

# Annex 12:

## Value for Money Approach Paper

### Prosperity Fund - Evaluation and Learning

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Revision 0	Mark Minford	Paddy Abbot	PFMO
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## Acronyms

Acronym / Abbreviation	Name
BC	Business Case
DFID	Department for International Development
DIT	Department for International Trade
EL	Evaluation and Learning Team
FCO	Foreign and Commonwealth Office
HMG	Her Majesty's Government
ICAI	Independent Commission on Aid Effectiveness
IRR	Internal Rate of Return
KIIs	Key Informant Interviews
MR	PF Monitoring and Reporting contractor
MREL	PFMO Monitoring, Reporting, Evaluation & Learning Team
NAO	The National Audit Office
NPV	Net Present Value
ODA	Official Development Assistance
PF	Prosperity Fund
PFMO	Prosperity Fund Management Office
RoI	Return on Investment
ToC	Theory of Change
VfM	Value for Money

This report was prepared during the inception phase of the Prosperity Fund Evaluation and Learning contract. It forms an annex to the main Inception Report.

It was produced and approved by the Prosperity Fund Management Office before the main Inception Report and Workplan were finalised and agreed.

If there is any inconsistency between this annex and the main Inception Report and Workplan, the main Inception Report and Workplan provides the agreed position.

## Executive Summary

All UK government departments are required to achieve value for money (VfM) in their use of public funds. VfM encompasses the concepts of both the delivery of 'value' i.e. results or benefits, as well as the aim of minimising 'expenditure of money' or costs related to the delivery of Prosperity Fund (PF) results. Delivering VfM for PF activities means the realisation of primary and secondary benefits at a reasonable cost. It implies the optimal or effective allocation of funds to achieve desired objectives, rather than simply minimising costs, and encompasses the notions of economy, efficiency and effectiveness.

The aim of evaluation in this area will be to generate initial evaluation findings relating to VfM during the first year of implementation of the Prosperity Fund evaluation cycle, focusing initially on processes used by Programmes to generate VfM, whilst seeking to validate programme & Fund-level VfM findings over a longer time period through application of a robust methodology. We propose the following approach to evaluating VfM:

- An assessment of the systems, processes and data planned by Prosperity Fund programmes to measure VfM;
- Application of a 'Scorecard' type methodology for evaluating VfM systems, both at the intervention or programme level, as well as at Programme 'family' and at Fund level;
- Sharing learning on VfM both across programmes and at Fund-level.

We do not propose to generate a specific measure to assess the realisation of VfM, such as a Return on Investment measure, or to calculate individual programme or intervention-level rates of return using techniques such as cost benefit analysis. Since relying on quantitative methods alone will be risky, due to likely difficulties in generating benefits data in a timely and consistent fashion, we plan to use both quantitative and qualitative information on VfM in evaluating the economy, efficiency and effectiveness of interventions. While gender and inclusion dimensions of the Fund will be addressed separately, we would propose that equity considerations are reviewed, and taken into account in assessing VfM (a 4 'E's approach).

Our overall approach will contribute evidence to answer three VfM-related evaluation questions:

- *Which approaches, governance and management arrangements have been adopted by programmes in relation to VfM, and how have these resulted in VfM being generated?*
- *Is evidence on VfM generated at Fund and Programme level being used to guide programming?*
- *What types of programmes, approaches, governance and management arrangements have been more or less successful in achieving VfM, and which less effective, and why?*

The approach to evaluating VfM will contribute to the annual review of the Fund Theory of Change (ToC) and the Fund's learning cycles. We will address core areas such as: (i) how well programmes are prioritising VfM in their operations; (ii) the generation of programme specific learning related to VfM; and (iii) learning related to the harvesting of shorter term wins e.g. related to export contracts, versus securing of longer-term partnership and market 'openings'. The evaluation will seek to address the following learning / ToC questions:

- *At a programme level, what do particular findings related to value for money mean for me? [from the point of view of SROs and programme managers]*
- *Which assumptions and causal pathways outlined in the ToC remain valid, which have been adapted, and what refinements need to be made?*

## 1. Overview of the proposed approach

This Paper sets out the Evaluation and Learning (EL) team's approach to the evaluation of the value for money (VfM) of activities undertaken by the Prosperity Fund (PF).

### 1.1 Purpose and Scope of the Paper

The approach for evaluating VfM draws on discussions with: the Prosperity Fund Management Office (PFMO) MREL team; its external advisers; the NAO; as well as with the Monitoring and Reporting (MR) contractor on the data issues relevant to evaluating VfM. It also reflects the decisions and discussions on Fund-level and Programme evaluation methodology, embodied in the 'EL Fund-level Methodology Paper', the 'EL Synthesis Strategy', the 'Learning Plan and Strategy', and the 'Gender and Inclusion Strategy'.

The broad principles for how UK government departments should ensure value for money are set out in HM Treasury guidelines, which include making sure there is a clear economic case for each spending programme, tracking costs and evaluating results. The main purpose of evaluating value for money is to assess whether Prosperity Fund programme spending, and ultimately spending at the overall Fund level, is economical, efficient and well-targeted at the relevant populations, and thereby delivering VfM.

