

Terms of Reference

November 2024

- Fund for Innovation in Development -

**Consultancy for Benchmarking and Strengthening
Cost Evidence Practices in Development Innovation**

1. PRESENTATION OF THE MISSION CONTEXT AND INTRODUCTION TO AFD

Presentation of the FID

The Fund for Innovation in Development (FID), launched in December 2020 on the occasion of the Presidential Council for Development, aims to support innovative initiatives, based on evidence of impact, that address poverty and inequality by fostering collaboration between innovation, development and research ecosystems.

Its purpose is to contribute to the development of technological, social, financial, methodological or environmental innovations based on a rigorous scientific evaluation, while proposing new approaches for public development policies.

Hosted by the Agence Française de Développement (AFD), but independent in the awarding of grants, the FID is governed by a Board of Directors chaired by Esther Duflo, development economist and winner of the 2019 Nobel Prize in Economics.

The FID offers funding through a call for projects that is open throughout the year and to which any type of structure, regardless of its location, can apply. Since the launch of the call for projects, the FID has received more than 300 applications, including 57% from Least Developed Countries (LDCs), and has selected 84 projects, implemented in some thirty countries..

About AFD

Present in more than 100 countries, AFD works to realise France's ambitions in terms of international cooperation and to honor its commitments to development and the fight against global warming. Through the multiplication of partnerships, dialogue, cooperation and the development of inclusive, sustainable and responsible financial solutions and systems, AFD promotes the acceleration of the six major transitions facing the world: demographic and social, energy, territorial and environmental, digital and technological, economic and financial, political and civic.

Innovation and research are a transversal dimension of the AFD's action in order to constantly improve current projects and invent the models and sustainable development paths of tomorrow. Strengthening research efforts, promoting innovation and, more generally, the production and sharing of knowledge are therefore key priorities for AFD.

In order to support the scaling-up or spin-off of proven solutions in specific contexts, AFD, in its desire to renew its approach and modes of intervention, has contributed to the creation of a new system, the FID, which can mutually draw on the knowledge and experience of a variety of stakeholders to experiment and accelerate relevant solutions for sustainable development.

2. OBJECTIVES OF THE MISSION

Background on cost evidence and the FID position

As a funder that uses a tiered approach to support development innovations in different contexts and at different levels of scale, FID seeks to incentivise the production and use of more reliable cost evidence. Cost evidence for development innovation is currently lacking, and where it exists, its credibility is difficult to assess due to unclear assumptions and a lack of reporting detail. When based on complete and accurate cost data, cost analysis can be an extremely useful tool in the short term to improve the decision-making capacity of grantees, donors and other stakeholders. In the longer term, it improves the ability to assess the returns on individual and portfolio investments, and to compare the costs and impacts of alternative investments. The production and use of more reliable cost evidence is becoming a major concern among other funders in the development finance ecosystem (CEGA, J-PAL, IPA, IRC, USAID-DIV, Gates Foundation, etc.), and FID aims to draw lessons from what these funders have learned about it, and to contribute to the cost evidence movement by supporting grantees in their efforts to embed best practice around cost data in their evaluation strategy.

Cost-effectiveness is one of FID's three project selection criteria, as FID aims to invest in solutions with a higher potential impact than existing solutions for every euro funded. Applications for the most advanced stages of funding are assessed on their ability to collect meaningful cost data in order to produce robust cost-effectiveness studies at the end of the funding period. In practice, however, there is currently heterogeneous quality and formats of cost reports for FID's projects. **We are therefore seeking to contribute to efforts to standardise best practice in cost reporting, and to set some minimum quality standards for cost collection and reporting for our projects.**

Objectives

In the context of the above, the main objectives of this mission are:

- ✓ To conduct a benchmark of donors' practices and methodologies in relation to cost evidence, with a focus on those methodologies and tools that would be transferable and easily adopted by FID grantees;
- ✓ To conduct a review of the cost evidence produced by selected FID grantees;
- ✓ To formulate recommendations and operational guidelines, based on the two previous activities conducted, to prepare future efforts in the generation, collection and valorisation of cost evidence by FID grantees and FID staff.

3. SCOPE OF WORK AND DELIVERABLES

Reporting to the FID Chief Impact Officer (CIO), the selected consultant will be responsible for carrying out the following activities*:

Activity 1. Benchmark of donors' cost evidence practices and methodologies.

The aim of this activity is to review FID's key objectives in relation to cost measurement and reporting in the context of what is being done by other like-minded donors in the development finance for the innovation ecosystem who are focused on developing effective costing tools and training resources for their grantees (CEGA, IRC, USAID-DIV, J-PAL, IPA, Gates Foundation, etc.). This benchmark will involve

interviews with the pre-identified donors and will include both a donor-specific analysis of the different donors' experiences and practices with cost evidence, and a more comparative analysis of the areas of convergence and divergence between the different donors, as well as their respective positions in the current panorama and their future commitments to the cost evidence agenda. In particular, this benchmark should focus on cost reporting practices, which may vary across sectors, and will allow for the identification of sectors that already benefit from mature cost reporting standards. Finally, this activity should also identify the latest literature on methodological tools for reporting high quality cost data to facilitate knowledge sharing and learning about the cost-effectiveness of interventions.

