

Annex 11

Secondary Benefits Approach Paper

Prosperity Fund - Evaluation and Learning

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Table of Contents

Executive Summary	1
1. Overview of Approach	2
1.1 Introduction and definition of secondary benefits.....	2
1.2 Data sources and method.....	2
1.3 Overview of proposed approach	2
2. Initial Review and Mapping Activity.....	4
2.1 Review of benefits definition and context.....	4
2.2 Initial mapping of planned secondary benefits	4
3. Approach to Evaluating Secondary Benefits.....	4
3.1 Development of a baseline for secondary benefit evaluation	4
3.2 Methodology for evaluating secondary benefits	5
4. Learning activities related to Secondary Benefits	8
4.1 Validation of theory of change secondary benefit causal pathways.....	8
4.2 Specific programme learning relating to secondary benefits.....	8
4.3 Implications for UK companies and HMG/company dialogue	8
4.4 Learning regarding timeliness of benefit realisation.....	8

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Table of Acronyms

BC	Business Case
CDC	The CDC Group
CSSF	The Conflict, Stability and Security Fund
DFID	Department for International Development
DIT	Department for International Trade
EL	Evaluation and Learning (contractor / team)
EcHo	UK Economic Horizons Programme
FCO	Foreign and Commonwealth Office
GDP	Gross Domestic Product
ICAI	The Independent Commission for Aid Impact
ICF	International Climate Fund
HMG	Her Majesty's Government (UK)
MR	Monitoring and Reporting (contractor / team)
ODA	Overseas Development Assistance
PF	Prosperity Fund
PFMO	Prosperity Fund Management Office
SB	Secondary Benefit
SME	Small and Medium Enterprise
SRO	Senior Responsible Office (in HMG)
ToC	Theory of Change
UK	United Kingdom
USAID	The United States Agency for International Development
VfM	Value for Money
WB	World Bank

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

The secondary benefits (SBs) of the Prosperity Fund (PF) are the strengthening of trade and investment relationships between the UK and the rest of the world. The approach to assessing them takes account of the expectation that SBs to the UK from PF activities will be visible, even in the case of short-term commercial benefits, at the earliest 2-3 years after the programmes start. The aim is to generate some 'quick wins' for evaluation relating to SBs in the first 12-18 months of implementation, through extracting initial findings from programme and cross-fund reviews of SB causal pathways, whilst validating SB findings over a longer period of time.

The approach will be as follows:

- i) Define the context, using indicator baselines for secondary benefit evaluation;
- ii) Undertake cycles of annual learning and summative evaluations, linked to the timelines set out in the evaluation approach.

Evaluation Questions

The evaluation of secondary benefits will focus on the following evaluation questions:

- i) Which types of interventions, sectors and country settings have been more and less successful in contributing to the achievement of secondary outcomes through strengthened partnerships?
- ii) What factors have contributed to the achievement of secondary benefits?
- iii) How has the balance and relationship between primary and secondary outcomes across the portfolio influenced the achievement of results?
- iv) Which assumptions and the causal pathways related to SBs outlined in the Theory of Change remain valid, which have been adapted and what refinements need to be made?
- v) To what extent does the institutional governance of the Prosperity Fund promote the achievement of i) primary benefits; ii) secondary benefits; iii) other results?

Evaluation Approach

At the Fund-level, the evaluation of secondary benefits will be incorporated into system and process evaluations and summative evaluations across PF programmes. At the programme level, summative and learning-focused evaluations will be undertaken to validate and support Fund-level findings. The following issues relating to SBs will be explored:

- i) The nature of SBs identified in business cases and in programmes
- ii) A review of the balance and relationship between primary and secondary benefits
- iii) An assessment of the realism, plausibility and consistency of claimed SBs

Approach to Learning related to Secondary Benefits

Given the formative nature of the Fund and programme evaluation methodology, it is important to feedback learning on SBs to PF stakeholders. Specific strands of work are proposed in the following areas:

- i) Validation of the causal pathways to secondary benefit in the theory of change;

- ii) Specific programme learning relating to secondary benefits;
- iii) Implications for UK companies and HMG/_company dialogue;
- iv) Learning regarding timeliness of benefit realisation.

1. Overview of Approach

1.1 Introduction and definition of secondary benefits

This note sets out the Evaluation and Learning (EL) team's approach to the evaluation of the nature, size, consistency, plausibility and timing of secondary benefits (SBs) produced by activities undertaken by the Prosperity Fund (PF).

Secondary benefits are the strengthening of trade and investment relationships between the UK and the rest of the world. Reviewed PF business cases (BCs) indicate that programmes envisage secondary benefits will be realised primarily through increased British exports, investment opportunities for British companies, and, in a few cases, increased foreign investment in the UK. This confirms guidance issued by the Prosperity Fund Management Office (PFMO)¹.

