

1. Overview

Program	Market Development Facility – Sri Lanka		
Audit visit dates	22 May – 26 May 2017		
Overall final ratings ¹	MUST		501/540=93%
	RECOMMENDED		140/155=90%
Coverage	Diversifying Tourism Destinations, Products and Services, Stimulating Entrepreneurship and Business Activity in Former Conflict-affected Areas, Making Sri Lanka Produce and Products Export Competitive and Innovation in Digital Services for Inclusive Growth		
	All control points were checked.		
DCED Standard	Version VIII, April 2017		

Signed:

Country Representative:



Date / place

Auditors:



Phitcha Wanitphon

3/11/2017, Bangkok

Date / place



Mihaela Balan

3/11/2017, Melbourne

Date / place:

¹ An overall rating of 100% implies that the project meets the compliance criteria and has a strong measurement system of acceptable quality within the boundaries of what the programme has set itself to measure, not that it is has a perfect measurement system.

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Acronyms

AUD	Australian dollar
BA	Business Advisor
DCED	Donor Committee for Enterprise Development
DFAT	Department of Foreign Affairs and Trade
EIA	Early impact assessment
IA	Impact assessment
IG	Intervention guide
MDF	Market Development Facility
MRM	Monitoring and Results Measurement
RC	Results chain
RM	Results measurement
SL	Sri Lanka
WEE	Women's Economic Empowerment

2. Summary of the Programme and Results Measurement System

2.1 Summary of MDF

The Market Development Facility (MDF) is a multi-country market systems development programme funded by the Australian Department of Foreign Affairs and Trade and implemented between 2011 and 2017. MDF commenced in Sri Lanka (SL) in 2015. The first intervention was signed in February 2016.

MDF supports private and public sector organisations to innovate, invest and/or undertake reforms in such a manner that small farms and firms benefit from better access to production inputs, services and end markets. This, in turn, is expected to make them more productive and grow and ultimately creates jobs and increases income for poor women and men.

In Sri Lanka, MDF works in four sectors (or strategic engagement areas)

- **Innovation in Digital Services for Inclusive Growth**
- **Supporting the diversification of Sri Lanka's tourism destinations, products and services:** Giving tourists more options in terms of how they travel, what they do, where they stay and eat, and what they buy in terms of distinctly Sri Lankan products.
- **Improving Sri Lankan produce and products for export and tourism markets:** Focusing on a limited number of products and value chains that have the potential to be internationally competitive.
- **Stimulating entrepreneurship in former conflict-affected areas:** Supporting business activity and local entrepreneurs in order to improve the economic fabric of the North and East.

Three of these were the focus of this review:

- **Supporting the diversification of Sri Lanka's tourism destinations, products and services:** Giving tourists more options in terms of how they travel, what they do, where they stay and eat, and what they buy in terms of distinctly Sri Lankan products.
- **Improving Sri Lankan produce and products for export and tourism markets:** Focusing on a limited number of products and value chains that have the potential to be internationally competitive.
- **Stimulating entrepreneurship in former conflict-affected areas:** Supporting business activity and local entrepreneurs in order to improve the economic fabric of the North and East.

Key features of the results measurement system

As per the original tender requirements, MDF's results measurement system is based on the DCED Standard. MDF's results measurement system has been developed for the Facility (which covers five countries), then rolled out at the country level. The Facility provides overall guidance and management of the results measurement system. There is flexibility to implement results measurement according to the intervention needs although all interventions track aggregated common intermediate and impact indicators.

Intervention guides are developed for each intervention or partnership. These include: a results chain, results measurement plan; actual (quantitative and qualitative) information relating to results versus projections at the output, outcome and impact levels; calculations for projections and actuals along with

assumptions. More recently results chains have also been drafted by MDF business advisors to assist with the preparation of partnership justification documents.

Data relating to common indicators is compiled from each intervention to country-level aggregated results, which is then in turn compiled to MDF-wide results on an annual basis.

Most baseline, monitoring and early impact assessment activities are conducted in-house in Sri Lanka.

In 2015/16, MDF also sought to integrate women's economic empowerment (WEE) into the results measurement approach. Intervention guides were updated to identify which of the five WEE domains an intervention or partnership was expected to contribute to. Subsequently, data collection tools were amended to collect information on these domains.

