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Value for money and adaptive programming

Approaches, measures and management

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Key messages

- The United Kingdom's Foreign, Commonwealth and Development Office (FCDO)'s standard economy, efficiency, effectiveness/cost-effectiveness and equity (4E) framework is still relevant for approaching, measuring and managing value for money (VfM) for adaptive programmes.
- However, this framework needs to be reframed to capture and incentivise flexibility, learning and adaptation.
- VfM appraisal and reporting should be done in a way that draws on beneficiary feedback and informs good decision-making, rather than just being a compliance exercise.
- If VfM appraisal and reporting cannot be done appropriately for adaptive programmes, it should be avoided or minimised. There is a risk of diverting time and resources from more suitable tools and methods.

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Responsibility for all content, including errors or omissions, rests with the authors alone.

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Acronyms and abbreviations

AACES	Australia Africa Community Engagement Scheme
DFID	UK's Department for International Development
EPI	Economic Policy Incubator
FCDO	UK's Foreign, Commonwealth and Development Office
GoN	Government of Nepal
ICAI	Independent Commission for Aid Impact
LRP	local rights programme
MEL	monitoring, evaluation and learning
NGO	non-governmental organisation
OPM	Oxford Policy Management
PDA	Participatory Development Alternatives
SAVI	State Accountability and Voice Initiative
VfM	value for money
WASH	water, sanitation and hygiene

Executive summary

From 2010 onwards, value for money (VfM) became an increasingly important watchword for British aid. In recent years, the United Kingdom (UK)'s Department for International Development (DFID)[1] made progress in integrating adaptive management as a way of working more effectively on complex problems. A number of prominent reports have identified tensions between these two agendas, including a 2018 review by the Independent Commission for Aid Impact (ICAI). The report found the emphasis in DFID on controlling costs and holding implementers accountable for efficient delivery may be suitable for more straightforward projects. But it can be problematic when used as a guide to VfM in complex situations, where teams need to test and learn to determine which combination of inputs and outputs produces the best results for the investment.

As with DFID, many objectives for the UK's newly merged diplomatic and development department, the Foreign, Commonwealth and Development Office (FCDO), will involve working adaptively on complex systems and institutional constraints. It remains important to measure and manage the value of these approaches properly.

Having outlined the criticisms of linear VfM in DFID voiced by ICAI and others, we discuss more suitable ways of approaching, measuring and managing VfM for adaptive programmes, based on expert insights and good practice in the field. To do this, we conducted a round of interviews with VfM experts, then developed five case studies of adaptive programmes that have approached VfM in creative ways; the Economic Policy Incubator (EPI) in Nepal; MUVA in Mozambique; the State Accountability and Voice Initiative (SAVI) in Nigeria; ActionAid Local Rights Programmes (LRPs) in Nigeria and Malawi; and the Australia Africa Community Engagement Scheme (AACES), run by Oxfam in South Africa and Zambia.

Based on our case study analysis, we find that the standard 4E framework that DFID used – economy, efficiency, effectiveness/cost-effectiveness and equity – is relevant for adaptive programmes. But we argue the way the framework is approached, measured and managed needs to be redefined to reflect the importance of testing, learning and adapting. In the absence of these shifts, VfM may lead to analysis and practice that is out of step with how change happens in complex systems.

In the final chapter, we outline what strong and weaker adaptive VfM looks like, and reflect on some of the deeper institutional shifts that would need to take place for the approach we advocate to take root in FCDO.

However, we believe there are major risks with making VfM the principal lens through which any programme, let alone an adaptive one, is viewed. This is partly because the sorts of VfM approaches and measures that are most often used for demonstrating value to donors may not be suitable for measuring the value of a programme intervention to beneficiaries, for guiding decisions on what actions are making the most contribution to outcome-level change, or for empowering teams to experiment, learn and improve their work.

This makes it all the more important that, if VfM analysis and measurement is to continue to be a key part of how aid programmes are managed and assessed, it should be done well, and in a way that takes account of complexity. If it cannot be done well, it should be avoided or minimised.

1 The UK government merged DFID with its Foreign and Commonwealth Office in 2020. In this paper we use 'DFID' to refer to the organisation pre-merger, and 'Foreign, Commonwealth and Development Office' (FCDO) for post-merger affairs.

1 Introduction

From 2010 onwards, DFID adopted a strong focus on achieving VfM in its aid spending, defined as 'maximising the impact of each pound spent to improve poor people's lives' (DFID, 2011). VfM became a watchword for UK aid, partly in response to the high level of political and media scrutiny of UK aid spending.

