



# FCDO-BII Evaluation and Learning Programme



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## 1. Background

In October 2017, FCDO announced its commitment to provide up to £3.5bn of additional capital for BII (formerly CDC) to invest in businesses in Africa and South Asia – enabling BII to deliver the ambitions set out in its 2017-21 strategic framework. A central focus of the [2017-21 strategy](#) was on embedding development impact more deeply across BII’s investment decision making, portfolio management and reporting processes.

The [2022-26 strategy](#) establishes three strategic impact objectives: to invest to achieve productive, sustainable and inclusive development. It also introduces a new [Impact Score](#) to help BII manage strategic impact on a portfolio basis in line with these impact objectives. BII’s impact management approach is summarised in the publication [“What impact means to us: An overview of how we manage impact”](#).

This document builds on commitments made in the 2017 and 2022 BII business cases and presents an overview of how FCDO and BII collaborate effectively to better understand BII’s development impact through the FCDO-BII Evaluation and Learning Programme. It provides detail on: BII’s portfolio monitoring processes, objectives of an enhanced evaluation and learning programme, activities under this programme, and a management and governance structure to oversee it.

## 2. Why do we need to monitor and evaluate BII’s development impact?

Ongoing monitoring and regular, longer-term evaluations of BII’s impact are critical to help FCDO and BII better understand how, and in what contexts, BII’s investments deliver tangible, sustainable development impact on people, businesses, sectors and overall economies. This information is crucial to help BII target investments and track results in those businesses and sectors where it can have most impact and can be used to inform both portfolio management and investment decisions. By filling critical evidence gaps in BII’s theory of change, monitoring and evaluation also: supports transparency and accountability; contributes to the wider understanding of the development finance community; and ensures BII’s capital is invested effectively to deliver value for UK taxpayers.

## 3. What is the theory of change for BII and what does the evidence tell us?

The theory of change underpinning BII’s activities is set out below in Figure 1, which summarises the four stages from input to impact – illustrating how FCDO, through BII:

1. will deploy commercial investment and scale new innovative approaches of sub-commercial capital – inputs
2. which will provide both much needed capital and expertise to businesses (capacities, skills, practices & standards) as well as strengthen sector specific markets for businesses and investors – outputs
3. which in turn will spur growth in quantity and quality of portfolio companies, building a track record of viable and successful investments to achieve demonstration effects to other investors (improving supply and demand for finance) as well as help build improved markets (improving supply and demand for enabling goods and services – e.g. infrastructure – in the economy) – outcomes
4. all of which will contribute through jobs and tax receipts to sustainable economic development – impact - to contribute to a range of Global Goals to reduce poverty.

