Guidance note:
Integrating VFM data collection and analysis within third party monitoring programmes

Value for Money of Infrastructure in Fragile and Conflict Affected States

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Contents

1. Introduction

1.1   Purpose of this guidance note

This short guidance note is primarily aimed at designers and implementers of third party monitoring (TPM) programmes (donors and their implementing partners) that are set up to monitor donor funded infrastructure delivery in Fragile and Conflict Affected States (FCAS). It provides high-level guidance on what to consider from a value for money (VFM) perspective, when using a TPM programme. TPM can be used to collect information that improves visibility and understanding of VFM, and this information can then be used by programme implementers to make decisions that increase the VFM of donor funded infrastructure programmes.

This guidance does not provide general insights into TPM, but specifically focuses on the integration of VFM data collection and analysis and the timing of when this should be undertaken.

1.2   What is Third Party Monitoring?

Third party monitoring is often employed by donors as an oversight mechanism for remotely managed programmes – particularly in FCAS contexts. It is undertaken by parties external to the programme's management structure and aims to provide an independent and external perspective on project implementation and management. There are different models of TPM that can be applied, depending on the monitoring objectives and resources available. Third party monitors may be used to verify programme inputs and outputs, and/or evaluate broader outcomes and impacts. TPM can be used to collect information at various phases of a programme (e.g. monitoring can be undertaken during infrastructure construction, and/or once it is operational).

1.3   Why is it useful to integrate VFM into TPM?

The reasons for integrating VFM into TPM are the same as those usually given for integrating VFM into general monitoring, reporting, learning and evaluation. A focus on VFM reporting within TPM increases the information available to assess and improve a programme's cost effectiveness – i.e. improving outcomes while minimising costs. Including a cost element with the usual adaptive management approach supports resources to go further. If the information collected is used effectively, it may be possible to redirect programme budget to increase the magnitude of outcomes within a given resource envelope.

If value is taken holistically to cover economy, efficiency, effectiveness, equity, and sustainability, then most traditional TPM approaches only focus on selected aspects of this spectrum (usually efficiency and effectiveness). Holistically incorporating VFM into TPM would also require also monitoring specific aspects of equity (e.g. who is benefitting from the project) and sustainability (e.g. monitoring after a lag period has elapsed after project completion); and comparing these outcomes against the costs involved.

If TPM activities take place during implementation, the VFM data collected can contribute to real time learning and adaptive management in the current programme. If the TPM focus is at project completion, lessons can be learnt on what could be achieved more cost effectively next time around, and used to inform a subsequent phase of programming, or new programmes.

There are clearly opportunities to improve VFM with cross project/programme comparisons, by comparing unit cost or cost effectiveness indicators from different projects, taking account of context specific project elements as appropriate. This could allow comparison of the relative benefits/costs of different approaches to programme design and delivery, and support more cost effective decisions for future programmes.

2. Broad principles of how to integrate VFM data and analysis into TPM

This chapter presents seven broad guiding principles for integrating VFM data collection into TPM. It is not intended to list the specific information that should be collected, as this will depend on the programme being monitored, its objectives and desired outcomes, and the type of infrastructure involved.

1. Ensure that the theory of change aligns outputs to outcomes and addresses attribution. This is necessary to make judgements on cost effectiveness, so that costs can be attributed to outcomes convincingly.

   - This is work that should take place across all infrastructure programmes, and should be used to inform the specific areas that TPM should focus on within a specific programme. For example, some TPM activities could focus on validating assumptions within a theory of change, or feedback where evidence is discovered of certain assumptions not holding in practice.

2. Ensure that your wider TPM verification templates or monitoring tools have the VFM indicators fully embedded.

   - For example, this could include matching costs provided by implementing partners in advance with field evidence of whether any additional costs were incurred (e.g. through bribery, additional undocumented time spent, or unintended consequences creating additional indirect costs).

   - In some cases, the evidence generated from the field could be matched with cost data obtained elsewhere to make VFM judgements when the write-up of the monitoring visit is being completed.

   - Specific guidance should be given on equity aspects, such as understanding who is benefitting (and who is not benefitting) from a particular activity in a community.

3. Ensure that VFM quantitative indicators are standardised within all the TPM tools so that cross programme comparisons can be made.

   - For example, across common types of infrastructure projects, you could agree a common set of cost metrics that would be checked across all projects that fall into the same category.

   - Scorecards with clear guidance and associated training on how to implement can be a useful way to facilitate benchmarking across measures that may not otherwise be easily quantified.

4. Ensure that significant qualitative VFM data is collected, as quantitative data will not tell the entire VFM story. This should be collected through interviews and qualitative indicators in TPM monitoring and evaluation (M&E) tools.

   - For example, tools could contain a standard set of questions asked about things that went well, challenges throughout the procurement/construction process, and for specific ways in which stakeholders feel that the process could be improved in the future. This would allow for a greater level of richness in the TPM findings, and could be more useful to inform adaptive management.

5. Look for external benchmarks from projects with similar circumstances and contexts when undertaking TPM M&E. VFM is a relative concept and needs comparators, whether these are external benchmarks, internal benchmarks or time series data of the same activity.

   - In some cases, if external benchmarks are not available, it could be worthwhile commissioning a benchmarking exercise to develop this for a specific category of project inputs.