This Paper outlines the approach to evaluating the VfM of the Prosperity Fund, and clarifies which activities will be undertaken and why. It is intended that the primary users of the evaluations will be PF Programme managers, PF Senior Responsible Officers, Fund implementing partners, the PFMO and the management and governance structures of the Fund. Other users will be implementing departments, the International Development Committee (IDC), the Independent Commission of Aid Impact (ICAI), the Infrastructure and Projects Authority (IPA), the National Audit Office (NAO), multilateral development banks and the private sector.

Through our integrated EL approach, treatment of cross-cutting issues such as VfM will be considered at both the Fund and Programme level, and throughout our evaluation activities. Evaluation will be heavily dependent on the systems, processes and tools adopted in practice by PF managers, together with data availability. The approach taken to VfM evaluation will therefore mirror the formative nature of the overall PF evaluation, with the aim of being responsive to PF needs, and answering key questions posed by decision-makers.

The remainder of Section 1 sets out VfM definition and key VfM principles adopted, and provides an overview of the proposed VfM evaluation approach. Section 2 outlines the work undertaken to date to assess PF processes and data used relating to VfM. Section 3 outlines a suggested methodology for evaluating VfM, initially at programme level, and how data will be used. Section 4 sets out learning activities related to VfM that will be undertaken.

### 1.2 Definition of VfM and Key Principles

Our understanding of VfM encompasses the concepts of both the delivery of 'value' i.e. results or benefits as well as the aim of minimising 'expenditure of money' or costs related to the delivery of PF results. VfM for PF activities means the realisation of primary and secondary benefits at a reasonable cost. It implies the optimal or effective allocation of funds to achieve desired objectives, rather than simply minimising costs, and encompasses the notions of economy, efficiency and effectiveness.

Key principles in conducting the VfM evaluation are as follows:

- VfM evaluation activity will be included within the programme and Fund level evaluations - the EL team will not conduct stand-alone VfM evaluations;
- In the context of programme reviews, VfM data will be mainly collated from Prosperity Fund programme documentation and annual reviews, though other data will also be used, for example, to assess sustainability and in the assessment of the validity of ToC causal pathways.
- The EL team will not conduct separate forensic evaluations of whether programmes represent VfM, or attempt to update Net Present Value (NPV), Internal rate of return (IRR) or Return on Investment (RoI) VfM calculations set out in PF Business Cases;
- Both process and performance aspects of VfM will be considered in evaluations, with initial work focusing more heavily on process issues, due to the fact that programmes will take time to be implemented and generate VfM information.

### 1.3 Overview of Proposed VfM Evaluation Approach

The aim will be to generate initial evaluation findings relating to VfM in the first 18 months or so after the start of EL implementation<sup>1</sup>, whilst seeking to validate VfM findings over a longer time period through application of a robust methodology. Evaluation findings related to VfM will be integrated into other EL team work and evaluations. Findings will be communicated through short, accessible reports written in plain English, as well as through other media.

We propose the following approach to evaluating VfM:

- **A thematic ‘process’ assessment of the systems, processes and data planned to measure VfM.** The EL team will undertake a desk-based thematic review early in the EL implementation phase reviewing how VfM has been incorporated into project and programme design, building on the work done in the inception phase (up to March 2018). This latter work reviewed: (i) how other relevant ODA activity has evaluated VfM of portfolio interventions; (ii) the guidance produced on VfM; and (iii) the arrangements specified in business cases (BCs) related to the delivery of VfM and likely VfM data requirements;
- **Development of a methodology for evaluating VfM, both at the intervention or programme-level, across ‘families’ of programmes and at Fund level.** The aim will be to roll-out a sufficiently encompassing VfM evaluation ‘scorecard’ framework, which will be robust to the wide range of PF interventions. This will require an appropriate communications and training strategy to educate programme managers on the Scorecard evaluation approach. The EL team are discussing the proposed approach with the NAO, and will take their suggestions on board. The methodology will include methods for collating findings from both programme VfM assessments and evaluation synthesis activity, as well as examining the way VfM is planned to be monitored at the Fund level e.g. by the Portfolio Board based on high-level indicators;
- **An approach to sharing learning on VfM across programmes and at Fund level.** The aim will be to assist the Portfolio Board, the PFMO, HMG Departments and programme / intervention managers to understand, *inter alia*, whether their

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<sup>1</sup> The timing of early findings will be dependent on finalisation of Business cases, the commencement of programme activity and the availability of programme results. It is not expected that results will be available for many programmes until towards the end of 2019.

systems, tools and processes are in place, adequate, and sufficient, to plan and deliver VfM, and identify appropriate VfM measures<sup>2</sup>. The aim will be to enable managers to make sense of lessons learned on VfM in their own and related programmes.

## 2. Initial Assessment of VfM Systems, Processes and Data

A number of activities have been undertaken in the initial inception phase of work (up to end-March 2018) in order to develop an appropriate VfM evaluation methodology. These are detailed in sections 2.1 and 2.2 below. These initial investigations will be complemented by ongoing examination of VfM data generation, set out in Section to 2.3.

