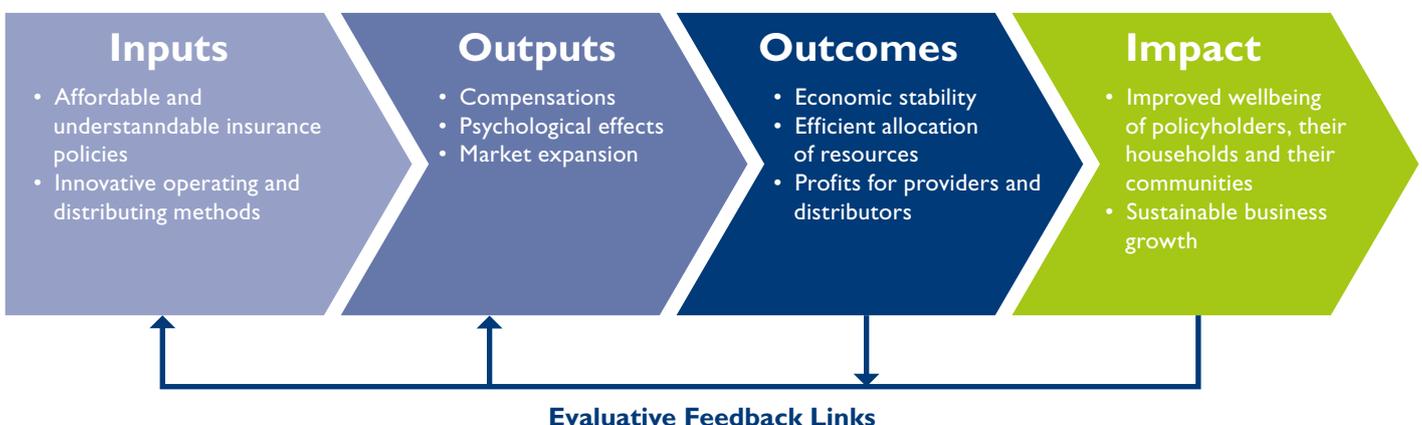


Figure 1: Results chain for life microinsurance programs.

Question	Relevance	Efficacy	Efficiency	Sustainability	Impact	Coherence	Performance	Methods
Who are the policyholders?	✓	✓						Poverty maps, benchmarking (“penetration rate”, participation rate”)
Is the product suitable for the target market?	✓					✓		Case study, questionnaires
Is the program financially sustainable?			✓	✓				Cost-benefit analysis, benchmarking (“net income”, “solvency ratio”)
Did all actors perform correctly?						✓	✓	Grading systems, benchmarking (“time to payout”, “costs of transaction”)
Did the program improve the wellbeing of policyholders, their households, and communities?		✓			✓			Experimental and quasi-experimental designs, focus groups

Table 1. Evaluation options for life microinsurance programs.

Third, rigorous evaluations of this type of programs are scarce so far (Radermacher, McGowan and Dercon, 2012).

The evaluative suggestions below are based on a straightforward theory of change (Figure 1). From a summative perspective evaluation helps determine if the program achieved its objective of improving the wellbeing of policyholders, their families, and the communities they live in. From a formative perspective, it promotes sustainable growth of insurance companies and distributors. The logic is twofold: life microinsurance schemes should benefit both clients and providers. These two rewards are complementary and mutually reinforcing: as clients’ wellbeing increases they will continue to buy policies, driving business growth and encouraging providers to expand their reach and benefit more people.

The evaluation approach recommended here is aligned with the five criteria of the Development Assistance Committee (DAC) as defined in the OECD/DAC glossary (2002). Two more criteria are added: coherence and performance. The coherence criterion ensures that microinsurance product design takes account of other social protection and development programs in the designated market. The performance criterion helps determine whether every actor involved in

the delivery of the service fulfils its distinctive accountabilities and reciprocal obligations. Covering all of the criteria would result in a credible and comprehensive evaluation. Table 1 below reflects the above logic and relates evaluation questions to methods.

### Conclusion

Microinsurance can protect the wellbeing of poor households in the event of death of one of its members even when no claims are made. It also presents a business opportunity for insurance companies and non-traditional distributors. To ensure that good practice is followed and thus achieving this two-sided gain, evaluating systematically microinsurance schemes is highly recommended. The evaluation concepts outlined above offer ample scope for tailor-made, context specific evaluation designs. The author hopes that the proposed approach will be tested, adapted, and further refined by microinsurance providers and evaluation practitioners. Here, as for other market-led social interventions, evaluation has a great deal to offer to society.

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## THEORY-BASED EVALUATION OF PUBLIC-PRIVATE PARTNERSHIP PROJECTS AND PROGRAMS

Mehmet Uzunkaya

This article discusses theory-based evaluation of public-private partnership (PPP) projects/programs and proposes an intervention logical framework. It aims to draw attention to the need to go beyond the measurement of project/program results to address not only the question of *whether* or not the project/program worked but also the *how* and *why* questions. Specifically, it describes a theory-based analytical framework that portrays an explicit path toward ultimate impacts so as to assess, in a more systematic and integrated way, the success or failure of a PPP. In this way, evaluation would contribute to better policy formulation and project implementation by exploring and drawing lessons through tracking cause-effect relations in the design and execution of PPP project/programs.

