



Ministry
of Defence

INVESTMENT APPRAISAL IN MoD

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What is Investment (or Option) Appraisal?

*A systematic process of assessing options **for meeting government objectives**. Appraisal starts from strategic choices and continues through evaluation of tenders.*

Green Book principles

- The HMT Green Book is the Government's central source of guidance on appraisal and evaluation.
- Appraisal is concerned with changes to the **welfare** of UK citizens.
- The option that provides the greatest net benefit (or social value) is defined in the Green Book as the option that increases **prosperity**.

MOD Appraisal

- Many Government departments use **cost-benefit analysis** to identify the option with the highest social value.
- Where monetising benefits is difficult, such as in Defence, we use **cost effectiveness analysis**.
- Cost-effectiveness determines which option provides the best price-quality package, i.e. which option gives us the biggest “bang for our buck”, not which option is cheapest.

Opportunities and challenges

Jobs:

- We can include gains from moving towards more productive jobs in appraisal.

Regional impacts

- Regional effects can be considered separately and in addition to UK level analysis

“Levelling up”

- The Green Book does not hinder us from using Defence Procurement to deliver “levelling up”

Our key challenge is data

A quick note on tax and imports

- Imports are not necessarily detrimental to UK prosperity and can enhance defence capability.
- Tax revenue is not relevant for appraisal – we operate at the margin and tax policy is set centrally by the Treasury