Adaptive management is an attempt to improve the effectiveness of aid programmes by incorporating a structured process of testing and learning. In 2018, ICAI argued that DFID's VfM approach and tools were unfit for these ways of working (ICAI, 2018). This resonated with a longer history of dissatisfaction in non-governmental organisation (NGO) and academic circles around overly narrow or constraining understandings of VfM (Emmi et al., 2011; Eyben et al., 2015; Yanguas, 2018). While DFID made progress in integrating adaptive management as a way of improving its approach to complex problems (Wild et al., 2017), to date there have been no detailed attempts to understand how best to conceptualise, measure and manage VfM for programmes which aim to be adaptive. This is our goal in this working paper.

As with DFID, many objectives for the UK's newly merged diplomatic and development department, FCDO will involve supporting systemic and institutional change, where the outcomes are the product of complex systems rather than something the organisation can deliver directly themselves. From responding to the immediate consequences of the Covid-19 pandemic, to medium- and longer-term goals such as reducing extreme poverty, tackling climate change, and building stability and support for fragile states, it is clear that many global challenges are inherently complex, multi-layered, and political.

As such, FCDO should build on the considerable expertise in delivering adaptive programmes that already exists in the organisation. However, if VfM is also going to be a key aspect of programme management and evaluation in the new merged department, as seems likely given the momentum behind the agenda and pressures on aid, it is important to understand how to measure and manage the value of these kinds of approaches properly. This is particularly the case for the development programmes they will continue to fund, even as they become more closely entwined with diplomacy.

There are good reasons to believe that adaptive management can deliver better VfM than traditional blueprint approaches when appropriate systems, processes and tools are in place. While adaptive programmes are often characterised as riskier than conventional approaches, there are circumstances in which it is evidently riskier to spend large sums of public money inflexibly and without good learning systems, than it is to take an adaptive approach where teams make 'small bets' to test what works before investing at scale. However, getting the right tools in place to assess the VfM of adaptive programmes is crucial, so public officials can make sensible decisions about how to allocate resources to such work, with a genuine understanding of the risks and opportunities of working in this way.

We argue that the standard 4E framework that DFID used – economy, efficiency, effectiveness/cost-effectiveness and equity – is relevant for adaptive programmes. But we argue FCDO needs to redefine 'efficiency' around the pace and rigour of testing and learning, and 'effectiveness' around the plausible contribution that programmes make to outcome-level change. In the absence of these shifts, VfM may lead to analysis and practice that is out of step with how change happens in complex systems.

1.1 Structure and methods

First, we review the literature on VfM and complexity. We identified literature based on our own knowledge, expert suggestions and snowballing. From an initial sample of 32 relevant documents, we identified 16 studies to look at in more depth based on their relevance to our research question.

Second, having established the relative lack of evidence in this area, we set out to develop suitable alternatives based on expert insights and good practice in the field. To do this, we conducted a round of interviews with VfM experts, then developed five case studies of adaptive programmes that have approached VfM in creative ways. We looked for programmes that: (a) were taking a genuinely adaptive approach to complex challenges, based on systematically testing their core assumptions, learning from initial results and adapting where necessary; and (b) had developed an approach to VfM that was designed to complement their adaptive methods. We based our case studies on interviews with key programme staff and analysis of relevant programme documents.

Third and lastly, we held a collaborative workshop in London to discuss our initial findings.[2] This gave us the benefit of some expert insight, to help test some of our own assumptions and to develop our conclusions.

In the course of our work (and indeed in ICAI's own reports), we noticed a tendency to describe VfM either too narrowly as a question of indicators, or too broadly as an entire way of analysing UK aid. As such, we have organised our paper around **approaches**, **measures** and **management** of VfM. In doing so we attempt to cover how VfM is defined and used in practice, without ourselves falling into the same trap.

2 #AdaptDev Workshop 3: Value for Money and Adaptive Management, 16 November 2018. Further information is available at www.odi.org/events/4603-adaptdev-workshop-3-value-money-and-adaptive-management.

2 What does the literature tell us about VfM and complexity?

Perhaps unsurprisingly, there is only a small number of authors who directly discuss VfM and complexity in international development (Davis, 2012; Shutt, 2016; King and OPM, 2018; Yanguas, 2018). There is a wider assortment of NGO policy notes, academic papers and grey literature which looks at a range of issues related to VfM and international development. Some come from a monitoring and evaluation angle and ask how specific indicators and types of evidence can be developed to suit different development challenges and delivery models (Hoole, 2012; Jackson, 2012; Shutt, 2015). Others look at the pressures and demands of VfM in specific contexts, such as fragile states (Barnett et al., 2010; Scott et al., 2012). Still others describe how particular organisations or programmes have interpreted the VfM agenda in ways that complement their particular mission, sector or context (Emmi et al., 2011; Christian Aid, 2012; Davis, 2012; Bond, 2012; 2016; Baker et al., 2013; White et al., 2013; Barr and Christie, 2014; SAVI, 2016a; D'Emidio, 2017).

