

Evaluation and Value for Money

Julian King
AES Sydney
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➤ Influence

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Innovate

muvamoz

**Important question:
Is it value for money?**



What is VFM?

- Multiple definitions in literature & policy
- Working definitions have common elements

Australian Government

“Achieving value for money is the core rule of the Commonwealth Procurement Rules”

Officials should “consider the relevant financial and non-financial costs and benefits of each submission” – including, but not limited to, quality, fitness for purpose, the supplier’s experience and performance history, flexibility of the proposal (including innovation and adaptability over the lifecycle of the procurement), environmental sustainability of the proposed goods and services (e.g., energy efficiency), and whole-of-life costs.



“the optimum combination of whole-of-life costs
and quality (or fitness for purpose)
of the good or service
to meet the user’s requirement”



“the effective, efficient, and economic
use of resources”





Australian Government

Department of Foreign Affairs and Trade

Value for Money principles

Achieving value for money is a critical consideration for the achievement of DFAT's strategic objectives. It is a requirement under the Public Governance, Performance and Accountability Act (2013) and the Commonwealth Procurement Rules. Building on these requirements DFAT has developed eight Value for Money Principles to guide decision making and maximise the impact of its investments. We expect all our delivery partners to give effect to the principles and value for money performance is measured in our Aid Performance Framework.

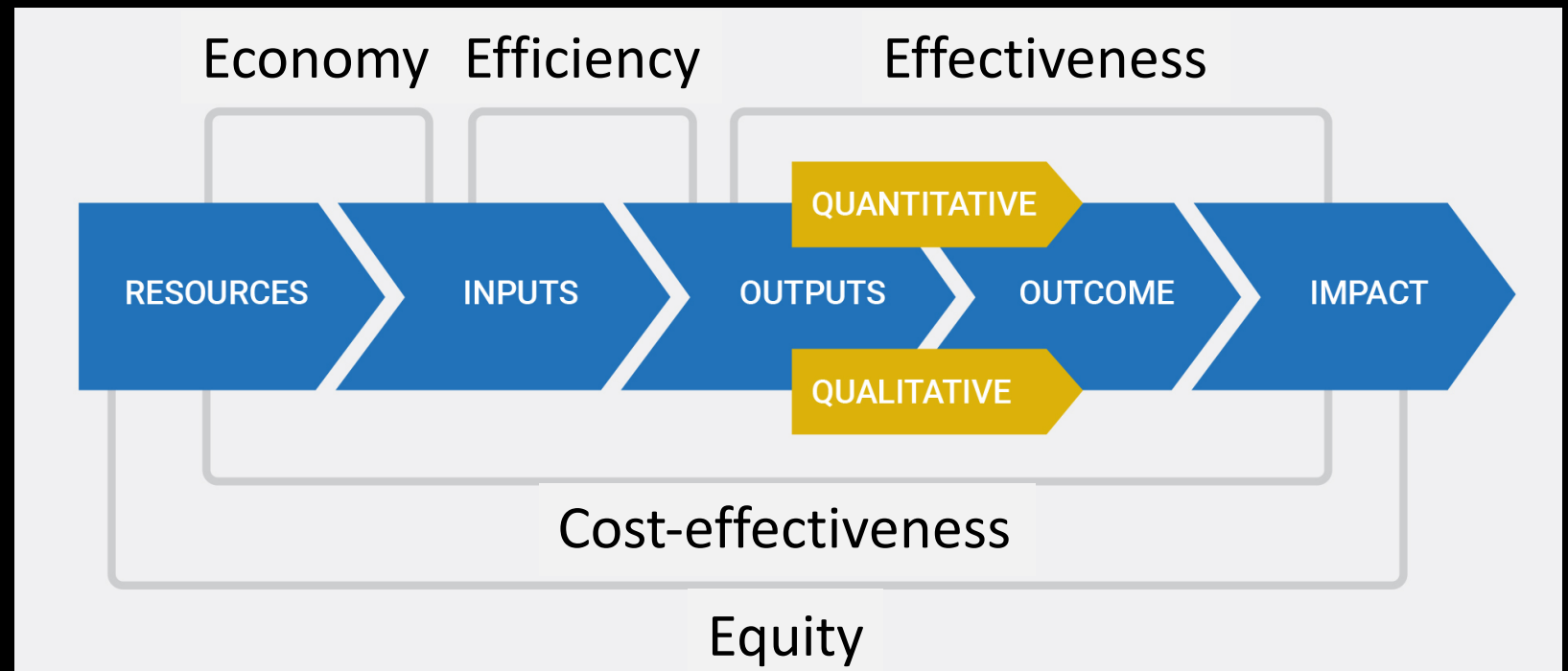
Economy	Efficiency	Effectiveness	Ethics
1. Cost consciousness 2. Encouraging competition	3. Evidence based decision making 4. Proportionality	5. Performance and Risk Management 6. Results Focus 7. Experimentation and innovation	8. Accountability and transparency

