ISF AFRICA
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How to track and report on programme Value for Money

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itad

Who is this toolkit for?

This toolkit was developed by Itad in support of the ISF Africa portfolio. We have published an external-facing version as we believe the approaches and tools presented here will be of benefit to a wide range of organisations and teams, including:

- portfolio, programme and project teams working in a government department, Foundation or non-governmental organisation
- monitoring, evaluation and learning (MEL) professionals advising portfolio and programme teams

How to use this toolkit

This toolkit presents a practical step-by-step guide to help programme and project teams understand how to put in place systems and tools to track and report on VfM throughout the programme cycle, and to generate and use VfM evidence to inform learning and adaptation.

This is an interactive PDF. Throughout this document, you'll come across various sections where additional information is available. Look out for this symbol and simply click on it to reveal more details and click this to close.

Contents

Introducing VfM in the ISF context

What is VfM?

In the context of the ISF, VfM is about achieving the intended impacts of portfolios, programmes and projects with the optimal use of resources. These could include financial resources, but also human resources and political capital.

It is important to remember that good VfM is not a 'race to the bottom' where quality and impact are sacrificed for the sake of minimising costs. Rather, good VfM requires a careful balancing act to ensure that programme resources are used judiciously and with the objective of maximising benefits.

Why is VfM important?

Good VfM management and monitoring is important for three key reasons:

1. VfM evidence and learning can inform decisions that **help you to achieve greater programme impact**.
2. Demonstrating the VfM of your programme helps to justify the spend and **inform decisions around the effective allocation of resources**.
3. Achieving strong VfM performance **demonstrates the value of investments to Parliament, the taxpayer and international partners.**

The ‘5Es’ approach to measuring VfM

Traditional approaches to VfM management and measurement focus on five criteria - economy, efficiency, effectiveness, equity and cost-effectiveness - which comprise the ‘5Es’ framework.

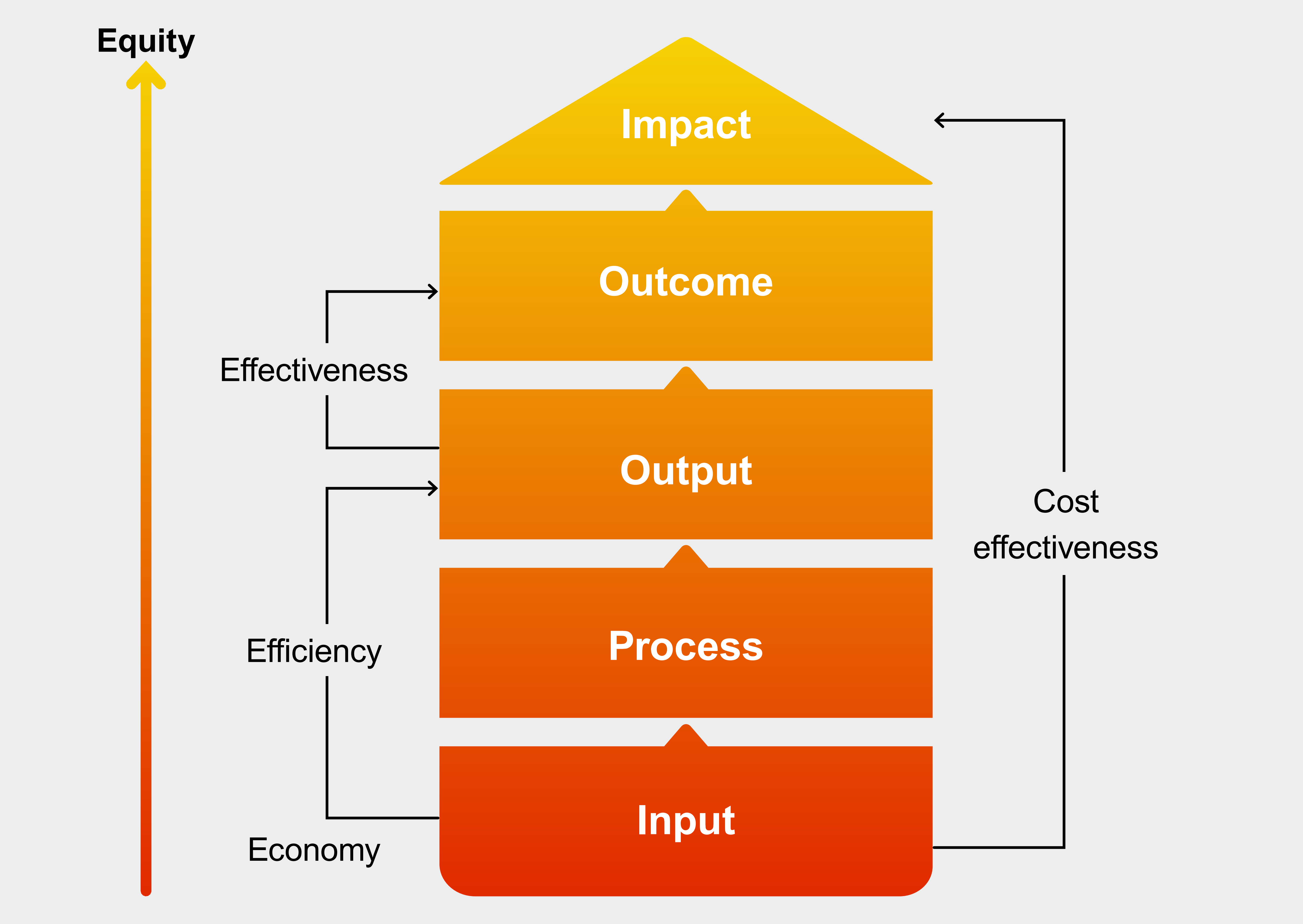
Economy
Are we buying inputs of the appropriate quality at the right price?