Evaluation of PPPs in the current practice generally follows the traditional approach that utilizes the DAC criteria. The relevance, effectiveness, efficiency, impact and sustainability of PPP programs/projects are commonly assessed based on the *whether* question. However, as PPPs include additional complexities as compared to traditional procurement, expanding this perspective to assess *how* and *why* questions would provide a more detailed and complete representation of the success and/or failure channels of a project/program.

To this end, the main driving force in this article for exploring theory-based approaches in the context of PPP evaluation is to expand the toolbox of the evaluator. This expansion is particularly relevant and would be beneficial given the complex nature of PPPs along with their attractive economic and financial potential as well as their exploding popularity in the provision of services in developed and developing countries.

Indeed, PPPs have become common in the provision of public investment projects throughout the world as a result of the well-known increasing trend in the demand for better infrastructure and constraints on government budgets. However, whether this method has

created value for money is a focus of intense debate among academicians and practitioners.

While, if properly managed, PPPs offer potential benefits and promising outcomes over conventional procurement methods, realizing the benefits requires complex multidisciplinary procedures and satisfaction of a variety of stakeholders with diverse incentives and objectives. The public sector is mainly interested in generating net socio-economic benefits at micro and macro levels. The private parties are mostly driven by the profit motive. The resulting complexities along with the long term nature of PPP contracts make them subject to a multiplicity of risks, especially for large projects.

Given the complexities inherent in PPP arrangements and risks involved, PPPs are prone to sub-optimal resource use or even failures, if they are not well managed. Overall, the delicate balance between public and private interests as well as among costs, benefits and risks call for careful evaluation of PPPs, ex-ante and ex-post, at both project and program level.

Given this setting, evaluation methods that can fit into the complex nature of PPPs would offer potential benefits. Standard evaluation approaches aiming at the “...quantitative measurement on available indicators of outcome...” (Weiss, 1995)<sup>1</sup> may fall short in reflecting how and/or why a PPP program yielded a certain outcome. Similarly, Chen (1990)<sup>2</sup> argues that focusing on the overall relationship between the inputs and outputs of a program without paying attention to the transformation process between them (what he calls “black box evaluations”) results in an assessment of whether or not the program works but fails to identify the underlying causal mechanisms within the transformation process. Using theories of change in evaluation that identifies the underlying causal mechanisms of PPP projects and programs, in this perspective, offers promise.

The term “theory-based evaluation” in this article is used as defined by Chen (1990)

and Weiss (1995). These two seminal works published more than two decades ago contributed a great deal to the development of the term theory-based evaluation, for which currently many alternative labels are being used, such as “*theory-driven, theory-oriented, theory-anchored, theory-of-change, intervention theory, outcomes hierarchies, program theory and program logic* (Rogers, 2007)”<sup>3</sup>

Chen (1990)’s approach takes into account contextual factors and causal mechanisms in a program. According to this approach, program theory plays a fundamental role as a conceptual framework, which asks why (serving to the change model) and how (serving to the action model) questions about the relation between the intervention and outcome. Similarly, according to the notion of Weiss (1995), theory-based evaluation focuses mainly on theories related to the how and why questions about a program. She argues that the evaluation is supposed to recognize the underlying theories “*in as fine detail as possible*” and identify all the assumptions constructing the theory. The extent to which the underlying theories hold, those that best supported by the evidence, which of the assumptions break down and where they break down are the subject of the evaluation (p. 67).

Weiss (1995) asserts that theory-based evaluation as defined above serves four main purposes:

- Focusing on key aspects of the program
- Generating knowledge about key theories of change
- Making explicit assumptions, defining methods, and clarifying goals
- Influencing policy

Notwithstanding their promising potential, theory-based evaluations do not come without limitations. Problems of theorizing, measurement, testing and interpretation are among the drawbacks of theory-based evaluations (Weiss, 1995; p87–89). It is also true that these general limitations are valid in the special case of theory-based evaluations of

PPPs, however, their promising potential for more complete, in depth and supportive evaluation warrants their serious consideration.

Theory-based evaluation is a promising evaluation approach that would fit into the complexities of PPP projects/programs and would expand the available toolbox of evaluators. The complexities inherent in both PPPs and theory-based evaluations can be dealt with by designing normative intervention logical frameworks that include critical cause-effect channels, backed by theoretical and empirical foundations, in a PPP intervention. The intervention logical framework would take advantage of the strengths of program theory and at the same time should address the challenges associated with theory-based evaluations. The framework should define a PPP theory, which would include elements linking public sector and private sector objectives, and defining ultimate impact(s) of PPPs.

Regarding the “theory of PPPs”, one concern could be that there is very little social science theory to draw on. This concern can be addressed by looking at the project finance and public investment theories. The underlying mechanism of PPPs comes from project

financing, which is a product of financial engineering to maximize firm value as an alternative to corporate financing. There is a rich literature on corporate finance theory in general and on project finance theory in particular. The “public” part of PPPs, on the other hand, rests upon the public investment theory, on which there is again a good body of literature. The challenge is to combine these two lines of theories and at the same time to satisfy the interests of many relevant stakeholders in a PPP.