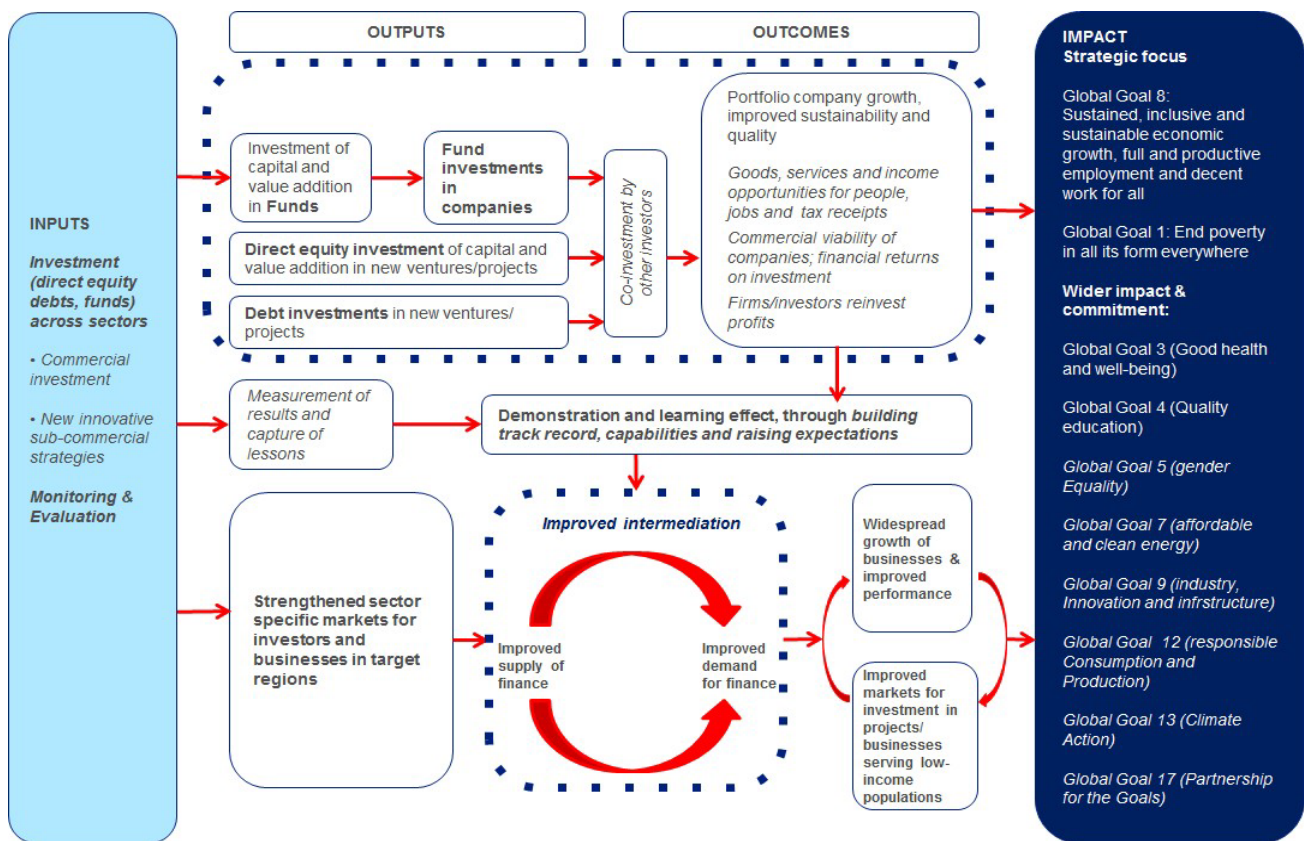


Figure 1: FCDO investment capital theory of change

Monitoring data, case studies and shorter-term evaluations and studies from BII and other Development Finance Institutions (DFIs) identify that investments made are having positive development impacts. However, differing definitions of development impact, the wide range of indicators used across organisations, the challenges and cost of collecting empirical evidence, and the lack of publicly available data for researchers to interrogate makes it difficult to draw robust and comparable conclusions about the types and depth of impact achieved by DFIs overall.

Moreover, there is little robust empirical evidence underpinning the longer-term impacts DFIs aim to achieve for many of the same reasons mentioned above. This is particularly the case for the broader transformational impacts that investments may have at the sector level, and the longer-term demonstration effects that DFIs can have on the availability of finance and investor perceptions of risk in new markets; although again, qualitative data and studies do point to positive effects in these areas.

#### 4. What information does BII collect to understand development impact?

BII collects, aggregates, and [publicly reports](#) on jobs supported, taxes paid, and third-party capital mobilised at a portfolio level. It also aggregates metrics at sector and thematic levels to help us track impact in priority sectors and focus areas. And although not aggregable, BII tracks a range of indicators aligned to each investment’s impact thesis and dashboard and set out in its monitoring plan.

Through the use of the [Impact Score](#), BII also assesses the potential impact of each investment, when screening investment opportunities *ex-ante*. As of 2024, BII also updates this score *ex-post* every two years and at exit. This will enable feedback loops into BII’s future investment decision making and activities, help stakeholders understand BII’s development impact and can also be used as a source of secondary data for future in-depth evaluations of BII. Box 1 highlights the key areas of development impact that BII tracks.

### **Box 1: BII's Investee Impact Monitoring & Evaluation**

- Defining a development impact thesis for each individual investment that represents a clear statement of why BII is making a particular investment
- Publishing a dashboard articulating this thesis against the relevant SDGs and using the Impact Management Project's dimensions of impact
- Calculating an Impact Score for each investment which reflects an investment's contribution to productive, sustainable, and inclusive development – updated every two years and at exit
- Tracking development impact metrics on every investment at the portfolio, sector/ theme, and investment level
- Supplementing these metrics by conducting evaluations and evidence reviews, and exit reviews at the end of the investment

Beyond regular monitoring, BII commissions and manages independent Insight studies to fill critical evidence gaps in specific sectors and on key topics. These studies focus on BII investees or thematic areas across different sectors and sub-sectors; they provide insights into the actual or potential development impact of BII's investments and generate useful learnings about innovative business models and strategies. Study findings are reported to the Development Impact Committee of the BII Board and are published on BII's "[How we Learn](#)" page on our website.