MDF also developed a framework for systemic change, with the initial thinking commencing in 2014. The framework consists of six parameters, autonomy, sustainability, resilience, scale, inclusion and WEE, and maps a six-stage pathway from beginning to high states. MDF's role in facilitating systemic change diminishes over time with heavier intervention in the initial and intermediate stages and less at the advanced stage. The mature stage denotes that the change has become the norm.



The results measurement for systemic change has not been fully developed, although aspects of it draw on other processes (such as the WEE framework outlined above).

Evolution of the results measurement system

The MDF approach to results measurement is guided by the DCED Standard. The initial system was developed in 2011/2012 and the latest version of the Results Measurement manual updated in 2014. This manual is being replaced by a Strategic Guidance Note covering results measurement (currently in draft form) in 2017.

In 2016/17, the MDF Team Leader commenced a review of the results measurement system in practice, following issues which arose in another country programme. In summary, MDF overall found that the implementation and results measurement teams were not working together as intended but were rather operating, somewhat, in isolation of each other, with issues more apparent in some MDF country programmes, rather than all. Sri Lanka, as a new MDF country programme, had not yet fully started utilising the old results measurement system and thus the issues were not apparent there. They have been involved in the development of the new system.

The issues identified in 2016 included:

- User-unfriendly results chains, because implementers had stopped using and updating them, as they had become the prerogative of the results measurement specialists;
- Change definitions in results chain 'boxes' for outputs and outcomes got increasingly more generic (shorter, simpler, less precise) while long lists of indicators were generated. The less precisely defined change meant that implementers and results measurement specialists diverged on the focus of the monitoring and impact assessment activities.
- Rigid, clunky and untimely survey research that grew out of the long lists of indicators, larger sample sizes, lack of qualitative information to help understand the quantitative data.

Changes were implemented, including simplifying results chains, and a reconfiguration of roles so the implementer first drafts the results chains; initially formulating key questions and developing indicators from these); increasing the focus on qualitative information. The six-monthly review meetings were always part of the RM process from the start of the programme. However, particular emphasis is now given to ensure that the information collected from the field through monitoring visits, field observations and partner discussions is reflected in the strategic meeting to steer the future of partnerships, and the portfolio in general.

3. Summary of the Audit Process

MDF Sri Lanka was audited under Version 8, published in April 2017. Since the new version was published very recently, MDF had the option for the audit to be based on Version 7 or 8.

MDF SL has four sectors: Diversifying Tourism Destinations, Products and Services, Stimulating Entrepreneurship and Business Activity in Former Conflict-affected Areas, Making Sri Lanka Produce and Products Export Competitive and Innovation in Digital Services for Inclusive Growth.

The sample selection for the audit is a two-stage process. The first stage is to select the sectors. Since MDF SL has four sectors, to meet the minimum requirement of Standard, three sectors are covered. The three sectors randomly selected were Diversifying Tourism Destinations, Products and Services, Stimulating Entrepreneurship and Business Activity in Former Conflict-affected Areas and Making Sri Lanka Produce and Products Export Competitive. The audit reviewed a representative sample of all current and past interventions in these sectors.

The number of interventions per sector were selected as follows:

- Diversifying Tourism Destinations, Products and Services: 5 interventions. The square root of 5 = 2.24, rounded down = 2.
- Stimulating Entrepreneurship and Business Activity in Former Conflict-affected Areas: 2 interventions. Both are included to meet the minimum requirement.
- Making Sri Lanka Produce and Products Export Competitive: 5 interventions. The square root of 5 = 2.24, rounded down = 2.

For Diversifying Tourism Destinations, Products and Services, Cinnamon was pre-selected because it is the only completed intervention. For the remaining selections, the randomiser website was then used to generate random numbers for selecting the interventions to be covered in each sector.