Deliverable n°1:

- ✓ A cross-cutting analysis of the various approaches to cost evidence among the interviewed donors, highlighting key trends and differences.
- ✓ Individual memos for each organization interviewed, outlining their cost evidence journey, detailing their costing methodologies/tools, and showcasing best practices

Activity 2. Diagnostic of cost evidence among FID grantees.

The aim of this activity is to 1) assess the quality and appropriateness of the cost evidence submitted to FID by its grantees, and 2) identify the specific barriers and constraints faced by FID grantees when attempting to generate and report costs in the required format. The review of cost evidence would need to focus on a sample of 8 to 12 beneficiaries, depending on their sector of intervention (with a preference for the health, education and economic empowerment sectors), their potential to influence public policy and governments' adoption, and their organisational maturity, as well as members of FID's investment and impact teams. The evidence review should cover cost data submitted in response to FID's project application and reporting requests during project monitoring, and cover a range of grantees reporting at different funding levels and stages. This last point is important because cost data will often intended to be used for multiple purposes. For example, the data needed to analyse the cost-effectiveness of FID's soon-to-be-completed impact evaluations covering 8-12 projects will not be the same as the data needed to ultimately calculate a social return on the entire portfolio of FID investments (i.e. to calculate the SROR). It will therefore be critical that this activity informs a robust cost data reporting strategy that can support FID's short, medium and long-term objectives for conducting cost analyses.

Deliverable n°2:

- ✓ A project-specific memo for each of the 8-12 grantees interviewed detailing their efforts to collect and report cost data and their capacity to produce cost evidence in the required format.

Activities 1 and 2 are not intended to be carried out sequentially, but rather **concurrently.*

Activity 3. Synthesis of evidence and recommendations.

The aim of this activity is to synthesise the evidence from Activities 1 and 2, highlighting the different standard costing guidelines and methodologies of both donors and grantees, where they exist. In addition, this activity aims to provide tailored recommendations to the FID team based on the above

findings, in particular on priorities in terms of project types and sectors, and the intensity of effort required to produce high standard cost evidence, ultimately to conduct cost-effectiveness and cost-benefit analyses. These recommendations would inform FID's way forward in its efforts to promote a culture of collecting and using rigorous cost data early in the life of projects. Finally, this activity will include a moment of collective reflection with the FID team to draw on lessons learned and feedback from the activities carried out during the mission.

Deliverables n°3:

- ✓ A learning summary from Activities 1 and 2, highlighting standard costing guidelines and methodologies.
- ✓ A memo with recommendations on priorities in terms of project types, priority sectors and intensity of effort required, etc.
- ✓ A moment of collective restitution with the FID team to present the above results.

4. CONDUCT OF THE MISSION AND BUDGET

The mission will be supervised by the FID Chief Impact Officer. The selected consultant will regularly inform the CIO of the progress of the work and will share the necessary elements for the progress of the deliverables. Follow up calls will be organized on a weekly basis during the duration of the consultancy.

The consultant will be able to propose all the approaches, methodological tools and formats that they consider most relevant to carry out the tasks entrusted to them.

Contract duration and location

The mission will take place in continuous and regular support from January 2025 to July 2026.

This mission is suitable for remote working, but may require some visits to AFD headquarters in Paris.

Budget

Applicants are required to submit a detailed financial proposal covering the three specified activities, with a maximum budget of €40,000. Please note that cost efficiency will be a key criterion in the selection of the final proposal.

5. PROFILE OF THE CONSULTANT

Requirements

The selected consultant must comply with the following points:

- ✓ 7 to 10 years of experience in cost-benefit and cost-effectiveness methodologies, with technical expertise in costing innovations across various stages of project development.
- ✓ Proven track record in designing frameworks and developing resources for cost data collection and analysis.
- ✓ Advanced knowledge of the international development ecosystem, including development agencies and innovation funds (specifically the Fund for Innovation in Development,

Development Innovation Ventures, and the Global Innovation Fund). Strong understanding of the dynamics of innovation in development and their implications for generating and utilizing cost evidence.

- ✓ Familiarity with the cost evidence ecosystem and related initiatives, such as the Impact Data and Evidence Aggregation Library (IDEAL).

Languages

Fluency in both English and French (both written and spoken). Fluency in French is highly desirable as Activity 2 requires communication with French speaking project teams.

6. CONFIDENTIALITY

All information relating to FID contained in this document or provided separately must be treated as strictly confidential by the selected consultant. They undertake not to disclose or publish any information relating to this mission.

Similarly, any document provided by the selected consultant that is not intended for dissemination will be considered confidential by FID.

7. QUALITY

The selected consultant is committed to the quality of the services delivered. For this purpose, it is specified that this is an essential element for the performance of the contract. All deliverables must at least comply with FID's requirements.

The FID team will pay particular attention to meeting deadlines, professionalism and the relevance and quality of deliverables.

8. PROPOSAL

Applicants must submit their technical and financial proposals by December 12, 2024.

9. CONTACTS

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