Efficiency
How well are we converting into outputs of the right quality and quantity?

Effectiveness
How well are the outputs from an intervention contributing towards the desired outcome(s)?

Equity
How are different groups affected by the intervention, and how are the benefits distributed between groups?

Cost effectiveness
What is the programme’s ultimate impact relative to the investment?



A common flaw in VFM approaches is to think that

economy = cost **effectiveness = value**

In fact, cost and value are important considerations across all the 5Es. For example, economy is about purchasing inputs at the right price **and of the appropriate quality**.

Itad observations on VfM in the ISF context

Whilst the 5Es framework as a concept lends itself well to ISF programming, there are common features of ISF that should be considered for VfM monitoring and management.

1 The nature of ISF programming

ISF programmes are often designed to be short-term interventions that employ high-risk approaches to supporting **a combination of cross government strategic objectives**.

Implications: It is helpful to take account of risk and the limits of what can be achieved in a limited time, **and to consider a range of UK objectives**, when developing criteria for what good VfM looks like for your programme.

2 The contexts in which ISF programming operates

ISF programmes are delivered in highly dynamic and often high-risk and conflict-affected environments.

Implications: It is helpful to consider taking an adaptive approach to delivery, ensuring that VfM **is focused on aspects of programme delivery that are most likely to respond to new opportunities or adapt based on what is not working**, and that VFM information is used alongside wider M&E evidence to continually inform reflection, learning and adaptation.

3 The concept of equity in the context of ISF

The nature and scale of ISF programmes often requires a very targeted approach to identifying programme beneficiaries.

Implications: It is helpful to consider being **explicit about the intended primary and secondary recipients** of a programme to inform a judgment on what good 'equity' looks like and to be able to track and report on this.

4 The nature of the benefits that ISF programming contributes to

ISF programmes often contribute to wider strategic benefits for HMG, including around political access and influence. **ISF programmes may also be catalytic and unlock further change in the longer term, beyond the life of the programme**.

Implications: Qualitative VfM assessment can be used to build the evidence base that demonstrates the value of such strategic benefits in relation to the programme investment, or at least that indicates progress towards long term catalytic changes and benefits.

How to integrate VfM into your programme MEL system

A four-step approach for integrating VfM into programme MEL systems

The following four steps should be applied **in a proportionate manner**. This proportionality can be achieved by focusing VfM monitoring on the key aspects of the programme that drive benefits and that will generate useful evidence to inform decisions. Further, to help minimise the burden, full use should be made of existing evidence and information from other results monitoring systems. It is important to maintain a proportionate approach to gathering new evidence, by considering both the utility and the effort involved.

KEY TIP

VfM measurement and reporting should not be conducted in a silo. Rather, it should be integrated into the broader programme MEL system, e.g through ensuring VfM indicators align with the results framework.