Approaches to VfM

In DFID, there was a broad consensus that VfM represents a balance between economy, efficiency and effectiveness, and equity (Figure 1). Each E is given a precise definition, which was typically framed as a question:

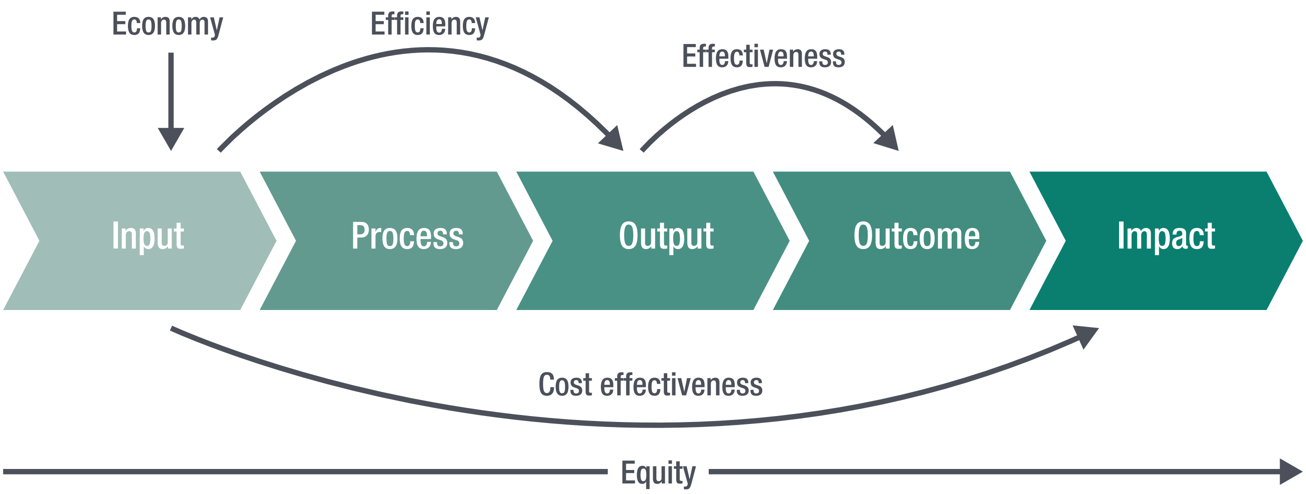
- **Economy:** Are we (or our agents) buying inputs of the appropriate quality at the right price?
- **Efficiency:** How well are we (or our agents) converting inputs into outputs? ('Spending well'.)
- **Effectiveness:** How well are the outputs from an intervention achieving the intended effect? ('Spending wisely'.)
- **Equity:** How fairly are the benefits distributed? To what extent will we reach marginalised groups? ('Spending fairly'.)[3]

In some iterations of the framework, cost-effectiveness was added as a fifth dimension, and usually framed in terms of the intervention's ultimate impact on poverty reduction relative to the inputs that were invested.

A common view in the literature is that VfM can be optimised by strengthening the processes that determine the balance between the 4Es, resulting in costs being relatively low, productivity being high and successful outcomes being achieved, with the benefits being distributed equitably (Barnett et al., 2010: 9). What this

3 Equity is commonly defined in ways that are specific to a programme's particular objectives, and based on a value judgement about what constitutes 'fairness' in spending. The definition of equity used in a particular programme will often have a significant influence on its understanding of economy and efficiency, because it may be costlier or more time-consuming to reach certain groups than others.

Figure 1   DFID's 4E value for money framework



has meant in practice is that implementers have tended to focus on achieving the intended outcomes in their theory of change while minimising the costs of delivery (Bond, 2016).[4]

However, the idea of balancing the Es may be misleading, for two reasons.

Firstly, it suggests that an equal distribution of 'weight' would deliver optimal VfM: yet we know that a programme that is ineffective (and from which nothing is learnt) is bad VfM, no matter what the cost. Regardless of the operating context, sector or delivery model, any programme that fails to contribute to a real and equitable distribution of benefits for those living in poverty represents poor VfM, no matter how quickly and cheaply it delivers its outputs.