Building on this optimization effort, this article formulates a PPP theory, based on which a normative intervention logical framework is constructed<sup>4</sup> (Figure 1). The framework includes inputs, related activities, outputs, outcomes and impacts, collectively forming a change model which describes the causal processes in a PPP intervention. The causal processes mainly draw on a combination of project finance and public investment theories, which altogether make it possible to define the micro stages of cause-effect relations in as fine detail as possible.

The proposed framework accommodates the DAC criteria as well (relevance, effectiveness,

efficiency and sustainability) and under each criterion, some example questions are provided. Two important points should be emphasized here: First, the relevance criterion is assessed based on the normative intervention framework; therefore the evaluator first needs to construct a normative log-frame about the program/project and compare it with the framework in place to assess whether they are consistent. Second, the remaining criteria are assessed as compared to counterfactual so as to disentangle the incremental contribution that the PPP project/program brings as compared to conventional procurement. Finally, in order to minimize measurement errors to the extent possible, the framework includes benchmark definitions of achievements under each element of the change model.

The proposed framework is designed for a representative sector, transport, but can easily be adapted to other sectors that PPPs are used. The aim here is to make an exercise on whether theory-based approaches can be practically applied to the evaluation of PPP interventions. ■

1 Weiss, C., H., (1995). Nothing as practical as good theory: Exploring theory-based evaluation for comprehensive community initiatives for children and families. *New approaches to evaluating community initiatives: Concepts, methods, and contexts, 1*, 65–92.

2 Chen, H., T., (1990). *Theory-driven evaluations*. Sage, p18.

3 Rogers, P., J., (2007). Theory-based evaluation: Reflections ten years on. In S. Mathison (Ed.), *Enduring issues in evaluation: The 20<sup>th</sup> anniversary of the collaboration between NDE and AEA* (pp. 63–67). New Directions for Evaluation, No.114. San Francisco, CA: Jossey-Bass.

4 The intervention logical framework presented here took its final form, following the author’s initial proposal, as a result of a series of discussions in the Thematic Working Sub-Group on Evaluation of PPPs within the European Evaluation Society.

## BENCHMARK DEFINITIONS

## ACTIVITIES

**Pipeline of Sound Projects:** A list of projects that have been tested for pre-feasibility and prioritized based on their respective net benefits and contributions to the collective transport system.

**High-Quality Feasibility:** A report that includes objective and scientific analysis of a PPP project from technical, legal, financial, economic, environmental and political perspectives; an assessment of incremental benefits, costs and their distribution among key stakeholders; analysis of uncertainties, risks and their allocations among parties involved.

**Sound Procurement:** Procurement that is consistent with the needs of the procuring authority and with the approved feasibility of a PPP project.

**Sound Risk Allocation and Management:** Allocation of risks among stakeholders of a PPP project such that each party is responsible for the risk that it is best able to manage.

**Conducive and Robust Regulatory Framework:** A legal framework that clearly defines mandates, responsibilities and accountables in PPP project and programme implementation; includes necessary procedures to ensure economy, effectiveness and efficiency; embraces clear guidelines for contract administration, conflict resolution, tariffs, subsidies, affordability and termination.

**Flexible Contract:** A PPP contract that is able to accommodate changes in variables that critically affect the feasibility of a PPP project during its economic life without compromising the overall feasibility, interests of key stakeholders and fair competition conditions at the procurement stage.

## OUTPUTS

**Economic, Effective and Efficient Project:** Projects constructed on time (also entering into the operational stage faster as compared to the counterfactual-direct public administration subconstructing- as a result of the incentives that engage private sector to

do so) and on budget and are able to function according to the intended purpose with an optimal cost-benefit balance.

**Better Service Quality:** Better provision of services as a results of private sector efficiency and competence.

**Affordable Construction and Services:** Cost of construction and services that are reasonably priced and commensurate with the level of provision they offer.

**Financially Sound and Sustainable Projects:** Projects having current and future cash inflow generation capacity and ability that are reasonably greater than cash outflows at a margin commensurate with international standards.

**Reduced Agency Costs:** Reduced conflicts of interest between shareholders of a sponsor and the management, as a result of the establishment of a separate special purpose vehicle (SPV) in PPPs (and thus increased value of the firm).

**Reduced Underinvestment Problem:** Sponsors not forgoing low-risk projects so as to maximize the wealth of shareholders at the cost of debt holders, as a result of the establishment of a separate special purpose vehicle (SPV) in PPPs (and thus increased value of the firm.)

**Reduced Asymmetric Information:** Reduced differences in information between sponsors and creditors as a result of the establishment of a separate special purpose vehicle (SPV) in PPPs.

**Socioeconomically Sound Project:** Projects having present value of social and economic benefits outweigh the present value of social and economic costs.

**Environmentally Sound Project:** Projects having negative environmental externalities eliminated, minimized or reasonably compensated for.

**On-budget Construction:** Ex-post construction costs being in line with expected costs.

**Public Side Interests:** Interests spanning through general public welfare.

**Private Side Interests:** Interests of the sponsors and creditors.

## OUTCOMES

**Incremental Economic Benefits:** Economic benefits net of economic costs (such as time savings, vehicle operating cost savings, accident avoidance) generated by the project throughout its useful life.