STEP 1

Develop value proposition

Clearly articulate the value the programme is expected to generate for the investment made

STEP 2

Develop VfM criteria and indicators

Identify what good looks like for each 'E' and develop indicators to measure this

STEP 3

Establish VfM monitoring and reporting system

Establish approach and process for managing and assessing programme VfM

STEP 4

Conduct VfM assessment

Conduct periodic assessment of VfM data and progress to inform adaptation and learning

STEP 1

Develop your programme value proposition

In a short paragraph, set out the value and benefits that your programme is expected to deliver for the money invested.

This provides you and your team with a basis for assessing overall VfM of your programme over time.

A value proposition should briefly describe:

- **the problem** the UK is trying to address based on an understanding of the context in which the programme is being implemented and the strategic need
- **the amount being invested** to tackle the problem
- **the expected benefits** and expectations of their sustainability. These might include: direct benefits to target groups, and political access and influence gains such as strengthened relationships, insights and reputation
- **the target groups** who are intended to benefit from the programme
- **the level of risk** underpinning the programme and any tolerance for failure

Example of a value proposition

TIPS

A value proposition should be developed as part of the programme strategy design process and should be owned by the programme owner.

Programme benefits should be validated with key stakeholders and align with the programme theory of change and results framework.

Reflect on the quality of evidence underpinning the value proposition and ensure systems and tools are in place to address evidence gaps.

STEP 2

Develop VfM criteria and indicators

The next pages will guide you through using the 5Es (economy, efficiency, effectiveness, equity and cost effectiveness) to consider what good VfM looks like for your programme.

This section will prompt you to develop a small number of VfM indicators that enable you to track if your programme is delivering good VfM over time. Your indicators should align with existing results framework indicators and data gathering plans.

Learn more about types of VfM indicator and VfM measurement approaches

There are four types of VfM indicator programme teams should consider:

When developing VfM indicators it is also important to keep in mind three types of measurement approach:

An important part of developing VfM criteria is to **define and set the evaluative standards and a performance rating rubric** that can be used to help judge VfM performance.

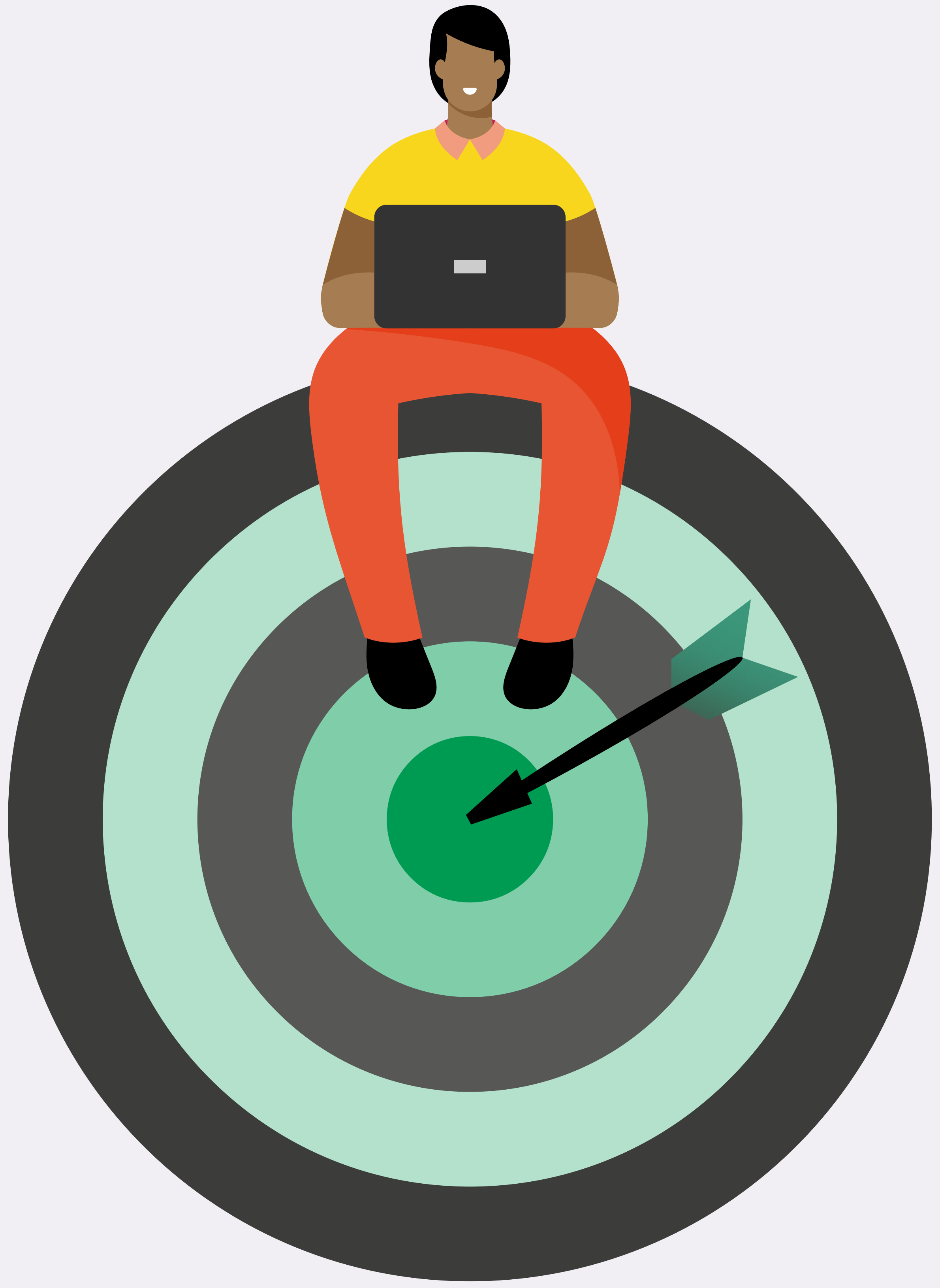
This involves:

The next pages will take you through developing VfM criteria and indicators using the 5Es framework. Click to jump to each section.

Economy

- Economy cost drivers
- Economy indicators

- Efficiency
- Effectiveness
- Equity
- Cost effectiveness



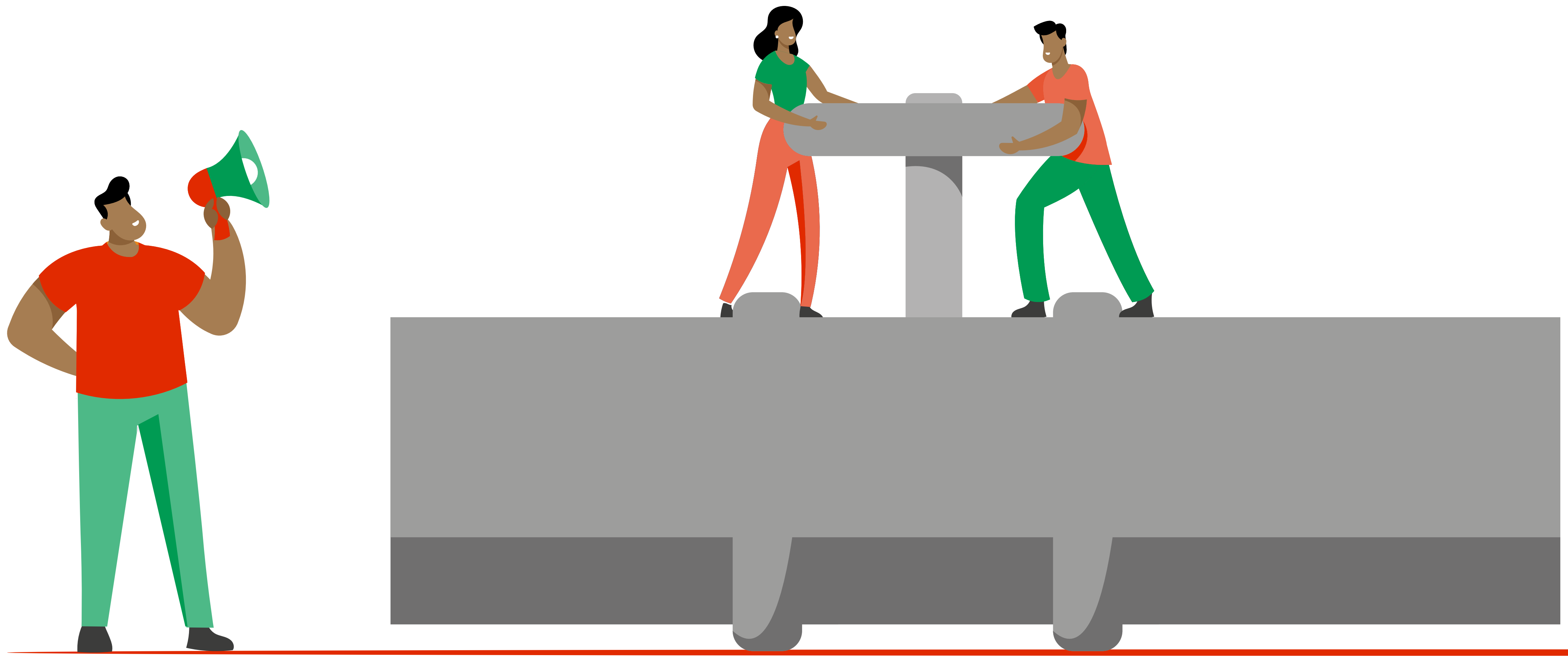
Identify the two to four main drivers of cost within your programme.