1.2 Data sources and method

The approach to evaluating secondary benefits draws on discussions internally in the EL team relating to Fund-level and Programme evaluation, as well as to the approach to synthesis of evaluation findings and the generation of learning. It also takes account of discussions with the Monitoring and Reporting (MR) contractor on the data relevant to evaluating secondary benefits that will be collected in the MR 'Observatory'. The Note highlights what activities will be undertaken and, by implication, which activities will not be undertaken.

This paper should be read alongside the proposed EL Evaluation Framework, which includes evaluation questions on secondary benefits.

1.3 Overview of proposed approach

The approach to evaluating secondary benefits is pragmatic and realistic, noting that secondary benefits to the UK from PF activities will only materialise, even in the case of short-term commercial benefits, at the earliest 2-3 years after programme mobilisation.

The approach mirrors the formative nature of the overall PF evaluation, aims to answer the proposed Evaluation Questions related to secondary benefits, and address key issues posed by decision-makers and deliver findings on the achievement of, and direction of travel towards, results (performance) at the Fund-level. The aim will be to generate some 'quick wins' for evaluation relating to SBs in the first 12-18 months of implementation, whilst

¹ Prosperity Fund Appraisal Guidance, PFMO, December 2016

seeking to validate SB findings in a longer period of time e.g. through ongoing annual, mid and end of Programme reviews, through use of a clear and methodical evaluation process.

Evaluation findings will be communicated through short, accessible, reports as well as a range of other accessible and useful knowledge products (e.g. briefs, infographics, video clips).

Specifically, the note proposes:

- **clarification of the starting context and indicator ‘baseline’ for secondary benefits (see Section 3.1).** The aim will be to draw up a basis for evaluating the realisation of SBs in the initial stages of the EL implementation phase. This will allow both the quantification of the SBs themselves, as well as an assessment of the management and data systems and processes put in place to derive and realise SBs. It will be important to ensure a consistent interpretation with the MR provider of the term ‘baseline.’² This baseline will inform the assessment of progress on realising SBs over the life of PF programmes (up to 2021 and beyond);
- **Drawing up a methodology for evaluating SBs, both within individual programmes, and across ‘families’ of programmes (see Section 3.2).** The aim of the methodology – to be drawn up early in the implementation period – will be to provide methods and tools for looking at the plausibility and consistency of SBs across programmes.³ Where possible, useful and sensible, and in conjunction with synthesis evaluation activities, whether, to whom (e.g. larger companies or SMEs), and how SBs are being realised at the Fund-level will be evaluated;
- **An approach to sharing learning on SBs across programmes and at Fund-level (see Section 4).** The aim will be to:
 - Assist the Portfolio Board, the PFMO, HMG Departments and individual Programmes to understand whether programmes are ‘on track’ to deliver intended PF secondary benefits. This will be done through the process of initial reviews and initial data collection, as well as through ongoing annual reviews;
 - Assist programme managers to make sense of lessons learned in their own and related programmes;
 - Help PF managers to plan follow-up actions based on the lessons learned.

² Options for the definition of ‘baseline’ are still in development. These include: i) a flat figure equal to the first (period zero) data input for a variable; and ii) a dynamic business-as-usual / trend forecast

³ “Families” of interventions / theories of change that make sense from a primary benefit point of view may not be the same as the families of interventions from a secondary point of view

2. Initial Review and Mapping Activity

2.1 Review of benefits definition and context

Before implementing programme-level evaluations, the EL team will review the definition and coverage of secondary benefits used across the different PF programmes.

Drawing on EL teams' Context Mapping activity (see EL Context Mapping Report), which notes examples of other Portfolio programmes (CSSF, CDC, ICF etc), the EL team will review approaches that are, or have been, used to evaluate UK-level benefits derived from other HMG activity overseas e.g. methodologies used by DIT to evaluate the benefits to the UK of HMG programme activities, and work undertaken by the Echo programme which aims to boost inclusive development and unlock opportunities for increased UK trade and investment in 'horizon' markets.

2.2 Initial mapping of planned secondary benefits

The team has mapped the type and range of SBs envisaged in PF Business Cases, including an examination of secondary benefits envisaged in individual programmes. This provided an understanding of the detail within individual PF programme SBs, including methodologies for the calculation of SBs, the business case Theories of Change and the expected SB causal pathways.

This has been followed by a review of approaches to the evaluation of 'families' of programmes and projects,⁴ and consideration of the range and types of SBs realised through these 'families' of programmes. ToC families from this review will be documented in a Synthesis Approach paper.