**Efficient Transport System:** A transport system in which alternative modes operate in harmony with each other at their financial and economic optimal.

**Increased Firm Value of Sponsors:** Increased share price of a sponsor as a result of reduced agency costs, elimination of underinvestment problem and asymmetric information.

**Increased Public Sector Credibility:** Sense of success among citizens about public administrations due to increased satisfaction of users as a result of faster construction of project; and affordable and high-quality services.

## IMPACTS

**Increased Mobility:** More efficient and comfortable movement of people and goods as a results of the PPP project's (or PPP programme's) incremental contributions to the system.

**Reduced Logistics Costs:** Reduced cost of logistic services as a result of a more efficient transport system due to the PPP project's (or PPP programme's) incremental contributions to the system.

**Growth-supporting Transport System:** A transport system facilitating economic operations and thus contributing to value added in the economy.

**Competitiveness-supporting Transport system:** A more efficient transport system as compared to competitors, facilitating economic operations and thus contributing to increased competitiveness.

Figure 1: Intervention logic for a PPP program in transport sector (CONT'D).

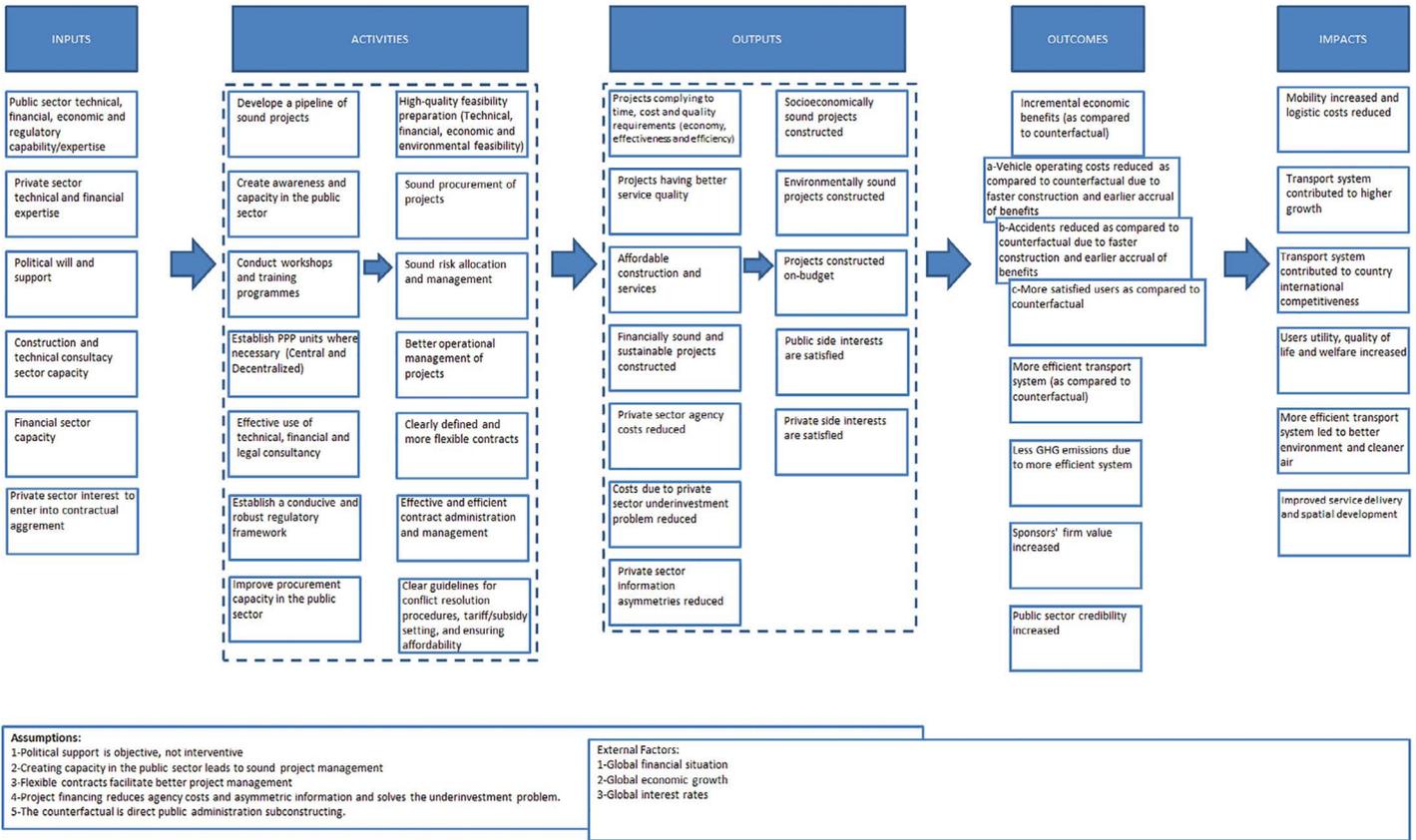


Figure 1: Intervention logic for a PPP program in transport sector.