“achieving the best possible development **outcomes**
over the life of an activity relative to the total **cost**
of managing and resourcing that activity and
ensuring that resources are used
effectively, economically, and without waste”

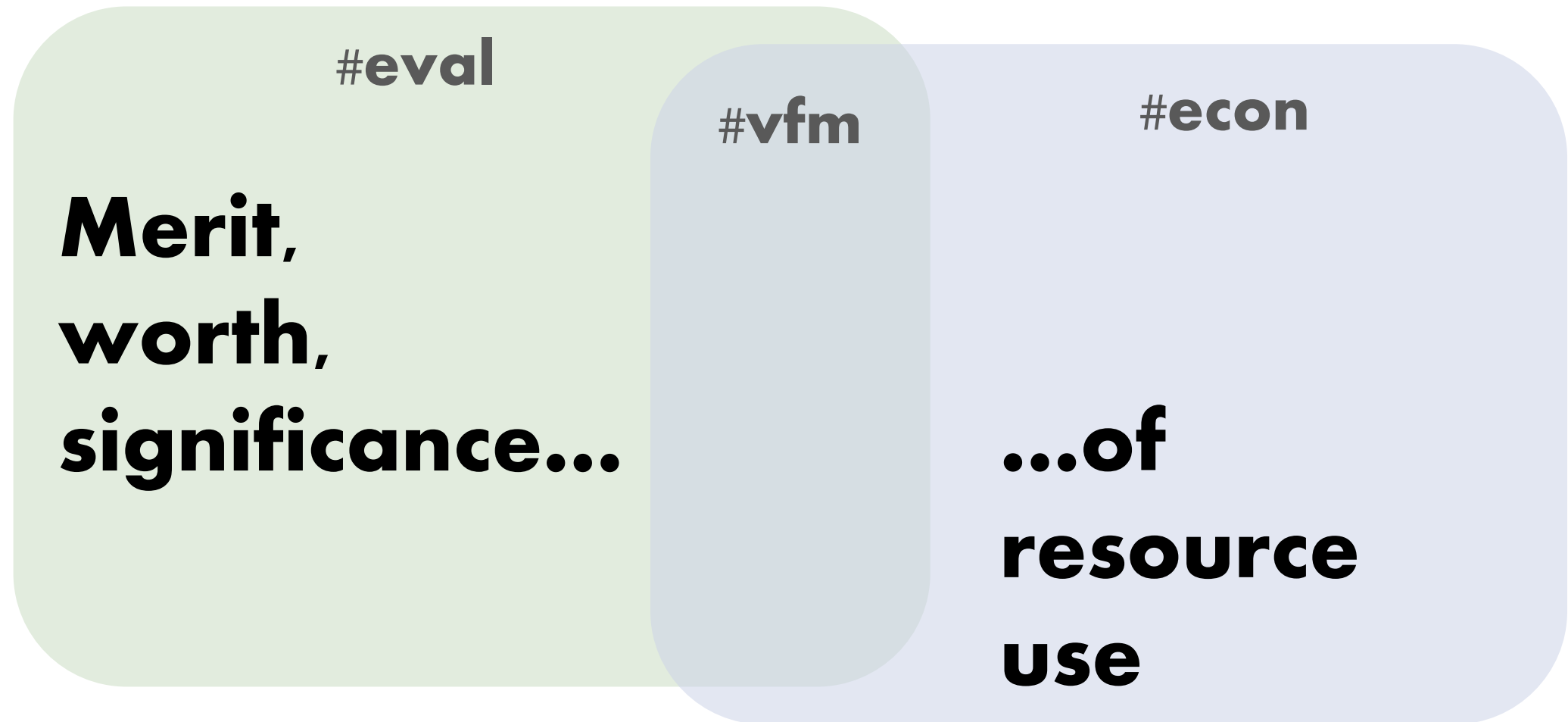


NEW ZEALAND
FOREIGN AFFAIRS & TRADE

“maximising the **impact** of **each pound** spent
to **improve poor people’s lives**”