6. Consider having aspects of organisational efficiency captured as part of TPM exercises in order to understand if a good theory of change is just being implemented in a poor manner.

- For example, look to see how well structured and streamlined the finance, management information systems and activity planning systems are aligned, and how easy it is to extract the data in the right format. Your aim should be to determine how easy and timely it is for the management to provide the relevant data to make strategic real time decisions. You should also look at the governance arrangements – are key decision makers using VFM data to make strategic decisions? Are there formal structures in place to make this happen – regular M&E and management meetings, with formal internal reporting channels?

7. Think about timing of VFM data collection. Depending on the scope of the TPM remit, some aspects of VFM at varying stages of the programme lifecycle can be a point of focus. Data collection should resemble the following loose lifecycle pattern:

   - Upfront during inception phase, implementing partners who will be subject to TPM should be required to have a clear plan of how they are expected to track key cost categories, how the programme will endeavor to provide cost economy and savings as it is rolled out. This should form part of a broader VFM framework for the implementing partner, but could then be a useful planning tool for subsequent TPM.

   - During inception phase think about costs and risks in a risk matrix. Is the programme management aware of significant cost categories? (This should include their drivers and risks of escalation, and corresponding mitigation factors).

   - During inception phase for construction projects ensure that procurement contracts and monitoring has VFM safeguards fully integrated. This may require more systematic, portfolio-wide approaches by donors to set standards and expectations for VFM reporting across their wider portfolio of projects.

   - During implementation use indicators and narrative that are focused on operational efficiency, management efficiency, on time on budget measures (particularly for construction projects), delays and timing. When monitors are deployed to an infrastructure project during implementation, they should have an understanding of the design plans and what stage of construction the asset is expected to be at. They should also be educated in common risks and reasons for construction delays. The more engineering and design experience they have, the more effective the monitoring outcomes from a VFM perspective – the TPM can build in real time learning for the benefit of the project as it unfolds.

   - During project completion and ex post, indicators and narrative should focus on cost effectiveness, costs versus the benefits achieved (including equity and sustainability issues), and comparison to ex-ante estimates.

3. Case Study: Somalia Monitoring Programme

Case Study: DFID Somalia Monitoring Programme (SMP) Phase 1[1]

Background: DFID Somalia established the SMP, a third party monitoring programme to monitor activities across its portfolio of governance and peacebuilding programmes. The SMP emerged from the need for better data and evidence to define, deliver and adjust development interventions across Somalia. The first phase of the SMP (completed 2016) had the following four objectives:

- Verify results reported by partners.
- Collect data to determine baselines, results and impacts of interventions.
- Build partner capacity to monitor results and impact.
- Collate, analyse, package and present governance and peacebuilding information.

ICED undertook review of the SMP's activities in relation to monitoring and reporting results of programme activities involving infrastructure delivery, as part of ICED's 2016 VFM review of DFID Somalia's infrastructure portfolio of programmes. This involved consultations with the SMP's programme manager, and review of SMP verification reports relating to infrastructure delivery activities.

Key findings and recommendations from ICED review: ICED's review found that the Somalia Monitoring Programme (SMP) was an effective and innovative measure set up to monitor programme results across a varied portfolio of the country office's programmes and activities. It was an especially useful tool to provide greater visibility of programme results where programmes were being implemented in remote and dangerous areas, where DFID staff are not able to travel. The SMP approach could be usefully applied to infrastructure programmes in other DFID FCAS country offices.

The review found that there was potential to significantly enhance and support VFM data collection, analysis, adaptive management and learning within the scope of the SMP. At the time of review it was not being leveraged in this manner, and its second phase presented a significant opportunity for this to be incorporated.

A review of infrastructure project verification reports undertaken by the SMP during its phase 1 operations indicated that they provided very useful information about the benefits observed by beneficiaries, but usually did not reference engineering and cost details.[2] There was therefore not enough information to estimate the overall VFM of the assets constructed.

Most of the project verification reports were prepared soon after the project was completed. This means they are likely to entail optimism biases, reporting strong benefits immediately after infrastructure was delivered. There could be strong additional benefit from monitoring certain activities after a reasonable lag period has elapsed to gauge their sustainability. The lag period should be relevant to the specific activity, and could be as short as 3 months or as long as multiple years for certain infrastructure investments with a long expected functional life.

Consideration should be given to the role that the SMP could play in monitoring activities during construction and implementation itself, rather than focusing on post-completion reviews. Early identification of construction quality issues for example, could have resulted in adaptive improvements, better efficiency, design and programming. Monitors could be trained to assess if assets being constructed match the design plans. If they do not (and there may be valid reasons for this), they could identify where it is necessary to bring in qualified design staff to reassess design. If possible, monitoring could be undertaken by staff with the relevant skills in design and engineering. This would help to identify where low quality materials are being used, or poor design will result in problems down the track (e.g. poor building layout, lack of ventilation).

Ex-post or later verifications are needed to assess the long term impact, and in particular the sustainability of the projects and whether maintenance requirements have been properly addressed. The SMP could be used to undertake such verifications.

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[1] Case study based on ICED VFM review of DFID Somalia's infrastructure portfolio of programmes, including consultation and analysis of the SMP, undertaken in July 2016.

[2] It is noted that monitors will not usually get these from the field, and may need to secure these in advance from implementing partners.

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