### 2.1 Review of models and practices used in measuring VfM

Following on from the EL team's context mapping activity, the team have reviewed approaches that were or are being used to evaluate the VfM generated by other HMG activities overseas. This activity has included reviewing approaches undertaken by Department for International Development (DFID), the Foreign & Commonwealth Office (FCO) and the Department for International Trade (DIT), as well as critiques of VfM of Government Official Development Assistance (ODA) activities by organisations such as the Independent Commission on Aid Effectiveness (ICAI).

Specific approaches reviewed included:

- '3 E', and more recent '4 E', approaches used by DFID in evaluating VfM;
- broader VfM evaluation methodologies and frameworks, such as the one drafted by ITAD Ltd. to evaluate the VfM of DFID Nigeria's Conflict and Governance activities;
- approaches to VfM used by other cross-government Funds e.g. the CSSF and ICF.

We have examined which VfM indicators have been used by programmes in practice, to see what indicators might be feasible for PF programmes to use. Evaluating VfM for social programmes (health, education etc) is relatively straightforward, but has proved more difficult for economic development programmes, although indicator sets are being developed by DFID in this area and on equity. Benchmarking against DFID and World Bank approaches would be useful but is likely to be challenging given that project costs differ between different countries and regions, and information on inputs is not likely to be available. Increasingly, DFID is looking at the costs of providing services to more marginalised and 'hard to reach' population groups, but such approaches to evaluating VfM are still in their infancy.

### 2.2 Initial mapping of proposed PF approaches to deriving VfM

The EL team has undertaken a pilot mapping of the systems and approaches proposed in PF BCs for measuring VfM. Summary findings from this mapping process are documented in

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<sup>2</sup> Examples of possible VfM measures include: (i) Economy: cost drivers analysis, best practice procurement (i.e. 3 quotes, tenders >£X etc); (ii) Efficiency: leveraging funds, disbursement rates (as a proxy for process efficiency), FTE nos./programme value, efficiency indicators cost-per-output (ideally built into budget and logframe reporting); (iii) Effectiveness: Possible for programmes to update *ex-ante* CBAs for a selection of programmes that achieve early impact.

a PF Programme Matrix, with more detailed notes made of individual programme VfM approaches, where these have been set out in PF documentation available to the EL team.

Building on this initial mapping, the team will review the systems and approaches that are envisaged to be put in place at the Fund portfolio level to aggregate VfM evidence from programmes and for reporting at the Fund level. The first VfM output will therefore be a thematic review of how VfM has been incorporated into project and programme design.

### **2.3 Examination of VfM data issues**

In the initial stages of EL implementation (April – September 2018), we will examine the sources of data that programmes have identified for the realisation of VfM, as well as assess any gaps in data collection that may need to be filled. This will be done through discussion with PFMO, as well as with programme and PF intervention (project-level) managers where the latter are willing to engage in dialogue. Initial discussion with programmes suggests that a number of programmes are very keen to enter into this dialogue.

This examination will include the data that is planned to be generated to enable measurement of the ‘benefits’ aspect of VfM – both at the ‘macro’ (country and sector) and ‘micro’ (intervention and programme) levels by the MR contractor, DIT, DFID or FCO Posts. In undertaking this activity, we will liaise closely with the MR contractor, who is compiling outcome indicators, including standard indicators and expenditure / cost data that will be important in measuring VfM.

## **3. Proposed Methodology for Evaluating VfM**

### **3.1 Overall approach to evaluation of value for money**

The approach to evaluating VfM, and the proposed evaluation timelines, will follow the proposed PF EL annual learning and evaluation cycle, which has been set out in the draft Fund-level Methodology paper and the proposed draft Evaluation Framework.

VfM – and especially ‘effectiveness’ – is often difficult to measure. The concept of VfM that we propose to use draws heavily on the guidance provided by the NAO. It encompasses the notions of both the delivery of ‘value’ through the achievement of results or benefits, as well as the notion of managing monetary expenditure to achieve the desired results at a minimum cost. The VfM concept that will be utilised for evaluative purposes implies an *optimal or effective allocation of funding* to achieve desired Fund objectives, rather than simply minimising costs through procurement of predetermined outputs. In other words, achieving VfM for PF activities implies the maximisation of benefits – at both primary and secondary levels – at a reasonable or optimal cost.

### **3.2 Detailed approach to evaluating VfM**

We will not generate or report a single measure to assess the realisation of VfM by programmes, such as an RoI, or programme or intervention-level IRRs, since the quantitative data on benefits is unlikely to be available to generate such measures. The team will review quantitative assessments of VfM by programmes, as well as looking at other qualitative information on VfM in cases where hard indicator data is not available.

As a precursor to drawing up the proposed VfM framework, the team reviewed the PF Concept Note scoring system related to VfM. The proposed VfM evaluation framework builds



on the scoring system utilised in evaluating the PF Programme Concept Notes e.g. the criteria of sustainability, additionality and delivery.

The EL team will utilise a **multi-dimensional VfM Framework or Scorecard** to examine intervention or programme-level VfM. This framework is being designed to encompass both quantitative and qualitative information generated by programmes on VfM, and cover considerations of the economy, efficiency, effectiveness and equity of interventions. Since some EL Intervention level evaluations may have more quantifiable effectiveness estimates, we may be able to quantify effectiveness in some ‘islands’ of Fund activity, although, in other areas, we may only be able to make qualitative observations about effectiveness.