Secondly, it is not clear that balance is what DFID actually desired, given the linear steps shown in Figure 1 and how VfM has been conducted in practice. In relation to the latter, ICAI have raised concerns that DFID's approach was too heavily weighted in practice towards economy and efficiency. Evaluators tend to focus on these aspects of programme performance because they can be measured earlier in the programming cycle than effectiveness and equity, and more easily using tried and tested economic evaluation methods. Economy and efficiency, in comparison to effectiveness, are also more directly within the control of the implementer, which meant DFID could hold its contracting partners more closely accountable for their performance in these areas (ICAI, 2018: 17).

However, this emphasis on economy and efficiency leads to ways of measuring VfM that are potentially problematic when tackling complex problems. According to ICAI, there is a risk that it incentivises teams to focus on delivering pre-planned outputs, rather than experimenting and adapting to better understand *which* combination of outputs is likely to contribute to outcome-level change (ibid.). Yanguas (2018: 67) argues that 'VfM instruments are clearly designed to calculate and mitigate risk rather than deal with uncertainty'. It is important to note that DFID's own early guidance warned against a narrow VfM focus (DFID, 2011), but ICAI's findings suggest that in practice this has been difficult to avoid. We revisit this in our conclusion.

4 In addition to these implementation-level VfM questions, donors tend to also consider VfM at the level of delivery mechanisms or management structures; for example, whether a multi-donor consortium is a more cost-effective way of delivering a programme than a bilateral model. In this report we focus mainly on VfM at the implementation level.

2.1 Measures of VfM

The most common ways of measuring VfM in DFID-funded programmes were based around the 4E framework. As we have seen above, each E is measured by particular questions. Implementing teams usually answer these questions using analytical tools to gather data and arrive at a simple value statement of the programme's activities and achievements, e.g. the cost per person vaccinated or trained. Typically, teams use a combination of unit-cost, cost-efficiency and cost–benefit/cost-effectiveness analysis. These are ways of putting a monetary value on inputs (economy), outputs (efficiency) and outcomes (effectiveness, equity), respectively.[5]

For relatively simple problems where there is a high degree of confidence about which outputs are needed to achieve outcome-level goals, it may make sense to measure VfM in this way.[6] For example, the impact of vaccines on child health is clearly evidenced. A focus on procuring vaccines at a good price and distributing them quickly should provide sufficient assurance that a vaccination programme is achieving good VfM, provided there is also a good understanding of operational issues like coverage rates, barriers to uptake, and the most suitable delivery mechanism.

However, for adaptive programmes, these initial 4E questions and the analytical tools that are used to answer them may not provide a sensible way of assessing value. For example, a programme designed to help communities adapt to climate change may require experimentation to determine what combination of inputs and outputs produces the best results for the investment. This information may only become apparent after a long time, making it hard to align output costs precisely with outcomes. Calculating the costs of delivering outputs, while still important, tells us little about the potential effectiveness of the programme and therefore its overall VfM (Davis, 2012; ICAI, 2018: 16).

In the face of this kind of complexity and uncertainty, it is increasingly accepted that teams need to adopt a testing and learning approach. This may mean embracing the possibility of failure, provided teams learn from the experience quickly (Davis, 2012; Scott et al., 2012; King and OPM, 2018). Later iterations of DFID guidance on VfM (DFID, 2019) acknowledged that learning and adaptation may be important for achieving ongoing VfM. But they did not explicitly recognise that different ways of measuring and managing VfM may be required in order to properly incentivise and capture these qualities, in comparison to more traditional programmes. If features like 'quality of learning and engagement' or 'responsiveness to context' are more important determinants of success for adaptive programmes than the delivery of pre-planned outputs, then we may need to supplement standard VfM indicators (such as cost per unit of output or outcomes) with measures that are specifically designed to capture the value of testing, learning and adapting, including learning about the relative VfM of different approaches to a particular problem (King and OPM, 2018). It will likely also require a greater openness to qualitative evidence, particularly for adaptive programmes dealing with issues like governance or human rights, where it is hard to develop credible ways of describing results using numbers alone. In Chapter 3, we draw on our adaptive case study programmes to help reframe the 4Es to better reflect these adaptive qualities.

5 The literature contains examples of more multifaceted tools such as Social Return on Investment (SROI), Basic Efficiency Resource (BER) analysis and Multiple Criteria Decision Analysis (MCDA) (Shutt, 2016). However, DFID's Smart Rules on programme management and its Smart Guide on VfM stated an explicit preference for business cases to demonstrate the expected benefits of programmes in monetary terms (ICAI, 2018: 20). This steered advisors and implementers away from using these kinds of methods.

6 This is assuming that the value proposition for undertaking VfM analysis, distinct from or in addition to other performance management analysis, has been accepted in the first place.