You can do this by reviewing implementer project budgets, alongside HMG/donor costs, to identify the most significant cost items or those that carry particular risks.

Where possible, these should be benchmarked by:

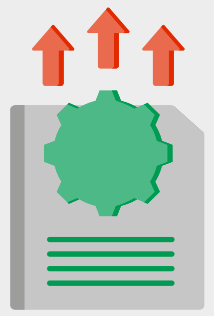
a	comparing unit costs from similar programmes, or
b	tracking the direction of costs over the life of the programme.

These cost drivers (and their benchmarks) should be tracked and significant changes should be reported on and explained.

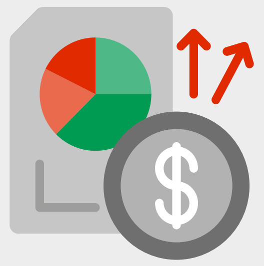


Examples of programme cost drivers

Salaries for international staff (or total daily costs if comparing consultancy costs with HMG/donor costs).



Overhead costs (can compare against similar programmes, or direction of travel within the programme).



Expenses for equipment or infrastructure, and their maintenance.

ECONOMY
developing economy indicators

Develop two to four economy indicators to track throughout the programme to ensure inputs (staff, resources) are being bought at the right price and appropriate quality.

Before developing indicators, it is important to **reflect on what good economy looks like**. You could consider the following:

Prioritisation: what are the main drivers of cost (see economy page)?

Trajectory: would you expect some costs to decrease over time? Would you expect quality to increase over time for the same/less cost?

Equity: what does equity look like in the context of economy (e.g. more training being delivered by local trainers over time, recruitment processes that ensure gender and diversity balance)?

Financial management: are sound implementer financial management processes in place? Are any areas of concern being closely monitored?

Risks and opportunities: what are the major constraints to financial delivery and cost savings? Are there opportunities to mitigate these?

KEY TIPS

Example economy indicators

- % cost of implementer admin/ overheads in relation to total annual budget.
- % cost of local/international expertise in relation to total annual budget.
- Establishment and roll out of financial management and forecasting processes that closely monitor spend in relation to changing context.
- Average daily fee rate for team members at different bands compared to similar programmes (disaggregated by gender and nationality).
- Cost of training per day. Target to reduce by x% within a year without compromising quality.

Develop two to four efficiency indicators to track throughout the programme to ensure programme outputs are being delivered at the appropriate quality and in a timely way in relation to cost.

Important! Remember not to duplicate existing output indicators from your programme results framework. Rather, seek to integrate VfM into existing output indicators or to identify additional indicators of efficient programme delivery in relation to cost.

Before developing indicators, it is important to **reflect on what good efficiency looks like**. You could consider the following:

Prioritisation: what are the most important programme outputs?

Quality and timeliness: what are your expectations for output quality and timeliness of delivery over the life of the programme?

Productivity: what does good implementer productivity look like? Are there opportunities to increase productivity through increasing % of outputs over time or decreasing % of inputs for the same outputs?

Risk management: do implementers have a clear process and proactive approach to managing and mitigating the risks to output delivery?

Equity: What does equity look like in the context of efficiency (e.g. is there a balance of spend across outputs and target groups)?

Example efficiency indicators

% of timely programme outputs that meet expected quality standards.

Cost per trainee (disaggregated where relevant) demonstrating increased knowledge, understanding and ability to apply in practice; number of people reached through social media channels (with # increasing and costs decreasing over time).

Level of collaboration and synergy with other relevant HMG/donor and international partner programmes.

Number of occasions that senior staff have been able to engage in influencing a specific issue/policy area (with # increasing and costs staying the same over time).

Develop two to four effectiveness indicators to track throughout the programme to ensure benefits being delivered by the programme – anticipated and unanticipated – justify the investment.