The VfM framework will cover the 4 “E’s, drawing on the NAO’s analytical framework for examining value for money – known as the “3 E’s” (Economy, Efficiency and Effectiveness) – as well as assessing systems related to the 4<sup>th</sup> “E” of equity in achieving programme goals. The framework will examine programme VfM systems and processes, as well as assess Fund and programme ToC causal pathways, and programme sustainability. It will also bear in mind equity considerations (a 4<sup>th</sup> “E”) because we know that the issue of poverty impacts and intended and unintended outcomes for vulnerable groups are important.

The proposed assessment of VfM will involve examining each of the three elements of NAO’s 3 E’s framework for VfM, identifying the links between them and drawing conclusions based on evidence about how well they perform together. In order to ensure that VfM is not achieved at the expense of equity (a 4<sup>th</sup> “E”), evidence on effectiveness will be looked at alongside the results of the evaluation of equity issues undertaken through the Gender and Inclusion strand of EL work. The results of the scorecard on gender and equity will be combined with the assessment of VfM systems under the 3 E’s, and the results on equity stated in the VfM summary report alongside the review of economy, efficiency and effectiveness.

In developing the VfM framework, we have examined and defined the data or types of data we will need to collect, from which sources, as well as responsibility for data collection.

### **3.3 VfM Scorecard elements**

The contents of the VfM Framework or ‘Scorecard’ have been decided based on in-depth discussions with the PFMO, DIT, the MR contractor and with the NAO. The approach will be to use a VfM Framework with seven elements and a ‘traffic light’ rating system. The seven elements of the Framework are summarised below:

#### **(1) Assessment of the nature relevance and robustness of VfM indicators**

This evaluation element will examine the nature, relevance and usefulness of the VfM indicators proposed by programmes. The evaluation will take place as part of the initial Fund baselining process, as well as through an initial number (likely to be 2-3) of individual programme-level evaluations (see Section 3.4.3).

#### **(2) Review of procurement and other strategies to manage programme costs**

This element of our proposed VfM framework will cover the first of the ‘E’s in the NAO’s “3 Es” framework, namely investigation of issues related to economy in the operation of the Prosperity Fund, utilising data collected by MR on programme costs. We anticipate that this element will be an aspect of the proposed Fund-level evaluations, as well as being investigated through programmatic evaluations.

### **(3) Examination of the efficiency of Fund interventions**

This element will cover the second ‘E’ in the NAO “3 E’s” framework, relating to productivity or efficiency in the operation of the Prosperity Fund. The intention here will be to examine the relationship between inputs and outputs, although these are often hard to measure in public sector programmes. This element will incorporate the possibility of making benchmarked comparison among programmes working to same or similar outcomes but using different pathways to achieve intended outcomes. Framing VfM conclusions in this area will be dependent on the existence of sufficient information and data on programme and intervention outputs.

#### **3.3.1 (4) Validation of the causal pathways set out in Programme Theory of Change**

The aim of this element is to investigate the likelihood that the proposed Fund benefits will be realised, and delivered in a timely fashion. We envisage that verification will be derived through the summative aspects of the programme evaluation.

#### **3.3.2 (5) Examination of the extent to which Fund activities are sustainable**

This element will seek to address an important aspect of the third ‘E’ in the NAO “3 E’s” framework, namely effectiveness, by capturing information on the ‘buy-in’ achieved by programmes<sup>3</sup>, and the associated leverage and likelihood of replication secured by PF activities. This element of the framework implicitly recognises that information and data at the ‘outcome’ level is unlikely to be available in the early years of PF operation, given the time required for programmes to get under way and start to deliver results.

#### **3.3.3 (6) Review of Fund and Programme level leadership, management & governance arrangements to deliver VfM**

This element will aim to principally examine the existence of leadership at the Programme level regarding VfM, and whether management and governance arrangements exist to promote the delivery of VfM. The evaluation of this criteria will also look, at the Fund level, at whether the ‘structures’ within which the programme sits facilitate the achievement of VfM and whether support has been adequately provided to programmes on VfM.

#### **3.3.4 (7) Reviewing strategies and measures to enhance delivery and mitigate risk**

This element of the framework will address another important issues related to effectiveness of PF interventions, namely the extent to which the programme has: (i) addressed issues related to delivery and made sensible evidence-based assumptions; (ii) identified key risks to delivery; and (iii) put in place specific measures to mitigate these risks. This element of the framework will allow for the fact that high-risk, high-return programmes may be VfM.

### **(8) Reviewing processes to generate equitable outcomes**

Processes to generate equitable outcomes will be considered alongside the consideration of the 3 E’s through incorporating findings from the separate assessment of gender and inclusion to ensure that the benefits of PF programmes are broadly based.

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<sup>3</sup> We expect this dimension to be particularly relevant for programme interventions that provide technical assistance and deliver capacity building, since ‘buy-in’ is particularly important for these activities.