## DAC CRITERIA

### 1 RELEVANCE

(The evaluator constructs a “normative intervention logic” for the program or project in question and assess the relevance criterion based on this framework).

- Whether the intervention logic of the program evaluated is consistent with the “normative intervention logic”.
- Are there lacking elements in the evaluated program’s logic with reference to the “normative intervention logic”.
- Whether the evaluated logic’s objectives consistent with sectoral policies?

### 2 EFFECTIVENESS

- Were objectives of the evaluated logic achieved? ( e.g. Reduced VOCs, accidents, happier users, increased firm value, more efficient system, reduced GHGs as compared to counterfactual).

### 3 EFFICIENCY

- Were the achieved objectives cost efficient? In other words, whether the PPP program achieved value-for-money as compared to counterfactual.
- Value of faster construction and earlier start of operations as compared to counterfactual.

- Value of additional time savings as compared to counterfactual.
- Value of additional accident reduction as compared to counterfactual.
- Value of vehicle operating cost (VOC) savings as compared to counterfactual.

### 4 SUSTAINABILITY

- Whether the system is financially sustainable as compared to counterfactual.
- Whether user charges are affordable as compared to counterfactual.
- Whether the special purpose vehicle’s (SPV) financial situation is sustainable as compared to counterfactual.

## FACTORS AFFECTING PERFORMANCE IN PRIVATE SECTOR ORIENTED PROJECTS

Nicolas Mathieu

Factors affecting outcomes and performance are usually identified in the evaluation of private investment projects. Partial, usually qualitative, answers to the questions of “why”, “how” and “what for” are often attempted in ‘result chain’ analyses of factors affecting output, outcome and impact. They can also be found in lender and borrower performance reviews. In most cases an informed synthesis of ratings is used to generate a plausible narrative about project merit, worth and value. On the other hand, aggregation of this evaluation information for meta-analysis and policy evaluation has been less frequent.

Recent developments in theory based approaches and the corresponding applied logical frameworks have demonstrated the need to be more systematic in the formulation of linkages between inputs and outputs, outcomes and impacts, and responding with even more clarity to the question of “why” in the analysis of the linkages.

A focus on classifying and aggregating factors affecting performance is therefore needed to identify resilient links between accountability and lessons learned. As a complement to the accountability for results question (“what worked, what did not?”) answering the question “why is it so?” requires a cogent response to the broader question “can we establish more effective causalities?” in the design of interventions.

Since each project is specific to its context, purpose and process, the related factors are hard to classify and aggregate. And yet, meta analyses of grouped project performances are needed to evaluate organizational and policy performance. Focusing only on aggregate ratings is not fully conclusive. One must also discover the most influential causes for success and failure at the sector, thematic and country level.

Early initiatives in the 1990s to classify the factors underlying project ratings can be found in a World Bank evaluation study of project restructuring and more recently in three Annual Evaluation Reviews of the European Bank for Reconstruction and Development (EBRD). The aggregation method is similar in all four studies. A sample of projects already evaluated is purposely selected to provide a balanced composition between two types of evaluation categories: the overall ratings of the projects and the sectors attached to the project. Within a project cell mapping the above mentioned categories (rating  $x$ , sector  $y$ ) a binomial variable  $(0,1)$  is assigned to each factor. If the factor is found to be present, it takes a value of 1. The aggregation takes the form of the sum of occurrences within the cell. This sum is then divided by the total number of projects from the same cell, providing an observed frequency in percent terms.

The sample is purposely chosen. This calls for judgment as the description of factors in

evaluation reports is not always systematic, often dispersed throughout the evaluation report and at times hard to classify. The boundaries of each factor are often undefined and, as a consequence, there may be a degree of overlap. Some categories may include more subcategories than others. Finally, while the list of factors must evolve to provide adequate coverage, it may not be exhaustive.

In spite of these limitations, several findings appear meaningful for operational and conceptual purposes. Key determinants of outcome emerged in the 1996 World Bank report on industrial restructuring. They were classified according to their macro, sector and enterprise dimensions (Table I).

While economy wide (macroeconomic level) factors were found significant, the two highest frequencies of occurrence of factors in a sample of 77 projects were found to be at the at meso level: restructuring strategy, and at enterprise level: management. The identification of these two salient factors enabled subsequent project leaders to target these relevant priorities in the actions required for restructuring enterprises.

To be sure, much has changed since the 1990s. But the same logic still applies. Thus the three more recent evaluation studies by the EBRD included analyses of factors for each category of successful and unsuccessful projects in the public and the private sector. The three studies, while separated by several years converged regarding their major conclusions.

The EBRD studies included more diversified groups of enterprises: besides industry, the sector categories included the financial sector and infrastructure. Given the increased sector diversity, and the private sector orientation of EBRD, the list of factors changed. However, some of the conclusions echo the findings of the earlier World Bank Industrial Restructuring study, pointing to the dominance of structural issues internal to the enterprise, even though external effects due

Economy wide	Sectorial	Enterprise
Macro stability	Prices	Enterprise organization
Employment restructuring	Public sector/privatization policy	Management restructuring
	Industrial restructuring strategy	

Table I: Major Factors affecting project performance of restructuring firms. Source: Industrial Restructuring, World Bank, 1996, p. 66.