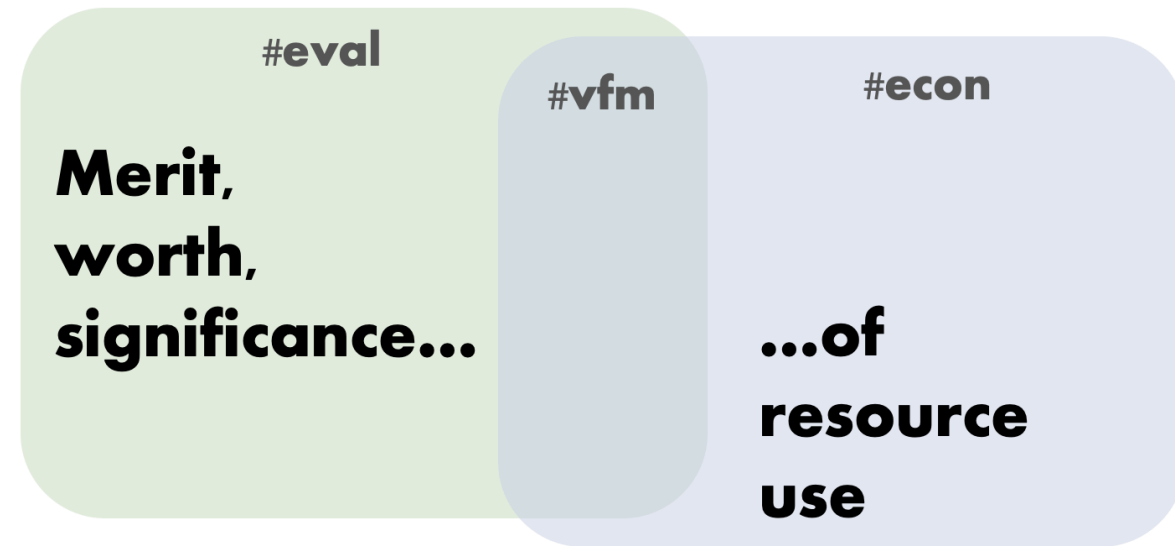


VFM: an evaluative question about an economic problem



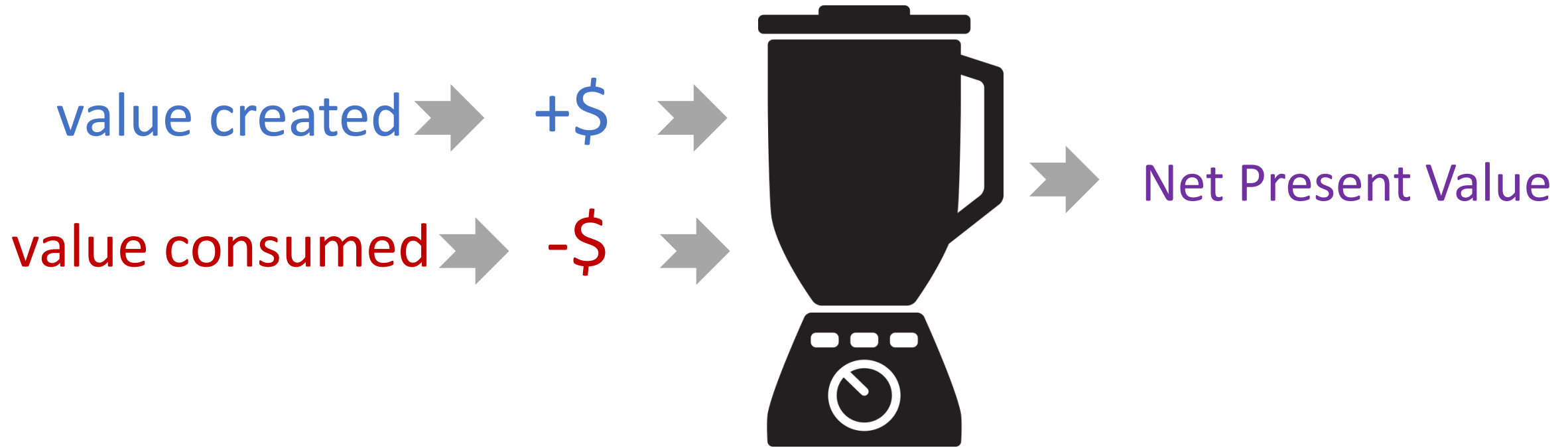
VFM questions (examples)