Table 1 below sets out the criteria, their rationale and the envisaged methods by which the non-equity criteria will be assessed. The assessment of equity will be based on the methodology outlined in the Gender and Inclusion Approach paper.

**Table 1: Proposed VfM Scorecard Rubric**

Scorecard Element	Rationale	Evaluation Methodology
1. Existence, relevance and robustness of VfM measures	To examine whether PF programmes have measures in place to measure VfM, and that these are likely to be useful	Mapping and analysis of indicators of VfM (by sector, programme approach, governance and management arrangement)
2. Approach to procurement and cost containment (Economy)	Addresses 1 <sup>st</sup> 'E' in NAO VfM framework (economy). Examines measures in place to benchmark, assess and report on the economy of PF interventions	Review of BC tender documents; MR data on costs; Analysis of Fund and programme level data; data from Family-level and Thematic studies; Interviews with Programme staff
3. Efficient use of resources by of PF interventions (Efficiency)	Addresses 2 <sup>nd</sup> 'E' in NAO /VfM framework (efficiency). Reviews the extent to which the intervention outputs are cost-efficient (costs are optimised and outputs maximised) and timely	Analysis of MR Observatory & programme data on outputs and inputs; Literature review and benchmarking to identify good VfM practices; Case studies and data from KIIs; Family-level and Thematic studies, Budget data
4. Validation of PF ToC causal pathways for generating primary and secondary benefits (Effectiveness)	To assess whether activities and outputs are consistent with the overall PF goals and objectives. Contributes to an assessment of PF effectiveness	ToC analysis; Annual ToC review (critical analysis, identification of supporting evidence, adaptations); Contribution Analysis; Family-level analysis of key factors generating PF Programme benefits
5. Sustainability of Fund activities (Effectiveness)	To examine whether PF outcomes are likely to continue to be realised after the ending of PF interventions. Contributes to an assessment of PF effectiveness	Textual analysis (for mentions of key words); Literature review / benchmarking to identify good VfM practices (external to PF); ToC analysis; Comparative analysis of the results identified and discussed through answers to EQs Nos. 1-5 & 10, including EQ 4 on sustainability
6. Review of Programme level leadership, management & governance arrangements to deliver VfM	To review whether appropriate leadership, management, governance arrangements exist to promote the delivery of VfM at Fund/centre and programme level	Case studies; KIIs with programme and intervention managers; Data from Family-level and Thematic studies
7. Strategies and measures adopted to enhance delivery and mitigate risk	To review efforts made by programmes to ensure on-time, effective delivery of results and manage risks. Contributes to an	Case studies; Family-level and Thematic studies; Meta-analysis of Fund and programme data

Scorecard Element	Rationale	Evaluation Methodology
(Effectiveness)	assessment of PF effectiveness	

Annex 1 sets out an initial proposed rating system to assess progress against the VfM criteria. This envisages a two-fold rating:

- a 5-level “traffic light” rating (from ‘red’ to ‘green’) to assess whether evidence exists relating to the attainment of the seven proposed VfM Scorecard criteria;
- a similar 5-level “traffic light” rating assessing whether, irrespective of assessment of VfM criteria, programmes are moving in the right direction to deliver improved VfM.

The ‘traffic light’ ratings will be assessed against a ‘protocol’, to be developed early in the implementation phase, setting out the strength of evidence which will be required to achieve particular ratings, so that it is clear to both assessors and assesses how the ratings have been derived.

In addition to the ratings, it is envisaged that there would be a commentary provided by the EL team on the ratings.

Given that there will be a reliance on utilising and, where necessary, synthesising data from PF annual reports, there is a risk that if this information is of poor quality, then the assessment of VfM could be impacted. We will mitigate this risk by, first, discussing VfM data production and planned use with programmes during the review of VfM processes and practices discussed in Section 3.4 below. Second, based on this discussion, we will share our findings regarding data quality with programme teams so that they can draw up plans to improve quality over time. Third, the annual evaluation process (with the first evaluations completing between Autumn 2018 and Spring 2019) will provide concrete assessments of VfM data and practices that programmes can use to improve data production and processes.

### 3.4 Broad methodology proposed for evaluating VfM

#### 3.4.1 Initial VfM Process Evaluation

Judging by the development of Prosperity Fund Business Cases (which may be an imperfect metric), capability within PF teams in the area of VfM appears mixed. We understand that some PF teams are waiting for central guidance as to how VfM should be measured. In the first 6-12 months of the implementation phase, the EL team will therefore assess PFMO and HMG Departments’ plans and practices regarding supporting the building of VfM capability within PF programme teams. Through the evaluations, as well as looking at VfM plans on paper, we will assess PF programme managers’ experience and skills to assess programme VfM in practice.

We plan to undertake an initial VfM process assessment in the first six months of the EL implementation phase (April – September 2018). The VfM assessment is envisaged to cover:

- An UK-based review of MR Observatory data that may be useful in assessing VfM;
- A review of the PFMO/Portfolio Board management processes that are in place to monitor VfM over time and to stimulate capacity building in the area of VfM.

In addition, and depending on the appetite of programme managers to discuss VfM data, processes and VfM generation, the EL team will undertake assessments<sup>4</sup> of:

- the systems, processes and data that are being used by programme managers to measure VfM;
- the capacity of PF activity managers to utilise and assess VfM data; and
- the views of programme managers of PFMO management processes related to VfM.