Financial	Commercial	Institutional	External	Bank handling
Financial analysis	Market analysis	Sponsor commitment	Business cycle	
Cost performance	Sales performance	Management skills	Government behavior	
	Competition	Governance		

Table 2: Main factors affecting performance of private enterprise investment projects. Source: 2014 Annual Evaluation Review, EBRD 2015, p. 22.

to the business cycle or policy environment remained significant. The main categories of factors as listed in Table 2.

Once again major common factors that cause project success or relative failure hinge on the quality of the enterprise structure and its management. This refers to such institutional factors as governance, management skills and sponsor commitment, with an average frequency of occurrence above 45% in the successful and less successful categories, as found in the 2014 Annual Evaluation Review. As for the 1990's study, the findings may not be surprising *ex-post*, but they were not obvious *ex-ante*.

## Conclusion

Finding the main factors through which a project is a success or failure in meta analyses

does help focus on what matters most in future projects, and allows scarce resources to be concentrated on what will make the project a success, without underestimating the macroeconomic context. The latter would need more elaborations in future factor studies, especially on the channels through which macro policies affect project performance. Further clarifications of the role of significant factors would help select the dominant linkages in complex logical frameworks and in studying further the related processes.

Conversely project level evaluation approaches should be improved through an iterative process where meta findings help target factors affecting performance at the intervention level. Beyond their incorporation into logical frameworks, even more systematic studies of the frequency of factors (e.g. through Qualitative Comparative

Analysis and Process Tracing) may contribute to stronger theories of action and change for project evaluation. According to Boolean logic this could be done through iteration as more project level performance materializes. Such an approach to categorisation and aggregation of factor occurrences could eventually be extended from private sector oriented projects to public sector investment projects.

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## TRIANGULATING: CAN EVALUATION ADD VALUE TO MARKET-ORIENTED DEVELOPMENT?

Riitta Oksanen, the President of EES triangulates with Fredrik Korfker, a former Chief Evaluator of the EBRD on the private sector and Marvin Taylor-Dormond, former Director of Independent Evaluation for Financial, Private Sector and Sustainable Development at the World Bank Group and since 1 October 2016 Director-General of Evaluatino at the Asian Development Bank in Manila.

### Key points:

1. Market-oriented development initiatives, often supported by public funds,

are an essential part of efforts to achieve the global development commitments. Evaluation in this field is ongoing – but is the service industry involved in the evaluation of social impact investments willing to work together with the development evaluation community?

2. Evaluating market-oriented development implies finding a balance between the rapid efficiency of the industry, and thinking through the systematic application of evaluation standards in this context. It is essential that evaluation approaches be aligned and responsive to the private

sector/market-base nature of operations, instead of lazily adapting public sector practices.

3. Bringing together the stakeholders for dialogue is the best way forward, and urgently needed.

**Riitta:** Market –oriented development initiatives have an increasingly important role in achieving sustainable development. Evaluation, however, has traditionally been linked to public sector operations. Why and when is it important to also evaluate market-oriented initiatives?

**Fredrik:** Market-oriented development initiatives have indeed an increasingly important role in achieving sustainable development. During the Wilton Park Conference in July 2015 “New Frontiers for evaluation in an era of market oriented development” the growing social impact investment industry was discussed and conclusions were reached about the importance of rigorous evaluation practices that need to enhance transparency and credibility of this industry. It is also important to refer in this respect to the G20 meeting in London May 2014 where the importance of social investment was highlighted as a driver for development. The OECD was asked to prepare a report to get a better view of the industry: Social Impact Investment-building the evidence base” (<http://www.oecd.org/sti/ind/social-impact-investment.pdf>). It gives an indication of the changing views of donor countries having been involved in development financing over many years and stimulating market-oriented approaches in development financing. During the Wilton Park conference participants, many being evaluators with a development background, stressed the importance of thorough and independent evaluation of social impact investment activities. The rigorous evaluation methodologies and practices developed over many years for the public sector could also be used for evaluating social impact investments and it was felt that a dialogue should be stimulated between different groups of evaluators to learn from each other. In respect of your last question Riitta, “why and when is it important to also evaluate market-oriented initiatives”, I want to respond that (a) whenever public funds are involved in financing market-oriented operations, as is the case in private sector financing by multilateral development banks (MDBs), or (b) when for instance tax incentives are provided by governments to stimulate the public to invest in social impact investment operations, it is essential to secure transparency and to demand rigorous evaluation to take place, to guarantee the necessary transparency to the social impact investors and the general public.