> **Important!** Remember not to duplicate existing outcome indicators from your programme results framework. Rather, seek to integrate VfM into existing outcome indicators or to identify additional indicators of effective programme delivery in relation to cost.

Before developing indicators, it is important to **reflect on what good effectiveness looks like**. You could consider the following:

Realism: how realistic is it that the programme will support outcome-level change in all areas? Can the programme be considered effective in delivering only some of the benefits identified in the value proposition?

Unanticipated benefits: might there be any unanticipated benefits worth tracking – including wider strategic benefits – in addition to the benefits outlined in the value proposition?

Valuing benefits: to what extent is it possible to make a judgment on the value of particular benefits in relation to cost? How do these compare to other initiatives in similar contexts or at different times?

Sustainability: what building blocks are needed to support the sustainability of benefits beyond the life of the investment?

Equity: what does equity look like in the context of effectiveness (how will benefits be distributed across target groups)?

Context and risk: what contextual factors, risks and assumptions might limit effectiveness?

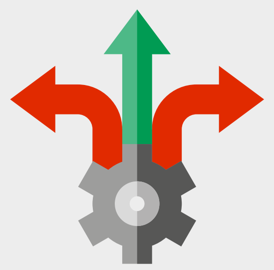
Example effectiveness indicators

Number of serious crime cases successfully prosecuted through the courts relative to previous period that can be attributed to investment.

% targeted citizens who believe government committed to tackling corruption compared to last year (disaggregated).

Cost per individual whose resilience to violent extremism has been built compared to similar countries/ programmes.

Evidence that international community support to security and stabilisation is harmonised and coordinated.



Evidence that programme lessons and good practice are informing HMG/ donor approaches to security and stabilisation in country X.

Define what ‘equity’ means in the context of your programme. Then ensure that equity considerations are integrated into your economy, efficiency and effectiveness indicators. You might also want to define one-to-two stand-alone equity indicators.

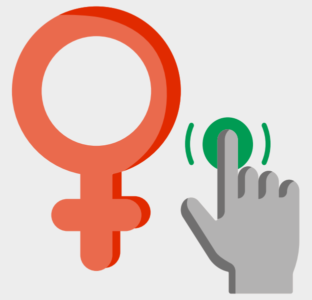
Managing equity in ISF programming is about ensuring benefits are distributed equitably across target groups. An important first step is to define what equity means in the context of the programme, including who the target beneficiaries are and why.

The nature of ISF programming often means that programmes are not trying to distribute benefits equitably across the population and all marginalised groups, but rather are targeting specific groups in support of UK national security objectives.

Example indicators

Percentage change in budget allocations/expenditures for disadvantaged/targeted groups.

Availability of services, e.g. percentage change of targeted group/poorest/ women and girls that have access to service relevant to programme.



Use of services, e.g. percentage change of targeted group/poorest/ women and girls that are using service.

Updated gender analysis feeds into gender action planning and programme adaptation.

COST EFFECTIVENESS

Cost effectiveness is the measure of overall VfM in terms of long-term impact and benefits that are likely to be achieved as a result of the programme compared to the investment made.

It is not normally feasible to regularly monitor cost effectiveness. The project value proposition should already set out a summary of what good cost effectiveness looks like, as it articulates the expected benefits and the amount being invested to achieve those benefits.