The aim in this strand of the PF evaluation is to understand practices ‘on the ground’ by looking at different approaches to estimating and realising VfM used by teams. In discussing approaches adopted with managers, we will aim to gather early lessons of what is working or not working, and why, and assist managers to identify gaps in VfM processes and measures.

If programme managers are interested in engaging in this area, we plan to use KIIs to ask a small number of questions relating to the existence of evidence of use of VfM data, processes, and systems – focused on the realisation of VfM scorecard elements. The aim will be to enable findings and data (where possible and sensible) relating to VfM to be synthesised, at least across ‘families’ of programmes.

### 3.4.2 Fund level VfM evaluations

At the Fund level, it is proposed to undertake two types of VfM analyses, within the methodology of the overall Fund level evaluation:

- A system and processes desk review: An evaluation of PF management systems, processes, and methods of data collection / review that are intended to support the realisation of VfM. The team will seek to answer the questions: “*How have VfM considerations been embedded in management processes at the fund and programme-level?*” and “*To what extent is evidence on VfM generated at Fund and programme level being used to guide programming?*”
- Cross-programme VfM evaluations: Examination of VfM is envisaged to be an element in the thematic evaluations undertaken, such as those looking at infrastructure or trade programmes. Methodologies for these cross-programme evaluations will be finalised once the overall evaluation framework, evaluation questions and synthesis work<sup>5</sup> is determined. In turn, VfM data – for example on performance against programme VfM indicators – will form part of synthesis activities. Evaluations will include an examination of how VfM has been derived through realisation of primary benefits and secondary benefits e.g. inward investment or UK exports. Studies may include:
  - evaluations across 2-3 sector or thematic programmes and sub-programmes e.g. infrastructure, trade, or financial services;

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<sup>4</sup> Assessments will be dependent on the existence of approved and active programmes, and securing buy-in to such assessments from programme managers.

<sup>5</sup> The design of summative programme / synthesis work envisages an approach of evaluating families of interventions that provide (1) high level data, drawing chiefly on MR data; (2) output and activities data from the programmes; and (3) qualitative process tracing and case studies that explore the links between (1) and (2).

- evaluations of ‘families’ of programmes – such as those concerned with capacity building, policy analysis and development, or business environment reform programmes; or
- evaluations of similar programme types, such as country programmes with a similar enabling environment context e.g. regulatory coverage and compliance, extent of corruption, ease of doing business, ability to implement policy.

These evaluations will feed into an analysis of overall Fund performance based on the ToC in order to assess achievements, validation of VfM causal pathways and the direction of travel towards realisation of overall VfM objectives. In years 2-4 of the PF evaluation, we will use aggregate data from programmes up to PF Fund level, in order to evaluate the position on VfM as a whole.

Finally, the PF approach to VfM will learn from the 2018 ICAI review of DFID’s approach to VfM<sup>6</sup>, which noted that “...country-level cross-cutting objectives are important to the achievement of the Sustainable Development Goals, but do not currently feature in DFID’s approach to assessing value for money.” In this light, and because PF programmes will also pursue a range of cross-cutting objectives, such as promoting structural change, building resilience to climate change, tackling gender inequality and supporting openness and transparency in the fight against corruption, the PF VfM approach should focus not just on the achievements of each individual programme, but on how they work together to deliver lasting impact.

### **3.4.3 Programme level VfM evaluations**

Formative evaluations will be undertaken at the programme-level to validate and support Fund level findings. Examining VfM issues will be an important component of these programme evaluations. These evaluations will respond to programme managers’ needs to understand their portfolio, to make course corrections and to support adaptation.

VfM issues that will be explored in summative programme-level evaluations will include:

- how VfM is intended to be, and is being, realised through PF programme activities? This will include comparing expected VfM outcomes noted in the business cases and inception plans, with benefits realised and costs expended in the course of actual programme implementation;
- an examination of the key factors leading to VfM at intervention and programme level;
- an assessment of the realism, plausibility and consistency of initial VfM calculations produced by programmes at inception and in periodic (annual, mid-term etc.) reviews.

Given the formative nature of the Fund and programme evaluation methodology, and as in other areas, we consider it very important to feedback learning on VfM to PF stakeholders, especially the Portfolio Board, the PFMO and programme managers.

The aim will be to provide guidance to activity managers in the treatment and realisation of VfM. The overall question we will seek to answer, which relates to sub-question 14 in the

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<sup>6</sup><https://icai.independent.gov.uk/html-report/dfids-approach-to-value-for-money-in-programme-and-portfolio-management/>

proposed Evaluation Framework, will be: “*What types of programmes, approaches, governance and management arrangements have been more or less effective for achieving results and demonstrating good approaches to supporting inclusive growth and VfM?*”

## **4. Learning activities related to Value for Money**

In addition to the learning-focused programme evaluations themselves, several specific ‘core’ learning activities are proposed in relation to VfM:

### **4.1 Learning relating to VfM processes**

Through discussions with programme managers, we will seek to understand and generate learning relating to:

- a) how successfully the VfM processes that managers and teams at the programme-level have put in place are achieving the aim of prioritising and demonstrating VfM; and
- b) how the VfM aspects of the Fund’s governance, management and implementation arrangements and guidance could be better taken on board by programmes, or usefully amended, to generate better VfM PF outcomes.