**Marvin:** In capitalist societies – which is the case of the majority of world societies today-market oriented initiatives are actually the key ingredient of development. For instance, 9 out of 10 jobs worldwide are created by market-oriented activities. The recognition of the role of the private sector in development

had been absent until very recent. Today, the situation has changed significantly. The most recent global commitments on SDGs and Climate Change, for instance call for an active promotion of and partnership with the private sector, to achieve such goals. In response to this changing context, there has been a renewed interest by multilateral development banks, bilateral agencies and impact investors in promoting development through market-based interventions. Now how to evaluate these activities? It is correct as you indicate that evaluation has traditionally been associated with public sector initiatives. However, within the context of the Evaluation Cooperation Group, Multilateral Banks that were created to work through the private sector, such as IFC and EBRD have engaged in the creation of a set of standards to evaluate private sector or market based projects. This work has been precisely led by Fredrik, Bill Stevenson my predecessor in IFC and by me. The standards recognize the specificity of these types of interventions, such as the competitive environment in which the private sector operates, the payment that beneficiaries have to make to have access to services or goods, the importance of the financial sustainability of interventions, and the criticality of third party effects of these interventions, i.e. their social and environmental effects. In addition to this, as Fredrik indicates, parallel to the growing trend of the impact investment industry, an entire new practice of assessment and guidelines for evaluating the results of these investments is emerging, often led by the accounting community as was the case at the initial stages of evaluation in the public sector many years ago and by private sector associations. My concern regarding these initiatives has to do with the rigor and alignment or lack thereof of these practices and guidelines as well as with the limited role of the evaluation community in this development. I believe that the evaluation community should urgently start paying attention to the growing use of market oriented interventions to promote development and organize itself to play a strong role in the development of tools to assess their results.

**Riitta:** What are the biggest challenges in evaluating development processes with private sector engagement? Do not need new tools and concepts, do we need new ways of thinking?

**Marvin:** In my experience, the biggest challenge is twofold: to get evaluators to switch their traditional mindset and connect with the nature of private sector interventions and to develop the appropriate frameworks to assess these types of interventions. On the first, simplicity and speed of the evaluation process, as demanded by the competitive framework of private sector operations is a must. On the second, in evaluation, our frameworks have to follow the nature of and circumstance of the object of evaluation. Therefore, a good framework should recognize the characteristics of private sector interventions instead of lazily trying to adapt frameworks created to assess public sector project for evaluating private sector operations. I think that there is a long way to go in this respect. I live through these difficulties every day, within our own organization as well as in dealing with evaluators from other agencies trained to see development and evaluation exclusively through the lens of the public sector. But as I said, the growing industry will not wait for anyone who may not be willing or ready to understand the new reality. It is the private sector and it will create its own instruments with or without our active participation.

**Fredrik:** One of the important areas where evaluating of development processes with private sector takes place is in the multilateral development banks (MDBs). From the start of these institutions (World Bank Group and four regional development banks) ex post evaluation of public as well as private sector operations has been essential assessing performance in respect of their mandates and in holding the institutions accountable to their owner-governments and the general public. In respect of private sector evaluation, I have always put emphasis on project evaluation, i.e. evaluating individual projects through carrying our field visits and learning on the spot how the project is doing and what impediments are there to fulfilment of objectives. Also bottlenecks can be spotted during such evaluations and sometime violations in respect of business ethics and corruption, which would remain hidden if no field visits would take place. Also in respect of gathering quality lessons learned on projects, these field visits are crucial. The tendency in MDB evaluation departments, when evaluating private sector operations is to do so-called “higher level” evaluation and to abolish the

expensive field visits of projects and concentrate only on validation of self-evaluation reports by operational staff. The private sector is not necessarily keen to be the object of evaluation, but during the interaction with clients it is important to make clear that MDB financing is focusing on enhancing development impact and transition (the latter, as is the case for the EBRD) and that each of the MDBs involved in private sector financing should be additional, i.e. should have strong conditionality (environmental/transparency), should be in principle more expensive than commercial banks and should focus on value addition of the institution.

**Riitta:** How can private sector demand for evaluation be best encouraged? How do we get to "My accounts are audited AND My results are evaluated"?

**Fredrik:** It is important that in particular for a social impact investment industry, regulations should be as such that rigorous evaluation is required and that the industry has proper control mechanisms. Cross-fertilization from the development evaluators towards the consultant firms and their representatives responsible for evaluating social investment operations, through regular dialogues, in my view is essential. The industry responsible for social impact investment who commission the evaluations and the controlling authorities should also get involved in this debate.

**Marvin:** I do agree with Fredrik. In the impact investment industry, there is no need to stimulate demand because the entire concept is based on the intention of having an impact. In other words, the double bottom line you suggest (profitability/sustainability and results) is inherent to the operations. Here the trouble is with the development of good and rigorous evaluation frameworks and with the involvement of the evaluation community to meet the demand. On the other hand, among multilateral and bilateral agencies, the demand is also natural, for development and therefore working to meet a double or triple bottom line (including environmental sustainability) is their mission. The difficulty lies in developing the right instruments and the intellectual curiosity of evaluators to deal with private sector or market oriented activities as opposed to just public sector projects.

**Riitta:** Fredrik, you suggested above that it is important to get a dialogue going between development evaluators and representatives of the social investment industry, the firms involved in evaluation of the sector and also to talk to the regulators. How can we make this happen, what are the most important next steps? Can we use the EES Conference in Maastricht as a forum?

**Fredrik:** We should invite speakers from the social investment industry, i.e. some key players involved with market development of social impact investment, representatives

from the big accounting firms involved in evaluation and some responsible regulators of that industry. An important contact would be the GIIN, the Global Impact Investing Network that might have some suggestions in preparing the conference in respect of the social impact investment theme. We should indeed prepare a forum at the Conference on social impact investment.