Given the importance of indirect impacts in BII's impact frameworks, another focus of work has been to build capacity to undertake consistent estimates of the indirect impacts arising from investments. Working with FMO and other development finance institutions, this has led to the creation of the [Joint Impact Model \(JIM\)](#), launched in 2020. The JIM enables users to estimate financial flows through the economy and their resulting economic (value added), social (employment) and environmental (greenhouse gas emissions) impact. In addition to supporting access to this tool by other institutions, BII uses it to estimate indirect jobs, value added, and greenhouse gas emissions related to its investments, and reports on JIM employment results in its annual review.

## **5. How does the FCDO-BII Evaluation and Learning Programme deepen our understanding of BII's development impact?**

As part of the work to embed development impact more deeply across BII, an enhanced and systematic focus on evaluation and learning was launched in late 2017 to deepen BII and FCDO's knowledge of the best ways to support long-term positive change through development finance.

Learning is at the core of the Evaluation and Learning Programme's delivery through a robust governance structure for the commissioning and managing evaluations, engaging the right people with the right expertise to help BII learn, and supporting peer review of evaluation outputs (as appropriate). Further to this, the programme also champions research transparency and the highest possible ethical standards in design and delivery.

## 6. Structure of the FCDO-BII Evaluation and Learning Programme

The Evaluation and Learning Programme and the research questions it explores are guided by a theory-based approach that tests the assumptions underlying BII's impact frameworks. BII's large and diverse portfolio of investments (across sectors, geographies, and instruments) presents a significant challenge to drawing conclusions of the impact of the portfolio in its entirety. Given this, the programme is segmented into more manageable strands, which – taken together – offer broad coverage across the theory of change and sector strategies of BII investments.

These strands are:

1. Large multi-year sector studies covering BII's three sector groups: (1) Financial Services; (2) Infrastructure and (3) Industries, Technology and Services (ITS), and focusing on BII's broader development impact above and beyond the impacts being tracked for individual investments
2. A study aiming to support an improved understanding of when and how BII can most effectively mobilise private capital ('mobilisation study')
3. An impact research challenge fund
4. M&E support to the Climate Innovation Facility

Each of these elements is discussed further below.

### 6.1. Sector studies

The multi-year sector studies have been commissioned to allow FCDO and BII to better understand development impact across all BII's priority sectors and critical cross-cutting themes. Emerging findings from these sector studies have been used to update and inform BII sector and sub-sector strategies (see links to BII's management response below, which explain how findings have helped inform BII's sector strategies).

The sector studies are organised around BII's three priority sector groups: (1) Financial Services; (2) Infrastructure and (3) Industries, Technology and Services (ITS) and undertaken by **independent evaluators** appointed by FCDO. Each study consists of two phases across 3+ years:

- **Phase 1** is a desk-based evaluation of BII's portfolio of investments since 2012, which assesses impact performance against BII's sector impact frameworks, by mapping investments onto impact pathways and the outputs/outcomes the investment is expected to deliver (e.g. direct job creation, improved access to goods and services, more inclusive supply-chains etc), and then analysing the evidence to determine if the expected outcome is on track to materialise. The evidence reviewed includes BII's internal data and documentation, interviews with BII investment managers, information made publicly available by our investees (e.g. annual reports) and the external evidence base.
- **Phase 2** is a series of in-depth studies, where the evaluators attempt to go deeper and gather data beyond the indicators BII already collects through bespoke primary research, and if possible, to attribute the impacts to BII through counterfactual comparisons. The in-depth studies have a strong focus on learning (that is, exploring *why* investments are/are not achieving the impacts expected, and what lessons can be taken into consideration for similar investments in the future).