- How well are we using resources?
- Is the resource use justified, bearing in mind outcomes and alternatives?
- How can we use resources better?
- What next steps represent worthwhile use of remaining resources?



What did we put in? What did we get out? Was it worth it?

Cost-benefit analysis: gold standard?

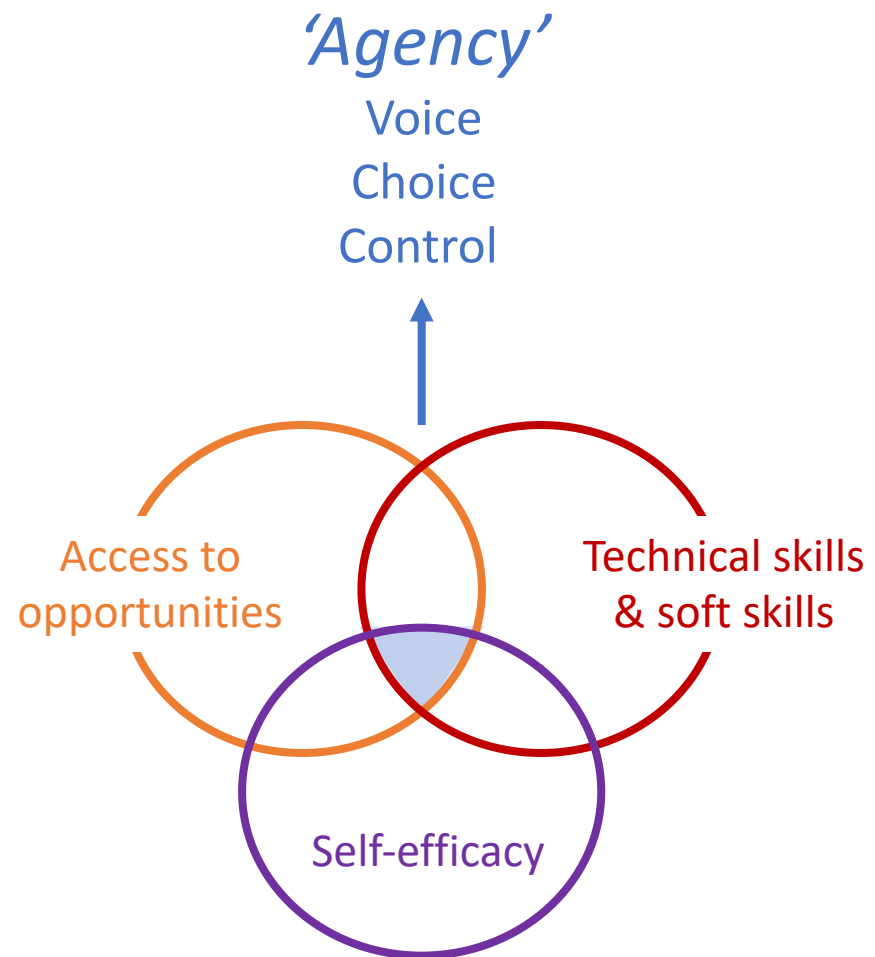


$$NPV_i = \sum_{t=1}^n \frac{b_i(t) - c_i(t)}{(1 + r)^{t-1}}$$



Strengths of CBA

- Benefits and costs in same units
- Rational, systematic, replicable
- Anything can be compared with anything
- Provides an approximate answer to an important question:
 - **is society better off overall?**