3. Approach to Evaluating Secondary Benefits

3.1 Development of a baseline for secondary benefit evaluation

Secondary benefit baseline indicators⁵ and the starting point context will be examined in countries and for programme activities in which the initial round of programme evaluations will be carried out during the first year of implementation. This baseline and evidence gathering work will involve discussions with FCO posts and DIT on Fund-level and below-Fund (programme-level) data, the review of sectoral information (e.g. on Infrastructure, Financial Services) where available, as well as evidence relating to UK firm presence and contracts in countries-/ sectors, broken down by types and sizes of firms.

This work will include examining the usefulness, comprehensiveness and reliability of the sources of data that programmes have identified for secondary benefits and the type of data

⁴ These 'families' of interventions include, Infrastructure, Trade, Financial Services and Business Environment Reform programmes

⁵ The MR contractor is examining issues related to the construction of the baseline e.g. whether trends in SBs should be accounted for, or not, in baselines, and the issue of exchange rates used

that is planned to be generated – both at the Fund (MRSO) and below-Fund (Programme) levels – to enable measurement of secondary benefits. This will be done primarily through discussions and desk-based review.

The EL team will review the types of data to be collected and how data is flowing through the MR systems in the context of initial system and process evaluations set out in Section 3.2.1. To provide context for the detailed programme-level evaluation of secondary benefits, the EL team will undertake an initial review of the processes that have been used to derive types and estimates of SBs. Where possible and necessary in the face of identified likely data gaps, the EL team will aim to influence the data that is proposed to be collected to enable evaluation of SBs.

Discussions will cover the capacity of PF actors to generate, utilise and assess SB data, and cover issues relating to the management and monitoring of UK firm presence and contracts. This activity will be done in the context of a review of a sample of programmes in the first twelve months of the implementation phase (up to end-April 2019).

3.2 Methodology for evaluating secondary benefits

The approach to evaluating secondary benefits will follow the over-arching proposed annual learning and evaluation cycle, and will be linked to the timelines set out in the overall evaluation approach.

The aim will be to answer Evaluation Questions using a matrix of evaluation sub-questions, data requirements and sources. The sources of primary and secondary data, how data gaps will be filled and how the work is envisaged to be carried out will be detailed in the EL Inception Report. The initial identification of specific primary and secondary data sources (e.g. programme delivery partners and DIT data respectively) will be undertaken as part of the context framing exercise, and will be expanded upon as part of the follow up investigations.

PF Programme Theories of Change (ToC) analyses will be carried out as part of this evaluation process, drawing out the secondary benefit impact pathways. As programmes move into contracting and implementation, there will be natural changes and refinements to programme activities, which will, in turn, result in changes to ToC elements.

These TOC analyses, in turn, will inform the development and use of leading indicators to help understand how initial secondary benefits are being achieved in practice e.g. to investigate whether the same secondary benefits can be delivered through more than one ToC pathway. Where the EL team find evidence of similar benefits being realised by different projects/programme, this will facilitate the EL team to do a cross-case comparative analysis, which may be useful for overall Fund-level learning, in the context of annual ToC reviews.

It is envisaged that the EL team will evaluate whether and how SBs have been realised at programme level, across ‘families’ of PF programmes, as well as at Fund-level, in doing this, the EL team will seek to provide answers in relation to SBs to the three core Evaluation Questions, namely:

- i) What has been, or is likely to be achieved, as a result of the Prosperity Fund?
- ii) What factors have contributed or hindered these achievements?

- iii) What can be learnt from the Prosperity Fund experience to date to improve ongoing and future programming?

Five questions in the proposed Evaluation Framework relate to secondary benefits:

1. Which types of interventions, sectors and country settings have been more and less successful in contributing to the achievement of secondary outcomes through strengthened partnerships?
2. What factors have contributed to the achievement of secondary benefits?
3. How has the balance and relationship between primary and secondary outcomes across the portfolio influenced the achievement of results?
4. Which assumptions and the causal pathways outlined in the ToC remain valid, which have been adapted and what refinements need to be made?
5. To what extent is the institutional governance set-up of the Prosperity Fund more or less effective in achieving i) primary benefits; ii) secondary benefits; iii) other results?

The aim in this strand of the PF evaluation will be to pragmatically test different approaches to estimating secondary benefits and the processes leading to their realisation, to derive early lessons of what is working or not working, and why, including relating to cross-cutting issues such as inclusion and VfM. In addition, evaluation of SBs will inform the VFM scorecard elements relating to the validation of causal pathways, and measures taken to enhance delivery and mitigate risk.

Efforts will be made to ask consistent questions relating to SBs across programmes to enable findings and data (where possible and sensible) to be aggregated and synthesized up to a Fund-level.