The first sector study covering the **Financial Services portfolio** began in 2019 and is now complete. The [phase 1 report](#) was published by FCDO in January 2021, and BII Management have written a [detailed response](#) to explain how learning from this evaluation helped guide strategic choices relating to financial services as set out in the 2022-26 strategy. The reports from the phase 2 in-depth studies were published in November 2023 and September 2024 alongside the final synthesis, and BII management response. A full publication list is as follows:

- Jan 2021: [Financial Services Portfolio Review](#) and [BII Management Response](#) (updated in May 2023)
- Nov 2023: [Three in-depth studies](#) focusing on [Arohan](#) (microfinance), [NMB](#) (commercial and small and medium enterprise lending) and [Digital Payments Online](#) (digital payments)
- Oct 2024:
  - Two in-depth studies focusing on [trade finance master risk participation agreements](#) and [micro, small and medium enterprise lending](#) (Indifi and Inoks/Trade Access)
  - [Financial Services Evaluation Final Synthesis and BII Management Response](#).

The second sector study covering the **Infrastructure portfolio** began in 2020 and is in the second year of phase 2. The [phase 1 report](#) was published by FCDO in April 2022 and the first in-depth study report in November 2024 as follows:

- Apr 2022: [Infrastructure Portfolio Review and BII Management Response](#)
- Nov 2024: In-depth study focusing on [Virunga Energies](#) (rural electrification) which develops an innovative approach (using existing survey and satellite data as opposed to intensive on-the-ground primary research) to assess the impact of rural electrification projects (with potential for broader application to some other types of investments meeting certain criteria).

The reports from the remaining phase 2 in-depth studies and final synthesis are expected to be published in 2025.

The third and final sector study covering the **ITS portfolio** began in January 2023. The [phase 1 report and BII management response](#) was published in 2024, with phase 2 taking place over 2024 and 2025.

## 6.2. Mobilisation study

FCDO contracted a research consultancy to undertake a 10-year study starting in 2018 to understand when and how BII mobilises investment, the drivers of this mobilisation, and the influence of country and sector contexts. The study initially focused on conducting case studies of how BII mobilised capital from other DFIs and private investors at the point of investment and through demonstration effects in different sector and country contexts. A [series of case studies](#) were conducted to investigate whether and how BII mobilised capital into [four BII-backed equity funds](#) in Bangladesh, India and Nigeria and in [three BII renewable energy investments](#) in India, Egypt and South Africa.

A new multi-year work plan was agreed in 2024. A [think piece](#) focusing on mobilisation definitions was published in October 2024. Subsequent activities will focus on supporting BII's continued exploration of various strategies to increase its mobilisation of private capital, including those described in BII's [Driving mobilisation](#) paper.

## 6.3. Impact Research Challenge Fund

FCDO and BII have partnered with the Centre for Economic Policy Research (CEPR) to run a financing window in the [Private Enterprise Development in Low-Income Countries \(PEDL\)](#) programme. This programme aims to support new research that fills critical evidence gaps related to the work of BII and the impacts of private sector investment in low-income countries. The calls for research focus on research questions where the current evidence base is weak and where insights are needed on what works, what doesn't, and why. It has the same overarching goal as the sector studies of crowding in useful evaluations and learning for BII, FCDO and beyond, but will focus specifically on filling evidence gaps, and on locating researchers that are in a position to generate strong evidence of a quality leading to journal publication. The first research calls were launched in 2020, beginning with a PEDL COVID special edition call, followed by calls for exploratory and then major research grants and subsequent calls have focused on questions relating to women's economic empowerment and climate finance.

## 6.4. M&E support to Climate Innovation Facility

In 2024, FCDO and BII commissioned a project to support the collection of evidence on the impact of the Climate Innovation Facility. This facility, launched in 2021, a highly catalytic, climate-focused investment mandate that aims to test, seed and scale cutting-edge technologies, businesses or investment strategies that have the potential to have a transformational impact on the lives of people and communities in Africa, Asia and the Caribbean. This will support learning and adjustments to maximise the impact of current and future CIF investments and provide lessons to external audiences on the use of blended finance to support climate impact. M&E activities will take place alongside the implementation of the facility until mid-2027 and will include evaluations and case studies focused on CIF investments. Findings and lessons learned will be shared on the BII website.