Outcome evaluation

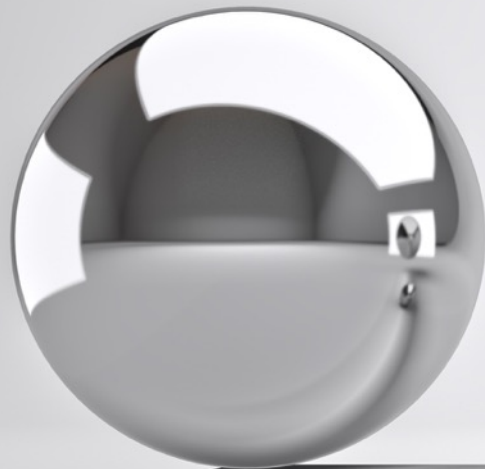
- Social and personal skills
 - Listening
 - Negotiation
 - Motivation
 - Flexibility
 - Creativity
 - Concentration
 - Self-confidence
 - Teamwork
- Decision-making power
- Challenge gender stereotypes
- Increased employment = \$
- Reduced poverty risk

Represents
“benefits”



CBA isn't the whole evaluation

Quant	Qual
Efficiency	Equity
Utility	Other valuing
Ends	Means
Aggregation	Deliberation
Consensus	Difference
Majority rule	Minority voice
Tangible	Intangible
Parsimony	Complexity





CBA estimates something important
We should use it more
But it's not the whole evaluation

#eval

**Accommodates
wider values
and evidence**

**But rarely
includes costs**

disciplinary divide

#econ

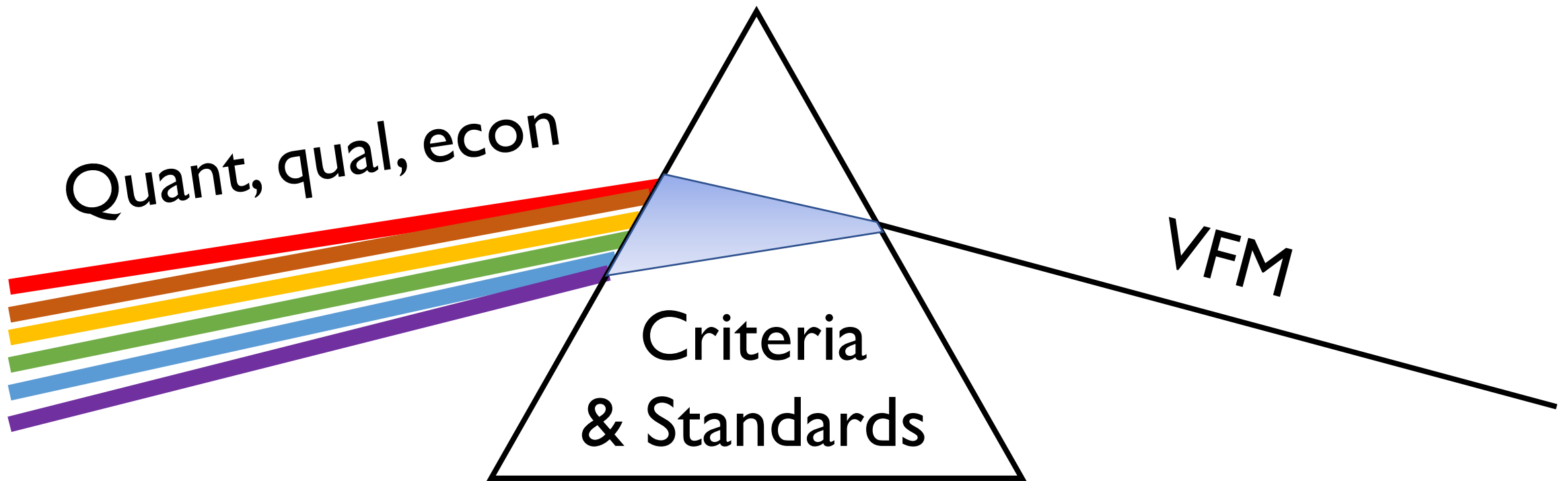
**Reconciles
costs & benefits**

**But privileges
some values and
evidence over
others**



Why not both?