3.2.1 Fund-level evaluation of secondary benefits

At the Fund-level, it is proposed to undertake two types of evaluations of secondary benefits, within the methodology of the overall Fund-level Evaluation:

- **System and process evaluations:** An evaluation of management processes, data and systems that are intended to support the realisation of secondary benefits (based on data collected at Fund-level). The EL team will look at data aggregation, data/evidence plausibility, whether processes and systems are compliant with the ODA and Gender Equality Act, and methods to shed light on causality i.e. was the PF a clear contributor for an observed SB?
- **Summative evaluation of secondary benefits across PF programmes** (based on data collected at programme level). The precise methodology for this evaluation will be finalised once the overall evaluation framework, evaluation questions and synthesis activity are determined. It might include:
 - i) Evaluations across 2-3 sector or thematic programmes and sub-programmes e.g. Infrastructure or Financial Services;
 - ii) Evaluations of ‘families’ of programmes – such as Capacity Building, Policy analysis and development or Business Environment Reform programmes; or
 - iii) Evaluations of similar programmes, such as country programmes of similar size.

These evaluations will feed into an analysis of overall Prosperity Fund performance based on the ToC in order to assess achievements, validation of secondary benefit causal pathways and the direction of travel towards realisation of secondary benefits.

3.2.2 Programme-level evaluation of secondary benefits

At the programme level, learning-focused evaluations will be undertaken to validate and support Fund-level findings. It is envisaged that an examination of secondary benefits will be an important component of these programme evaluations. To this end, the EL team will seek to understand what baseline and other data will need to be collected for each of the key identified 'families' of theories of change

Following the formative evaluation approach, these evaluations will respond to programme manager's needs to understand the impact of their portfolio, to make course corrections and to support adaptation. Evaluations will be predicated on the programme being deemed to be 'evaluable' and sufficient progress in implementing programmes, so that secondary benefits have been generated as a result of programme activities.

The methodologies used to assess SB realisation will be specified in the EL Inception Report but will include case studies and contribution analysis.

Issues relating to secondary benefits that will be explored in these programme-level evaluations will include:

- ***The nature of SBs identified in business cases and in programmes*** under implementation, including an examination of the economic drivers identified for secondary benefits as part of the ToC review and through techniques such as barrier analysis⁶. It is not proposed to examine second-round secondary benefits, such as improved health or education in the UK, or downstream benefits to UK supply chains, as a result of secondary benefit (UK) income gains, due to likely data limitations;
- ***A review of the balance and relationship between primary and secondary benefits*** to understand whether SBs fit logically with the PF primary purpose and benefits e.g. looking at the question of to what extent are SBs driven by increases in the size of the economy (GDP), particular sectors or markets within the host economy, or assumptions related to UK market share. The EL team will also examine whether there are tensions between primary and secondary benefits, in the perspective of accountability for delivery of both benefits;
- ***An assessment of the realism, plausibility and consistency of SBs*** articulated in business cases.

⁶ Barrier analysis examines whether the projects are focusing on the right barriers to achievement of the SB's in the context of other interventions and processes that are ongoing.

4. Learning activities related to Secondary Benefits

Given the formative nature of the Fund and programme evaluation methodology, it is important to feedback learning on SBs to PF stakeholders. In addition to the learning-focused programme evaluations themselves, specific strands of work are proposed⁷ in the following four areas:

4.1 Validation of theory of change secondary benefit causal pathways

This strand of work will take a critical look at the causal pathways for secondary benefits identified in the current Fund-level ToC, as well as more detailed ToCs for individual programmes. The aim will be to inform PFMO and programme managers on how they will know if they are correct in identifying a plausible ‘pathway’ for achieving secondary benefits.

4.2 Specific programme learning relating to secondary benefits

This aspect of the learning activity will focus on cross-Fund SB learning and sense-making activity i.e. helping programme managers and SROs to understand “what does this finding mean for me?” In this activity, the EL team will look at what has worked and not worked in realising secondary benefits at the programme level, and why, together with helping plan follow-up actions on lessons learned.

4.3 Implications for UK companies and HMG/company dialogue

As programmes are implemented, the evaluation team will discuss the realisation of secondary benefits through partnerships, deals and contracts with a carefully selected sample of UK companies, with the sampling method based on the methods decided for the overall programme-level evaluation. Issues will be identified and investigated included those related to the implementation of the programme, the relationship between FCO posts and companies, the nature of firms benefitting, as well as issues relating to procurement and contracting processes.

4.4 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 secondary benefits through contract ‘wins’ and harvesting available market and sector opportunities, and, on the other hand, aiming to bolster longer-term foreign direct investment into countries where PF programmes exist, and developing inclusive commercial partnerships at country and local level. The EL team will discuss this issue with SROs and programme managers, and draw out key lessons learned.

⁷ In the next refinement of the Approach, a description of how these strands of work will ‘fit’ into evaluation cycles as part of the programme evaluations.