Table 1: Selected interventions

Sector	Code	Intervention name	Total Budget (LKR)	Start date	Expected end date	Intervention status
Diversifying Tourism	SL/T/I01	Cinnamon Hotel Management	4,243,750	Jun-16	Dec-16	Activities Completed & Monitoring On-going
Diversifying Tourism	SL/T/I05	Selyn Exporters	2,505,000	Jul-16	Jun-17	Active
Former Conflict-affected Area	SL/SME/I01	Dayana Plastic	2,692,294	Mar-16	Mar-17	Cancelled
Former Conflict-affected Area	SL/SME/I05	Cool Man Fish Canning	5,280,000	Jul-16	Apr-17	Active
SL Produce and Product	SL/SLMG/I01	Divron Bioventures	6,950,577	Mar-16	Apr-17	Active
SL Produce and Product	SL/SLMG/I02	Aruna Plant Nursery	8,450,000	Jun-16	Sep-17	Active

Since the programme is relatively new, not all aspects of results measurement have yet been carried out. Therefore, some compliance criteria in the Standard are not yet applicable. Compliance criteria that were not scored were:

- 3.3.1, 3.3.2 and 3.3.3 since impact assessments were not due and have not been conducted for selected interventions;
- 3.5.3 gender assessment since they were not due yet;
- 4.2.1, 4.2.2, 4.2.3, 4.2.4, 4.2.5, 4.2.6 and 4.2.7 since the systemic change pathways have not been defined yet; and
- 6.2, 6.3.1 and 6.3.2 since results on gender and systemic changes have not been measured and reported.

4. Summary of Findings

MDF Sri Lanka scored 93% (501 out of a possible 540 points) for 'must' compliance criteria and 90% (140 out of possible 155 points) for 'recommended' compliance criteria.

Since Sri Lanka is a new country programme, there are many "not applicable compliance criteria". So, the maximum 'must' and 'recommended' scores have been adjusted to exclude the compliance criteria that were not scored. **Table 2** summarises the scores for each section of the DCED Standard. Detailed scores are outlined in Annex 1.

Table 2: Score by DCED Standard Section (disaggregated mandatory and recommended compliance criteria)

		Total maximum	Total actual	%
Section 1: Articulating the results chain	Must	80	79	98%
	Rec	15	15	100%
Section 2: Defining indicators and other information needs	Must	80	72	89%
	Rec	50	46	92%
Section 3: Measuring attributable change	Must	145	121	83%
	Rec	50	47	94%
Section 4: Measuring systemic change	Must	-	-	-
	Rec	10	7	70%
Section 5: Tracking costs and impact	Must	55	55	100%
	Rec	20	20	100%
Section 6: Reporting results and costs	Must	50	50	100%
	Rec	10	5	50%
Section 7: Managing the results measurement system	Must	130	125	96%
	Rec	-	-	-
Totals	Must	540	501	93%
	Recommended	155	140	90%

The following sub-sections outline the scores for each control point and summarise the findings according to the strengths and weaknesses of each section. More detailed findings for each sector are outlined in **Annex 2**.

4.1 Section 1: Articulating the results chain

Table 3: Score: Articulating the results chain

No.	Control points	Must/ Rec	Std max. score	Actual score
1.1	An appropriate, sufficiently detailed and logical results chain(s) is articulated explicitly for each intervention.	M	20	19
1.2	Each intervention results chain is supported by adequate research and analysis	M	15	14
1.3	Mid and senior level programme staff are familiar with the results chain(s) and use them to guide their activities.	M	25	25
1.4	The intervention results chain(s) are regularly reviewed to reflect changes in the programme strategy, external players and the programme circumstances.	M	20	20
1.5	Each intervention results chain is supported by adequate research and analysis on gender.	R	5	5
1.6	Each results chain is supported by research and analysis that considers the risk of displacement.	R	10	10

Strengths	Weaknesses
All interventions have an intervention results chain. Results chain are mostly logical and sufficiently detailed.	In a few cases, results chains have a few minor discrepancies in terms of logic.
Partnership justifications explain the logic of the interventions. Viability of the business model has also been considered when developing the partnership justification. The partner justifications include most of the external risks related to the logic of the interventions. The interventions address key constraints in the country engagement strategy.	In some partnership justifications, a few critical risks are missing.
Staff have a good understanding of the intervention results chains and use them in their work, including drafting them as part of the partnership justification.	
Regular reviews are undertaken of results chains and they are revised when necessary.	
MDF has developed a WEE framework and each intervention is assessed to determine its contribution to five WEE domains of change (e.g. economic	

advancement, decision-making). These are noted in the IG. Relevant boxes in the RC are also 'tagged' as relating to WEE.	
Displacement has been considered for the all relevant interventions.	

