LAMP DEVELOPMENT

CONDUCTING VALUE FOR MONEY ANALYSES BY OUTPUT

Lessons from practice

1. Introduction

The annual review template used by the Foreign, Commonwealth & Development Office (FCDO) now mandates value for money (VFM) reporting to be conducted and reported ***for each programme output***. This is in contrast to the previous approach where value for money was reported only at the overall programme outcome and impact level. It is expected the updated approach will improve accountability and programme learning for FCDO-funded programmes. However, it affects how programmes set up systems to report on VFM and the way VFM practitioners conduct VFM analyses going forward.

At LAMP, we have considered some of the implications of conducting and reporting value for money by outputs. We offer some insights on practicalities, advantages and challenges, based on applying this approach to the health and development programmes we have worked with. After applying the new approach in September 2020 while conducting a VFM Assessment for the Saving Lives in Sierra Leone (SLiSL) programme[1], an internal session was held to explore lessons learnt from the exercise. We also sought to gather reflections from other VFM practitioners with recent experience of applying the new approach in practice.

This report documents the advantages and implications of conducting and reporting value for money by output. By sharing these, we hope they will be of value to FCDO programmes in navigating this aspect of the annual review template.

2. Advantages of reporting VFM by output

There are advantages to the new approach for reporting VFM, in terms of greater visibility, accountability and learning for programmes.

- ***Visibility and accountability:*** By ensuring all programme outputs are assessed regardless of their weight or impact, reporting VFM by output facilitates more visibility of costs and benefits of each sub-component. This is particularly relevant where the programme is a portfolio design or consortia with various delivery partners leading on different outputs. This improves accountability and visibility of implementing partners within a programme, as opposed to the previous approach where VFM is assessed at the overall programme level.
- ***Programme learning and improvement***: Assessing VFM by output allows more nuanced and specific analysis and recommendations for each programme output and implementation partner. This helps to ensure good practice is highlighted alongside opportunities for improvement, to deliver good VFM.

3. Practical implications for programmes and practitioners

There are some practical implications identified for implementing partners of existing programmes:

- It is important that the VFM indicators for a programme are selected or are updated to allow VFM analysis at output level.

[1] SLISL Annual Review 2020 report is published on UK Development Tracker website: https://devtracker.fcdo.gov.uk/projects/GB-GOV-1-300036/documents

- With the focus on outputs, programmes need to refer to their theory of change to explain how outputs being measured are linked to impacts otherwise annual performance reviews may not be a true measure of programme performance in the long-term.
- Some modifications to financial reporting systems are often required for accurate and efficient conduct of VFM analyses. Financial data is often reported differently by different implementing partners and often may not be disaggregated into outputs thus risking delays in the VFM analysis process. To mitigate this going forward, FCDO needs to stipulate in contracts and MoUs with IPs the need to report quarterly financial data by output (see below).
- During the inception stage when the VFM strategy and framework are being developed, there is a further opportunity to ensure VFM requirements are defined by output and are supported by financial reporting and M&E specifications.

LAMP and other external evaluators will need to make changes to their current approaches for VFM assessments:

- A lesson learnt from VFM analyses conducted by LAMP was to use qualitative data where quantitative data is unavailable for the output under review. This can be used to demonstrate how VFM has been achieved within the programmes.
- Another recommended modification to the VFM assessment approach is to conduct a preliminary check to determine the type of VFM analyses that can be conducted or are useful for each output. For example, equity or effectiveness may not be necessary or possible or relevant for all outputs. This is useful in managing expectations of how much analysis can be done at output level and for focusing on what is most useful for accountability and learning/improvement purposes.
- Conducting VFM analyses by output tends to generate a larger volume of data, especially for programmes with broad themes of work. This needs to be translated into concise, useful analysis. VFM practitioners can expect that additional effort will be required to structure the knowledge into readable and useful summaries suitable for each audience.
- The annual reporting template may be too restrictive given that programmes have different designs and pathways to results. For example, although the AR template aligns with the logframe, the theory of change for programmes may not be as linear and so applying VFM analysis to the results chain may be problematic. Thus, there is a need for flexibility within the template to set out the VFM assessment in a meaningful way to the programme and not let the structure of the template solely determine the assessment approach.

Finally, the following are considerations for FCDO as the approach to assessing VFM in annual reviews continues to evolve:

- At design stage, the VFM proposition in the business case needs to consider the output level VFM assessment and propose VFM indicators by output where possible.
- At the contracting stage, the requirements for financial reporting by output need to be included in TOR, contract and pro-formas. This will help the programme to ensure the financial reporting and results monitoring systems of implementing partners ease the completion of VFM analysis by output.

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