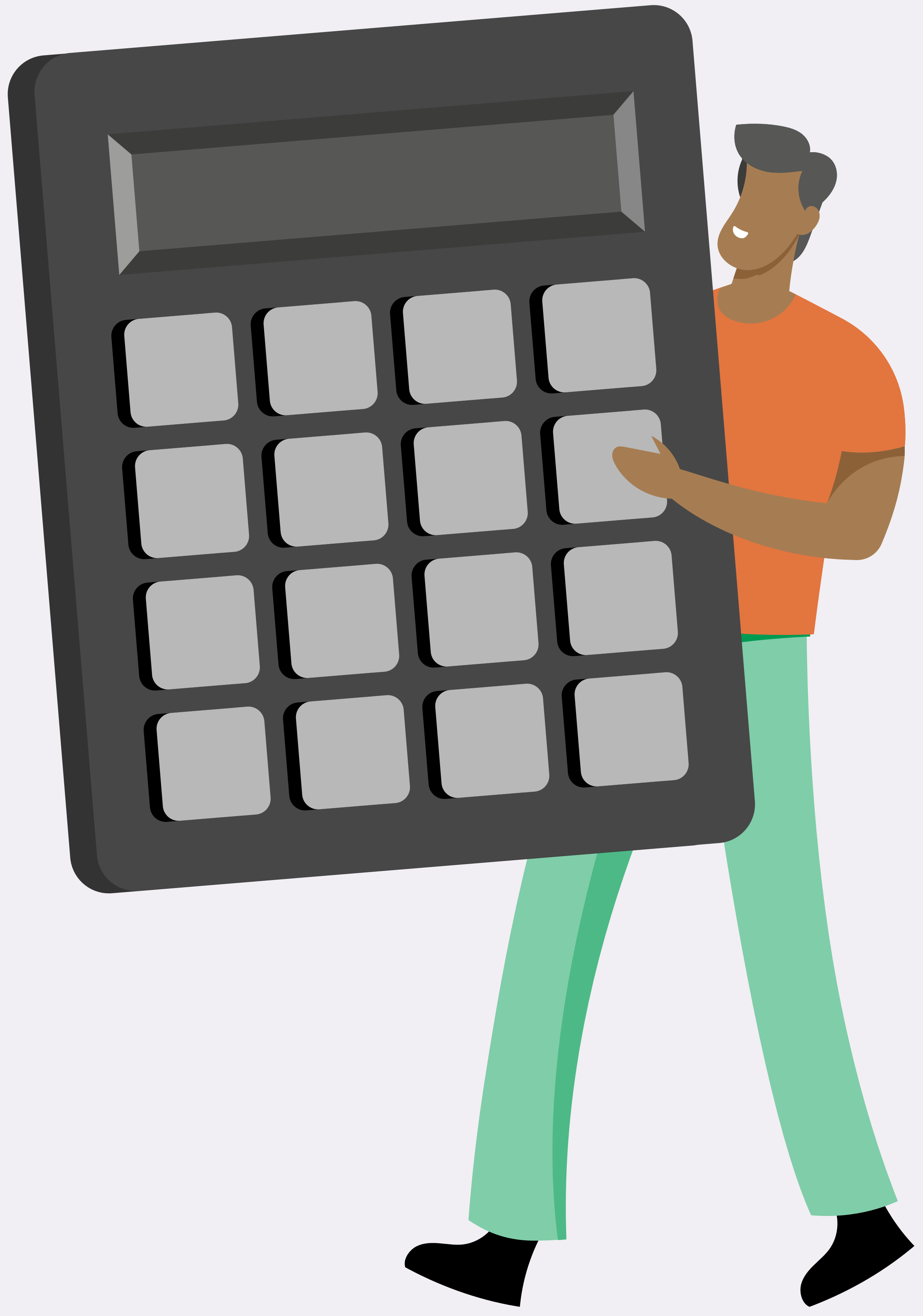
Any project impact indicators will give a sense of what is changing over time, but are not sufficient to explain the progress that the project itself has made in contributing to this change, and comparing this to resources used.

Generally, we know that programmes/projects are delivering good cost effectiveness if there is confidence that the programme/project itself is helping to drive changes that in turn help generate long-term benefits.

So, to help understand cost effectiveness, it can be useful to monitor intermediate changes that the programme/project is driving that are expected to contribute towards longer-term benefits.

For example, ISF programmes often improve political access and influence for the UK. This access and influence can in turn help contribute to longer-term impact for beneficiaries, so evidence of political access as a result of the project could indicate growing cost effectiveness.

Beyond these indications, understanding cost effectiveness and overall VfM will require VfM assessment - see step 4.



STEP 3

Establish a VfM monitoring and reporting system

Develop a simple and practical system and process for gathering and using VfM information over the life of the programme.

As explained in previous steps, programme teams should ensure that **VfM monitoring and reporting is integrated as far as possible into the broader programme MEL system**.

One way to do this is to **consider including VfM metrics in your programme results framework** to allow VfM to be measured through the life of the programme and to provide assurance for the Programme Review.

Example: including VfM metrics in your RF

An alternative approach is to develop a separate **VfM tracker or dashboard** that brings together all VfM indicators and identifies what data needs to be collected, when, how and by whom at the project and programme level.

Example: VfM tracker

Remember!

Whichever approach you take, ensure that you:

- Track and report on a small number of VfM indicators across the 5Es that address both the 'process' and 'strategic' elements of VfM for the programme.
- Use VfM information alongside broader M&E evidence to continually reflect on programme progress and performance. This includes tracking VfM risks alongside mitigating actions as part of your programme risk register.