**Marvin:** I agree with Fredrik: we urgently need to stimulate a dialogue among investors, fund operators and the accounting community currently filling the gap of evaluation services. Among bilaterals and multilaterals, we need to continue the conversation on the importance of understanding that in our evaluation work, framework and method should follow object and therefore, that applying the same public sector framework to market oriented interventions is incorrect or inadequate. The upcoming EES Conference can be actively and strategically used to motivate the dialogue. In addition, it can be used to examine the tools that are already in existence in ECG to deal with private sector/market oriented interventions, and motivate their use and benchmarking among bilaterals and multilateral as well as among consultants. In Dublin the EES Private Sector Working Group under the leadership of Fredrik was very active and organized itself to produce a series of presentations on the subject. IEG of the World Bank Group was strongly supportive of this initiative. ■

### Further Comments from Fredrik after the EES Maastricht Conference 27–29 September 2016:

Riitta chaired organised the President's Fish Bowl event about the evaluation of market-led development interventions. I participated in the panel which also included John Gargani, President of the American Evaluation Association (AEA) and Marko Katila, an experienced evaluator from Finland. The debate elicited a lot of interesting comments and question about the assessment of social impact investing relative to the evaluation practices of development evaluators. It was highlighted that the private sector requires "just in time" answers, but that this "need for speed" should not come at the cost of quality and lack of rigour. On the other hand, the rigour associated with development evaluation should not scare off social impact investors and asset managers. Striking the right balance requires both sides learning from each other. Towards this end, further dialogues between the two groups should be held and John highlighted that the AEA Conference in Atlanta at the end of October will offer important opportunities for further exchanges thus laying the foundation for a rapprochement.

To contribute to this dialogue please click: <http://europeanevaluation.org/blogs/riitta-oksanen>.

## THE AUTHORS

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Fredrik Korfker is an international development finance, banking and evaluation professional with experience gained in commercial banks, development finance corporations and multilateral development banks. The evaluation expertise has been gained since 1996 through leading the Evaluation Department of the European Bank for Reconstruction and Development (EBRD) in London. After retirement in January 2011 he did mainly private sector-related evaluation consultancy assignments for the UNDP, the World Bank, the African Development Bank, the Belgian Government and the Asian Development Bank in Manila, Philippines. In a volunteering capacity he leads the thematic working group on private-sector evaluation of the European Evaluation Society.

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Mehmet Uzunkaya has 18 years of experience in public investment management and various aspects of PPP policy making, project implementation and evaluation in the national and international context. He took part in financial and socio-economic evaluation as well

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Nicolas Mathieu was Senior Economist in the Evaluation Department of the European Bank for Reconstruction and Development, and earlier Senior Evaluation Officer in the Operations Evaluation Department of the World Bank. He holds a PhD in Economics from the University of Pennsylvania, a Diplôme d'Etudes Supérieures (DES) en sciences économiques de l'Université de Paris, and a Diplôme de l'Institut d'Etudes Politiques de Paris. He is currently contributing to evaluation studies undertaken by multilateral development banks.

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Robert ('Bob') Picciotto, 'AcSS, was Visiting Professor, King's College, London until 2015 where he teaches evaluation. He holds graduate degrees in public and international affairs (Princeton University, USA) and aeronautical engineering (ENSA, France). He serves on the boards of the UK Evaluation Society and the European Evaluation Society. At the World Bank he was Director General of the Independent Evaluation Group from 1992 to 2002 after holding a variety of operational and senior management positions including Vice President, Corporate Planning and Budgeting and Director, Projects in three of the World Bank's Regions. Since his retirement from the World Bank he has provided senior independent evaluation advice to many

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Sara Vacais an evaluator, Senior Partner at ImpactReady. B.A. in Management, M.A. in Non-profits management and M.A. in Evaluation, specialized in International Cooperation interventions (Livelihoods, Cash transfers and Gender). She has extensive experience with Red Cross and Red Crescent members and UN Agencies, having led evaluations in Pakistan, Nigeria, Senegal, Tunisia, Togo and Dominican Republic. Her recent work has included evaluation quality assurance for UNICEF and UN Women and an Outcomes Harvesting evaluation. She is also specialist in Data Visualization ([www.SaraVaca.com](http://www.SaraVaca.com)).

### Romeo Santos



Romeo Santos works in the industry, academia, and non-profit sector. He is a professor in the University of the Philippines and currently president of the Pilipinas Development Evaluators Association, a national organization of evaluation practitioners. He also serves as Executive Director of the WorkLand M&E Institute, a non-profit, government-registered think tank that provides training in research, strategic planning, organizational development, and M&E to various sectors. He completed IPDET's development evaluation course at Carleton University, Canada in 2008 and was a Fulbright fellow and visiting professor in the US in 2009. Mr. Santos finished PhD Architectural Engineering (Project Management & Economics) in 1995. He sits in the Board of Trustees of IOCE, representing the Asia Pacific Evaluation Association, a regional association in the Asia Pacific Region. He is currently Senior Independent Evaluation Adviser, Ministry for Foreign Affairs and Trade, New Zealand.