Value for Investment approach



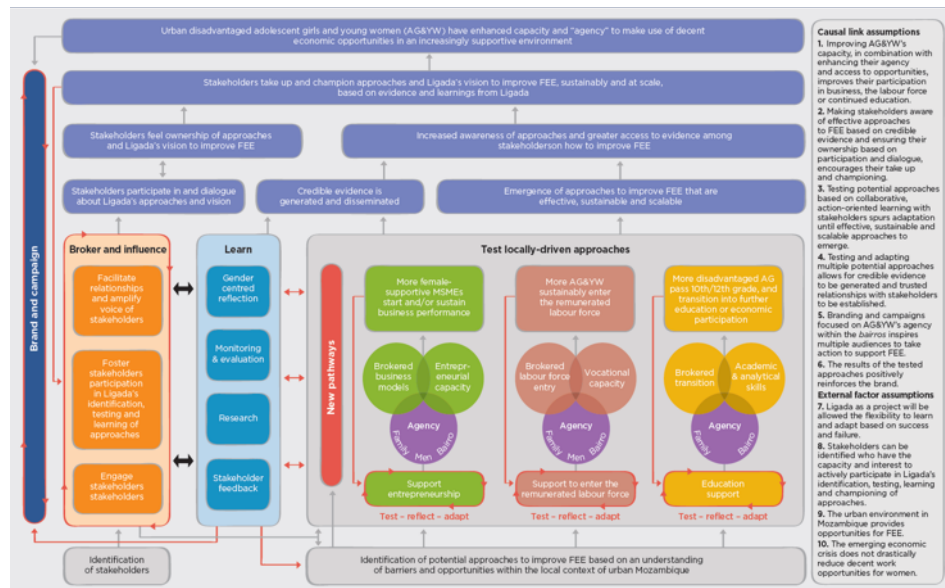
Example



Understand the program



Context, needs, theory of change

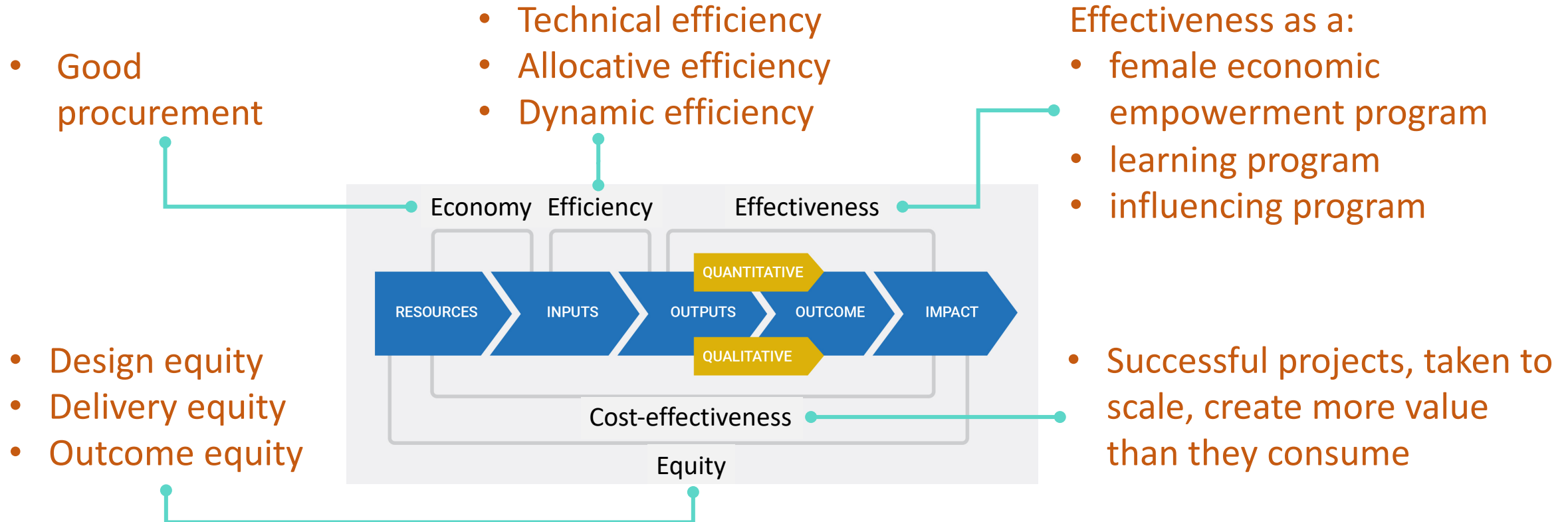


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VFM criteria: aspects of VFM