STEP 4

Conduct periodic VfM assessment to inform learning and adaptation

Develop a plan for how you will assess VfM throughout the life of your programme to support you in making decisions about your programme based on VfM and broader M&E evidence.

It is important to remember that **VfM indicator data provides important but limited evidence** about changes that are relatively easy to measure. They do not provide the full story of why change has occurred (or not) and what the change has led to in terms of benefits.

It is, therefore, **vital that VfM evidence is used alongside broader programme M&E evidence to help explain why change has occurred** and to make evaluative judgments about the value of the programme investment.

Top tips for tracking VfM progress

Consider quarterly or six-monthly programme reflection sessions where the programme team comes together – potentially also with IPs – to make sense of VfM and broader M&E evidence to support learning and decisions around adaptation.

Consider capturing periodic VfM decisions and actions taken in a VfM decision log or VfM journal.

Example: VfM journal

4 ways to conduct VfM assessment as part of your programme

1. You could conduct a **stand-alone VfM assessment of your programme** to provide an independent view of VfM progress and performance, and a more in-depth assessment than that conducted as part of a Programme Review.
2. You might consider **integrating VfM into programme outcome case studies**, or developing **stand-alone VfM case studies** to tell your VfM story.
3. You might consider **integrating VfM questions into programme and thematic evaluations**.
4. You could use a **VfM scorecard approach to conduct a self-assessment** of VfM strengths, weaknesses and direction of travel.

Example: VfM scorecard

TIPS

Programme VfM checklist

The following checklist can help a programme/project team ensure that quality standards are met when integrating VfM into their MEL system.

Value proposition

- [ ] Is there a value proposition for the programme that articulates the value of the investment?
- [ ] Has the value proposition been developed in consultation with key programme stakeholders, and shared with the programme team and implementing partners?

VfM criteria and indicators

- [ ] Have the main programme cost drivers been identified and benchmarked?
- [ ] Has the programme defined what good looks like across each of the 5Es?
- [ ] Have a small number of context-specific, prioritised and SMART indicators been identified across each of the 5Es, covering both the ‘process’ and ‘strategic’ aspects of VfM?
- [ ] Are VfM indicators aligned with results framework indicators?

VfM monitoring and reporting

- [ ] Has a simple and practical system and process – e.g. a VfM tracker or dashboard – been established for tracking and reporting on VfM indicators?
- [ ] Is VfM monitoring and reporting integrated into broader programme MEL systems and processes?

VfM assessment

- [ ] Are there plans in place to hold periodic programme reflection sessions that bring the programme team together to reflect on and learn from programme M&E data, including VfM data?
- [ ] Are there plans and tools in place to conduct periodic VfM assessment beyond the Programme Review process?

Glossary of VfM terms

Cost Effectiveness: the project impact relative to inputs invested.

Criteria for Value for Money: dimensions of performance that are relevant to an overall determination of Value for Money of the programme. Criteria describe the aspects of performance to be evidenced to support a Value for Money judgement.

Economy: the dimension of programme performance concerned with the quality and price of inputs.

Effectiveness: the dimension of programme performance concerned with how well outputs contribute to intended outcomes.

Efficiency: the dimension of programme performance concerned with how well inputs are used to deliver outputs.

Equity: the dimension of programme performance concerned with how fairly benefits are distributed in particular to those targeted such as marginalised groups.

Impact: the long-term cumulative effect of the project or intervention, on what the programme aims to contribute to.

Indicators of Value for Money: signs or clues that measure one aspect of the programme and help to show how that aspect is making progress or changing. Indicators can be qualitative, e.g. a perception from stakeholders that something has improved, or quantitative, e.g. the number of people that attended a training course.

Input: resources in terms of monetary costs and staff time devoted to the programme.

Monitoring: routine, systematic tracking, analysis and reporting of priority information about a programme / project, usually with a view towards tracking progress against indicators and to support decision-making.

Outcome: a change in behaviour or policy that will affect target beneficiaries that is at least partially attributable to the programme.

Output: a result directly delivered by the programme. Outputs should be within the control of activities and should be expressed in a way that is specific, measureable, achieveable, realistic, and timebound.

Process: the methods and actvities that use programme inputs in the pursuit of delivering outputs.

Value for Money (VfM): The National Audit Office defines VfM as the optimal use of resources to achieve the intended outcomes.

Value propostion: a description of the overall expectations for the programme in terms of Value for Money, including the expected value of the investment, benefits expected, and the current state of evidence supporting the propostion.

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