![DCED — The Donor Committee for Enterprise Development]

Guidelines to the DCED Standard for Results Measurement:
Tracking Costs and Impact

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Where these Guidelines fit in the Standard

The DCED Standard specifies seven elements of a successful results measurement system. This guide covers the fifth element; tracking programme costs. For guidance on the other elements of the Standard, visit the DCED website, or see these links.

1) Articulating the results chain
2) Defining indicators of change
3) Measuring attributable change
4) Capturing wider change in the system or market
5) **Tracking costs and impact**
6) Reporting results
7) Managing the system for results measurement

How to use these Guidelines

These guidelines are for programmes implementing the DCED Standard for Results Measurement in Private Sector Development. The DCED Standard provides a practical framework for programmes to monitor their progress towards their objectives, enabling them to better measure, manage and demonstrate results.

The Standard specifies three *control points*, which programmes should follow while developing results chains. Each control point is further broken into *compliance criteria*, which indicate whether the control points are met or not. For each control point, this guide provides additional advice explaining what they mean, and how to comply. It also links to further guidance and resources.

Some of the control points are required for compliance with the Standard (highlighted below with 'Must') while others are recommended, but not required.

Use these guidelines to better understand what the DCED Standard requires, and how to achieve it. By doing so, you will strengthen the quality of your results measurement system, and be better able to measure, manage, and demonstrate your results.

These guidelines are a work in progress, and we hope to update them in future. If you have any suggestions or contributions, please email Admin@Enterprise-Development.org

Tracking Programme Costs

Almost every private sector development programme includes a financial management system, and track costs in order to control expenses and report to donors. These costs should be linked to results achieved, in order to truly judge the efficiency of each programme. Programmes should take a pragmatic approach, integrating the results measurement into existing systems so as to minimise additional costs and restructuring.

Control Point 5.1: Costs are tracked annually and cumulatively (Must)

Compliance Criterion:

- *A system to track in-country programme-related expenditure annually and cumulatively exists.*

The programme has annual and cumulative totals of all programme-related costs spent in country. All programmes should report total direct programme costs. This should include all costs directly incurred through running the intervention, such as researchers, sub-contractors, etc. Programmes should clearly and transparently explain what this total includes.

Ideally, programmes would also report indirect costs. These include overhead and administrative costs in country, design costs, monitoring and evaluation costs, and so on. However, this isn't practical for all programmes, and consequently isn't assessed during a DCED audit.

Control Point 5.2: Programme-wide impact is clearly and appropriate aggregated (Must)

Compliance Criteria:

- *A system for estimating common impact indicators (or other programme-wide aggregatable indicators) at least annually exists.*
- *The system for estimating common impact indicators (or other programme-wide aggregatable indicators) is clear, thorough and appropriate.*
- *Aggregated impact is estimated annually. Estimates are supported by clear explanations of calculations, assumptions and take into account overlap.*

High level indicators, such as the common impact indicators, should be aggregated at least annually.

Estimation of impact will often be based on assumptions. For example, a small study of a sample of target businesses may reveal that, on average, each hired three new employees following the programme's support. If 100 businesses were supported, this implies that 300 new jobs were created. This calculation should be explicitly referred to in the text, to show how estimates were derived.

When measuring high level common indicators, there is a danger of double-counting results. For example, one component may support 100 businesses, while another supports 200. If these two components work in the same area, there may be overlap between their results, as some businesses may receive support from both components. In this case, they cannot simply add their respective results to show the total impact, but must adjust for this double-counting. For example, if 50 businesses receive support from both components, the total number of businesses supported is 250, not 300. The calculation for impact should explicitly consider this overlap.

> **Control Point 5.3: Costs are allocated by major component of the programme. (Applicable only to programmes with more than one main intervention). (Recommended)**

Compliance Criterion:

- *A system to estimate expenditure for each major programme component of the programme, for which impact is also estimated, exists.*

Expenditure for each major programme component of the programme, for which impact is also assessed, is reported. This control point is only applicable to programmes with more than one component. These programmes are encouraged to separate costs by major components of the programme in order to provide useful management information. For example, in a programme which runs separate vocational training and market development project, costs should be separately tracked for each component. The programme should report results in the same way, so the cost can be compared to the results.

Ideally, costs would be separately estimated for each results chain in use by the programme. This is because the results chain is the basis for estimating results. If the programme is also able to estimate costs for each results chain, then the results and costs can easily be compared. However, the Standard is often adopted by programmes that have already developed their financial management system, and it may be impractical to restructure this to match the results management system. In this case, programmes should take a pragmatic approach, in order to get the maximum information out of the financial and results measurement systems.