### **4.2 Individual programme learning related to VfM**

This aspect of the learning activity will focus on cross-Fund learning and sense-making activities i.e. helping programme managers and SROs to understand “*What does this VfM finding mean for me?*” In this activity, we will support programme managers to use cross-fund learning to reflect on what has worked and not worked in managing for, and realising, VfM at the programme-level, and why, as well as to plan follow-up actions based on what they have learnt.

### **4.3 Learning regarding timeliness of benefit realisation**

An issue facing programme managers is the choice between, on the one hand, adopting a more short-term approach to realising VfM through contract ‘wins’ and by harvesting immediately available market and sector opportunities, and, on the other hand, aiming to bolster longer-term overseas and foreign direct investment into countries where PF programmes exist, and developing commercial partnerships at the country and local level. We will discuss this issue related to the timing of benefit realisation with SROs and programme managers, and draw out any lessons learned.

Additional areas of learning that could be explored include:

### **4.4 The integration of VfM within Fund and programme ToCs**

This strand of work will take a critical look at the way VfM has been conceptualised in the Fund level ToCs, as well as the more detailed programme level ToCs. The aim will be to inform PFMO and programme managers on how they will know if they are correct in identifying plausible ‘pathways’ for achieving VfM. Discussions will aim to determine whether programmes have made a “tangible difference” in achieving results, and hence have demonstrated a VfM use of development assistance. The following evaluation question is envisaged: “*Which assumptions and causal pathways outlined in the ToC remain valid, which have been adapted, and what refinements need to be made?*”

#### **4.5 Implications for UK companies and HMG-company dialogue**

As programmes are implemented, it is proposed that the evaluation team will discuss the realisation of VfM through partnerships, deals and contracts with a carefully selected sample of UK companies (probably via the UK Chambers of Commerce), trade bodies and the DIT. Issues and questions will be identified and investigated through undertaking semi-structured (key informant) interviews, and will include issues related to the implementation of the programme, the relationship between FCO posts and companies, and contracting issues. This will be followed by a sense-making and action planning forum to discuss findings.



## ANNEX 1

### Value for Money (VfM) Scorecard Rating System for Prosperity Fund Programmes

Scorecard Element	Rating of Evidence of Attainment (on a 5-point traffic light scale)	Assessment of Direction of Travel (on a 5-point traffic light scale)	Commentary on VfM 'Attainment' & 'Direction of Travel' (reflecting discussion and agreement on points between the EL Evaluator and the Programme and Project / Intervention Managers)
1. Relevance and robustness of VfM measures in place			
2. Approach to procurement and cost containment			
3. Efficient use of resources and inputs by PF interventions			
4. Validation of PF Theory of Change causal pathways for generating primary and secondary benefits			
5. Sustainability of Programme activities			
6. Ability of programme leadership, management and oversight structures to support Programme delivery			
7. Strategies and measures adopted to enhance delivery and mitigate risk			

### A.1 Rating Methodology for determining VfM Attainment

The EL VfM evaluator will rate each element of the Scorecard based on 5 point traffic light rating system.

The rating will be based on a strength of evidence protocol setting out the type of documentary evidence relating to the VfM criteria that will be required to obtain a particular rating. Oral testimony in the form of key informant interviews with relevant Prosperity Fund Programme personnel will also be taken into account in deciding the rating.

A sheet in the form of a 7 by 5 matrix will be provided to evaluators in advance with a detailed commentary on each rating level against each VfM criterion, with examples, to enable the evaluator to 'rate' the achievement of each criterion.

Overall the ratings will reflect the following judgements:

A rating of **'Red' = No evidence of attainment** against the Scorecard element.

For example, under VfM criterion No. 1, a Red rating would be based on the fact that no VfM indicators have yet been drawn up; under criterion No. 3, no evidence has been made available to demonstrate that inputs are being efficiently used to generate outputs, or outputs are very far behind milestones; under Criterion No. 5, it would imply there is no evidence to demonstrate that fund activities are likely to be sustainable etc.

A rating of **'Amber-Red' = Little<sup>7</sup> evidence of attainment** against the Scorecard element

A rating of **'Amber' = Moderate evidence of attainment** against the Scorecard element

A rating of **'Amber-Green' = Adequate evidence of attainment** against the Scorecard element

A rating of **'Green' = Strong evidence of attainment** against the Scorecard element

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<sup>7</sup> The operationalisation of the scorecard in the form of an Excel spreadsheet will provide clear definitions of differences between 'Little evidence' and 'Moderate Evidence' for example. This will be in the form of a matrix with each of the Elements against their levels, with the definitions/examples in each box – like a competency framework. In the Excel version of the Scorecard that evaluators will use, the level definitions will be contained in dropdown boxes which translate into a 'traffic light' score.