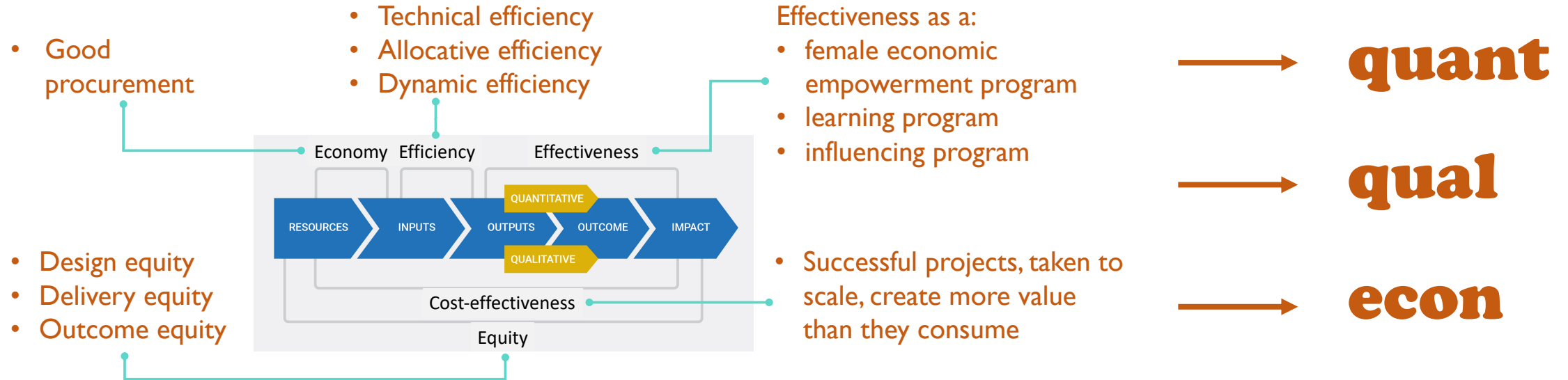


VFM standards: levels of VFM



Excellent	<u>Meeting or exceeding</u> all reasonable expectations/targets bearing in mind context. Room for incremental improvements.
Good	<u>Generally meeting</u> reasonable expectations/targets, allowing for minor exceptions. Some improvements needed.
Adequate	Not meeting expectations/targets but <u>fulfilling minimum requirements</u> and showing <u>acceptable progress</u> overall. Significant improvements needed.
Poor	<u>Not fulfilling minimum</u> , 'bottom-line' requirements or not showing acceptable progress overall. Urgent improvements needed.

Determine evidence needs, methods



Gather evidence



- Administrative data – delivery, costs
- Project management reports
- Outcome evaluation reports
- Key informant interviews
- Reflection workshops

Analysis



- Admin data
- Documents analysis
- Transcripts
- CBAs of successful projects at scale

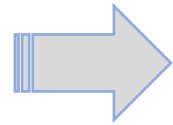
Synthesis and judgements:

Making sense of the evidence

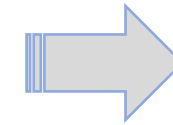


Evidence:

- Quant
- Qual
- Econ

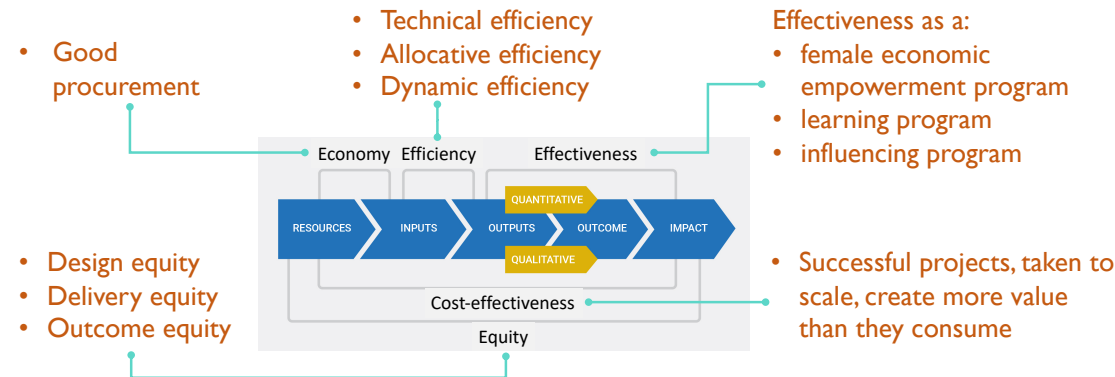


Criteria & standards:



Judgement:

- Excellent VFM?
- Good VFM?
- Adequate VFM?
- Poor VFM?