4.2 Section 2: Defining indicators of change and other information needs

Table 4: Score: defining indicators of change and other needs

No.	Control points	Must/ Rec	Std max. score	Actual score
2.1	There is at least one relevant indicator associated with each change described in the results chain(s).	M	10	9
2.2	Qualitative information on how and why changes are occurring is defined for each intervention.	M	30	23
2.3	A small number of indicators at the impact level can be aggregated across the programme.	M	20	20
2.4	There are specific indicators that enable the assessment of sustainability of results.	M	10	9
2.5	Mid and senior level programme staff understand the indicators and how they illustrate programme progress.	M	10	10
2.6	There are specific indicators that enable the assessment of gender differentiated results.	R	15	15
2.7	Anticipated impacts are realistically projected for key quantitative indicators to appropriate dates.	R	35	31

Strengths	Weaknesses
All interventions have indicators linked to each box in the results chains. The indicators are mostly relevant, specific and measurable.	In some cases, few indicators are missing or not specific enough.
For each intervention, questions have also been	In many cases, qualitative indicators or questions (in the

developed for quantitative and qualitative information needs. ² All interventions include qualitative indicators or questions to measure behavioural changes of each actor. Qualitative indicators or questions are sufficient to assess character and depth of changes.	"key question to ask" column) on why changes have or have not happened are missing.
Common impact indicators are defined for all relevant interventions.	
All relevant interventions have some indicators to assess the sustainability of results. The primary sustainability indicator for the businesses is sales value, and it is tracked for three years past MDF support. For some interventions, production costs and margin are also tracked. At beneficiary level, to assess likelihood of sustainability, net income is tracked for three years.	In many cases, while indicators relating to sales volume and/or value of the partner are used to assess sustainability of the market actors, other key indicators relating to costs, profit and business viability or qualitative questions on the likelihood of sustainability are not included. This limits the ability to assess the likelihood of sustainability of interventions.
Projections have been developed for all relevant interventions.	In one intervention, projections for the 2 nd and 3 rd years are missing. In addition, in some interventions, sources of some assumptions are missing.

4.3 Section 3: Measuring attributable change

Table 5: Score: Measuring attributable change

No.	Control points	Must/ Rec	Std max. score	Actual score
3.1	Baseline information on all key indicators is collected.	M	60	45
3.2	Monitoring information on all key indicators is collected.	M	60	51
3.3	Impact assessment is conducted to assess attributable changes in all key indicators in the results chains using methods that conform to established good practice.	M	N/A	N/A ³
3.4	The programme implements processes to use information from monitoring and results measurement in management of interventions and decision making.	M	25	25
3.5	The programme has a system for assessing and understanding differentiated results by gender.	R	30	30
3.6	The programme monitors to identify unintended effects.	R	20	17

² The development of questions is part of the MDF RM system to also capture the need to understand why changes are occurring or not. Developing questions to articulate information needs is not a specific requirement of the Standard. However, developing questions is considered good practice.

³ Control point 3.2 were not scored since impact assessment were not due and has not been done.

Strengths	Weaknesses
<p>RM plans are largely satisfactory. Attribution has been considered at the partner and beneficiary levels. Where appropriate, baseline information has been collected.</p>	<p>In many cases, plans to collect baseline information are not documented in the RM plan. However, staff can explain the plans.</p> <p>In a few cases, RM plans have minor discrepancies in terms of timing for assessment and sources of information.</p> <p>In one case (Cool Man), the baseline prices paid for different types of seafood and locations are largely different. However, the baseline was collected from very small samples which were not sufficiently representative.</p>
<p>Quantitative and qualitative Information has been collected according to the plan through regular field visits, telephone calls and reports from partners; the information allows staff to adequately monitor progress.</p>	<p>In most of the cases, qualitative information has not been compiled, summarised and documented in the measurement and observation tab in the IG to provide a consolidated view of the qualitative aspects of performance/status.</p> <p>In one case (Cool Man), the number of beneficiaries reported by the partner has not been effectively validated through information gathering in the field. And, the market prices paid for different types of seafood and locations collected are largely different. However, market prices are not analysed based on each category. However, the conservative approximate price has been used to calculate the impact.</p>
<p>Staff use the monitoring data that has been analysed to inform their work and improve the interventions.</p>	
<p>RM plans also include disaggregating relevant data by sex and the appropriate assessment of relevant WEE domains.</p>	
<p>Where unintended effects have been identified, they are reported and discussed in team meetings and also incorporated into the interventions when appropriate.</p>	<p>The process for monitoring unintended effects has recently been developed.</p>