## 7. Management and governance

The management and governance of the Evaluation and Learning Programme are intended to ensure the research questions, procurement and methodology of the studies designed and implemented generate results that are robust, credible and relevant. This requires an appropriate combination of hands-on implementation by BII and FCDO, coupled with independent expert advice and oversight.

There are four important functions:

1. Managing the relationship with BII investees: recruitment, confidentiality, sharing learnings
2. Coordinating the evaluation pipeline, refining questions, writing terms of reference, running procurement, managing the consultants and budget
3. Ensuring the evaluations meet high technical standards and provide rigorous results
4. Drawing lessons from evaluation activities and ensuring these have a clear feedback loop into BII decision making and FCDO oversight, sharing with and learning from the evaluation activities of other DFIs

To this end, the evaluations are overseen by the FCDO-BII Evaluations and Learning Steering Group chaired by FCDO and comprising BII, FCDO and three independent experts.

As of November 2024, the Steering Group is comprised as follows:

- Chair: FCDO Chief Economist – Adnan Khan
- FCDO representative: BII Senior Relationship Officer – Huw Lewis
- BII representative: Chief Impact Officer – Maria Smith
- Independent expert: Former Director-General, Evaluation at the World Bank Group – Alison Evans
- Independent expert: Professor of Practice in the Department of Finance and Fellow in the School of Public Policy at the London School of Economics – Greg Fischer
- Independent expert: Professor of Applied Economics at the MIT Sloan School of Management – Tavneet Suri

The role of the Steering Group is to guide the evaluations programme and provide expert advice on:

- The overall evaluation strategy and progress
- Knowledge gaps and potential areas of focus for evaluations
- Key lessons emerging from findings and implications for BII and FCDO
- Dissemination activities
- Risk management and mitigation



In addition, a Programme Management Unit (PMU) has been established. This is resourced by both BII and FCDO. BII and FCDO work closely together to manage the numerous evaluation strands and ensure evaluations are fit for purpose and provide relevant insight for FCDO, BII and (where relevant) investee companies. The PMU jointly defines and agrees on the scope for all evaluations and make decisions about appropriate arrangements for procurement, design, and management, and dissemination of evaluations across both organisations and external stakeholders.

The Steering Group and the PMU play complementary roles in ensuring adequate collaboration and consultation with other organisations conducting similar or linked work. The Steering Group meets at least annually and through the PMU recommends an annual programme of work to BII’s Development Impact Committee and FCDO Senior Management.

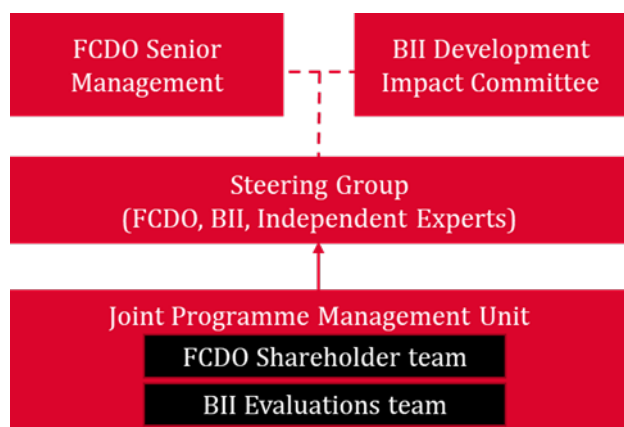


Figure 2: Governance structure

## 8. How do FCDO and BII ensure learning from the programme is communicated and utilised?

This comprehensive and ambitious evaluation and learning programme has the potential to significantly increase FCDO’s understanding of the long-term impacts of capital invested through BII, and BII’s own understanding of the way its investments create impact. To support the understanding and internalisation of the information and learning produced through the evaluations within BII and FCDO the following activities are conducted:

- Meetings between the Steering Group, Development Impact Committee and FCDO Senior Management
- Discussions of evaluation findings at BII/FCDO Shareholder Meetings
- Regular thematic and/or sector seminars for BII and FCDO staff highlighting key findings and implications for programming/investment decisions
- Mechanisms to enable evaluation findings to feed into BII’s strategy process

The evaluation findings are published externally by FCDO and BII, alongside a management response, and FCDO and BII look for opportunities to disseminate more broadly through publications, presentations and working sessions with external stakeholders, and conferences with DFIs, International Financial Institutions and others.



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