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Reporting



	Judgement	Evidence	Lessons & Opportunities
Economy			
Efficiency			
Effectiveness			
Cost-effectiveness			
Equity			
VFM overall			

VFM FRAMEWORK DESIGN

VFM EVALUATION



Criteria and standards ensure the evaluation:

- is aligned with the program design & context
- gathers and analyses the right evidence
- interprets the evidence on an agreed basis
- answers the VFM question
- engages stakeholders & end-users

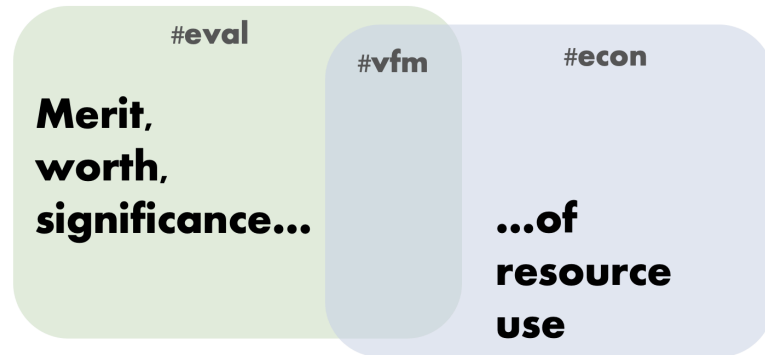


“It’s never about the numbers. The numbers are boring. It’s the story behind the numbers.”

www.bernardsalt.com.au

Take-homes

Value for Money



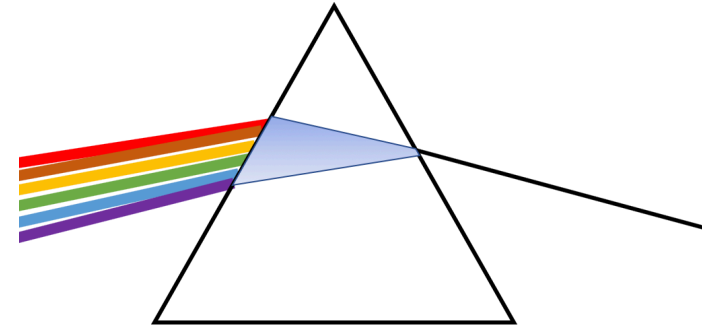
- an evaluative question
- multiple criteria

Cost-benefit analysis



- useful
- not the whole evaluation

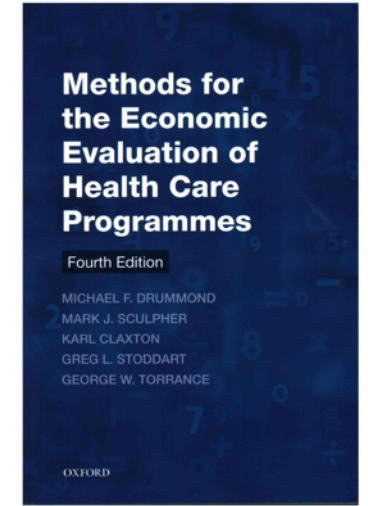
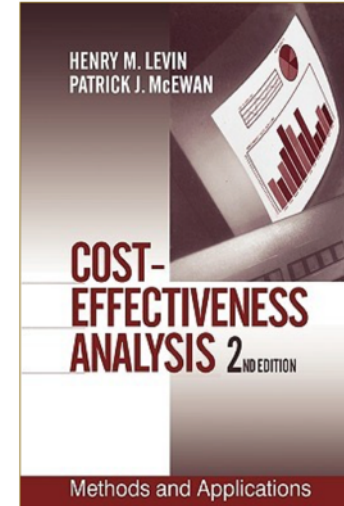
A practical approach



- evaluative reasoning
- mixed methods

Resources: www.julianking.co.nz/vfi

Theory &
Practice



Examples