4.4 Section 4: Capturing wider changes in the system or market

Table 6: Score: capturing wider changes in the system or market

No.	Control points	Must/ Rec	Std max. score	Actual score
4.1	The programme has an overall plan for assessing systemic changes at programme level.	R	10	7
4.2	Systemic changes are assessed at market systems level and beneficiary level using appropriate methods.	R	N/A	N/A ⁴

Strengths	Weaknesses
The programme has a systemic change framework.	While the measurement of most parameters in the systemic change framework draws on other data collection activities, the process for consolidating data and analysing systemic change has not been developed and therefore the system is not yet fully operational.

4.5 Section 5: Tracking costs and impact

Table 7: Score: Tracking costs and impact

No.	Control points	Must/ Rec	Std max. score	Actual score
5.1	Costs are tracked annually and cumulatively.	M	20	20
5.2	Programme-wide impact is clearly and appropriately aggregated.	M	35	35
5.3	Costs are allocated by major component of the programme.	R	20	20

Strengths	Weaknesses
Costs are tracked annually and cumulatively. The direct intervention costs are allocated to each intervention.	
The system for aggregating common impact indicators is appropriate. Aggregated impact is estimated annually. There is no potential overlap in common impact indicators in Sri Lanka at this stage due to the different geographic locations of each intervention.	

⁴ The programme is in the early stage regarding the systemic changes. So, the systemic change pathway has not been developed yet.

4.6 Section 6: Reporting costs and results

Table 8: Score: Reporting costs and results

No.	Control points	Must/ Rec	Std max. score	Actual score
6.1	The programme produces a report at least annually which describes results to date.	M	50	50
6.2	Results of gender impact are reported.	R	N/A	N/A
6.3	Results of systemic change are reported.	R	N/A	N/A
6.4	Results are published.	R	10	5

Strengths	Weaknesses
Impacts are reported in the annual aggregation of results report. The report provides information on results, progress and qualitative explanations on results and progress. Costs are reported in the semester reports.	
Contributions of other programmes and actors are acknowledged in the reports.	
Reports on results are published on the MDF website.	Costs are not publicly published.

4.7 Section 7: Managing the system for results measurement

Table 9: Score: Managing the system for results measurement

No.	Control points	Must/ Recommended	Std max. score	Actual score
7.1	The programme has a clear system for using information from the results measurement system in management and decision-making.	M	30	30
7.2	The system is supported by sufficient human and financial resources.	M	50	50
7.3	The system is well managed and integrated with programme management.	M	50	45

Strengths	Weaknesses
There are sufficient human and financial resources to manage the results measurement system for each of the sectors and the programme as a whole. Staff can clearly explain their roles and responsibilities, and those of others, related to results measurement. Roles and	

responsibilities in results measurement are clearly defined and integrated into job descriptions, staff orientations and performance appraisal.	
Staff have access to sufficient guidance (predominantly provided by staff rather than written) on how to implement the results measurement system.	
Quality assurance processes for each intervention and for aggregation of common impact indicators and DFAT indicators are in place and functional. Outputs, such as analysis and aggregation reports, are reviewed.	There is no periodic internal formal review of the results measurement system.

5. Summary of key areas for improvement

Outlined below are some key areas for improvement:

- Ensure that partnership justification includes all key external risks and assumptions;
- Strengthen the indicators/information needs to assess the likelihood of sustainability at the partner level;
- Ensure that sufficient qualitative information needs on why changes happen or not are included in the measurement plan;
- Ensure that the key assumptions and source of assumptions for projections are fully documented;
- Ensure that qualitative information collected is compiled and documented in designated places such as the measurement and observations tab in the intervention guide;
- Ensure that periodic internal quality reviews of the overall results measurement system are in place;
- Operationalise the approach to assessing progress in promoting systemic changes.

Annexes

(separate document)

1. Overall and sub-sector specific ratings
2. Sub-sector specific findings
3. List of documents reviewed
4. List of interviews conducted