## A.2 Assessment of Direction of Travel on VfM

This assessment of 'direction of travel' of the programme or intervention is based on a judgement by the evaluator of:

- a) whether there is evidence of a documented plan by the programme / intervention to improve its' VfM rating score over time; and
- b) an assessment of the likely viability of this plan in helping the programme to achieve a higher rating.

The assessment also takes the form of a 5-point 'traffic light' indicator:

**Red** = In the evaluator's judgement, there is no recognition of the importance of this VfM criterion, and/or no clear plan to improve the programme's ratings against the criterion, or a plan, if it exists, is unlikely to viably improve the assessment against the VfM criterion.

**Amber-Red** = In the evaluator's judgement, there is only partial recognition of the importance of this VfM criterion. There is recognition that a plan needs to be put in place to improve ratings against the criterion, but no commitment to develop a plan can be evidenced.

**Amber** = In the evaluator's judgement, the importance of this VfM element is recognised, there is evidence of a timetabled commitment to develop a plan to improve programme / intervention ratings against the criterion, and this plan is judged to be likely to be viable.

**Amber-Green** = In the evaluator's judgement, the importance of this VfM criterion is well recognised, and the programme has provided evidence that a plan has been put in place to improve programme / intervention ratings against the criterion. The plan is judged to be a viable way of improving programme / intervention ratings against the criterion.

**Green** = In the evaluator's judgement, the programme fully understands the importance of this VfM criterion, and has a strong and well evidenced plan to further improve programme / intervention ratings against the criterion.

## A.3 Overall Assessment of Programme VfM Performance

The programme's overall performance on VfM would be based on a 3 step calculation:

- (1) Convert each traffic light indicator into numerical 'scores' (Green = 5, Amber-Green = 4, Amber = 3, Amber-Red = 2, Red =1)
- (2) Add together the numerical scores for each criteria (a max. score of 10 for each criteria)
- (3) Sum the scores across all 7 criteria (a maximum score of 70) and converting this total score into a percentage (i.e. multiplying the total by 100/70).

The overall rating of the programme or project / intervention within a programme will be determined according to where the total score fits against bands:

### Overall VfM Scoring Table

Scoring (out of 70)	Percentage Score Band	VfM Rating	Associated VfM RAG rating
0 – 17	Nil – 24%	Very Poor	Red
18 – 31	25% – 44%	Poor	Amber-Red
32 – 45	45% – 64%	Adequate	Amber
46 – 59	65% – 84%	Good	Amber-Green
60 – 70	85% – 100%	Excellent	Green

The rating on VfM would then be examined alongside the rating for Equity, as validated through the Gender and Inclusion assessment, to form an overall judgement on VfM.

### Illustrative Example

An illustrative example of how a programme would be scored is given overleaf. Based on the RAG ratings, the overall total ‘score’ across all the 7 criteria sums to 39 points out of a possible maximum of 70 points, or a percentage score of 56%.

Using the table above, this translates into a VfM rating of ‘Adequate’ or an Amber rating.

## Illustrative Programme Scoring Example: “Argentinian Infrastructure Programme”

Scorecard Element	Rating of Evidence of Attainment		Assessment of Direction of Travel		Number of Points	Commentary on VfM ‘Attainment’ & ‘Direction of Travel’ Scores
1. Relevance and robustness of VfM measures in place	Yellow	Red	Yellow	Green	2 + 4 = 6	Adequate economy and efficiency measures set out, but weak on effectiveness. There is a viable plan to develop improved VfM measures, including ‘testing’ of new indicators
2. Approach to procurement and cost containment	Yellow	Green	Yellow	Red	4 + 2 = 6	Programme has demonstrated sound approach to procurement, but no plan exists to improve economy in programme operation
3. Efficient use of resources and inputs by PF interventions	Yellow	Yellow	Yellow	Yellow	3 + 3 = 6	Some evidence exists of outputs being achieved at low / minimum cost. Programme has a viable plan to improve efficiency further
4. Validation of PF Theory of Change causal pathways (for primary & secondary benefits)	Yellow	Red	Yellow	Yellow	2 + 3 = 5	There is a lack of evidence of causal pathways for secondary benefits. Primary benefit pathways are more clearly evident. The programme recognises the need to firm up evidence on SBs
5. Sustainability of programme activities	Yellow	Red	Yellow	Green	2 + 4 = 6	Limited evidence exists that programme activities are likely to be maintained post PF. Clear plans exist to address the issue
6. Ability of leadership, management and oversight structures to support Programme delivery	Yellow	Red	Yellow	Yellow	2 + 3 = 5	Little evidence that management and governance structures will impact positively on VfM. Some documentary evidence that programme leadership has noted the importance of VfM, and there is commitment to address VfM through improved processes
7. Strategies and measures adopted to enhance delivery and mitigate risk	Yellow	Yellow	Yellow	Red	3 + 2 = 5	A programme risk register exists, and there is a monitoring mechanism in place. Programme delivery reviews have been put in place, but no written plans exist on how to improve results
<b>TOTAL SCORE (%)</b>					<b>56 (39 pts)</b>	
<b>Equity Assessment (%)</b>					<b>45</b>	
<b>OVERALL VfM SCORE</b> (average of VfM & Equity scores)					<b>50%</b>	