2.2 Managing VfM

How was VfM managed by DFID and its implementers in practice? In other words, when and how was it used for decision-making, who by, and at what stages in the programme cycle?

An ex-ante VfM assessment was part of the business case, DFID's key document required for programme approval by ministers or senior staff. In theory, this initial appraisal was then revisited during subsequent annual reviews, to see whether the programme was on track to deliver as expected. The challenge, for adaptive programmes, is that decisions to change course are likely to happen more often than in conventional programmes. Therefore, to be useful for an adaptive programme or portfolio, VfM analysis ideally needs to be relevant for resource allocation or other ongoing decisions in 'real time'.

But understanding how to use VfM to inform good day-to-day decision-making is another challenge raised by ICAI and others. ICAI found that in eight of the 24 programmes it looked at for its review of DFID's approach, the VfM indicators identified in business cases were not being monitored as planned (ICAI, 2018: 22). This suggests that the initial analysis was seen as a mandatory accountability requirement to help secure programme approval, rather than a useful framework to guide subsequent programming decisions. There are examples (some of which are included in this working paper) where VfM has become more fundamental to how a programme is managed, but these are rare.

There may be risks with making VfM a more central part of programme management, given the current dominance of a narrow cost–benefit view of what it entails. The more that organisations have to articulate all of their activities in terms of monetary value and their returns on investment, the less inclined they may be to document and share their reflections about processes of trial, error and learning. And yet a more open and honest culture of reflection among practitioners on setbacks and failures would seem to be central to building knowledge of what works in development, whether in the form of adaptive management or more conventional programming. At a minimum, this suggests that good VfM analysis should be integrated into a wider monitoring, evaluation and learning (MEL) approach – something that did not reflect common practice in many DFID-funded programmes.

In this chapter, we have set out a number of reasons, identified by ICAI and in the wider literature, for thinking that DFID's standard way of approaching, measuring and managing VfM was ill-suited for adaptive programmes tackling complex problems. In the following chapter, we start to sketch out some alternatives by looking at five case studies of adaptive programmes.

3 Case study analysis

Each of the five programmes in our sample has developed tools and measures for appraising VfM in a way that is tailored to its specific adaptive approach, operating context and overall objectives (see Table 1).

3.1 Why and how these programmes are adaptive

EPI is the anchor programme for the DFID (now FCDO) Accelerating Investment and Infrastructure in Nepal (AiiN) programme. Implemented by Palladium, it aims to ease cross-cutting constraints and harness opportunities to promote inclusive growth by working on policy and implementation with the Government of Nepal (GoN) and other stakeholders. EPI convenes stakeholders, supports and facilitates locally led initiatives and engages with government bodies and other stakeholders to build strong relationships within GoN. The programme also provides demand-led technical assistance and capacity-building.

There is no strong evidence on what mix of outputs is likely to contribute the most to policy change in Nepal – and what is needed is likely to vary widely from issue to issue. As such, the team undertakes initial political economy scoping to work out which issues are binding constraints to policy reform, then trials different approaches to see what works. Rather than tackling one specific problem, EPI is trying to address several, with an understanding that resolving a few of the binding constraints could unblock progress on higher-level outcomes.

SAVI was a DFID-funded governance programme in Nigeria that was also implemented by Palladium, and ran from 2008 to 2016. SAVI worked in 10 states in Nigeria to support civil society groups, media houses and State House of

Table 1 Case study overview

Programme	Partner	Donor	Sector	Value for money approach
Economic Policy Incubator (EPI, Nepal)	Palladium	DFID (now FCDO)	Economic development	Integrate an adaptive management approach into the 4Es.
State Accountability and Voice Initiative (SAVI, Nigeria)	Palladium	DFID	State accountability and citizen voice	Build on the 4E framework to develop tools that are suitable for assessing VfM in a complex and dynamic political context.
MUVA (Mozambique)	Oxford Policy Management (OPM)	DFID (now FCDO)	Female economic empowerment	Build on the 4E framework to develop a programme-specific interpretation of the meaning of each E; treat VfM as an evaluative question about how well resources are being used.
Australia Africa Community Engagement Scheme (AACES, South Africa and Zambia)	Oxfam	Department of Foreign Affairs and Trade (DFAT)	Water, sanitation and hygiene (WASH) and public health	Build on the 4E framework; assess overall cost-effectiveness in relation to the type of investment and operating context.
Local Rights Programme (LRP, Nigeria and Malawi)	ActionAid and partners	Multiple sources of funding	Women's rights	Judge the value of the programme on how much social change it has generated according to participating communities.

Assembly elected representatives to be informed, credible and effective agents of citizen voice and accountability. SAVI built the capacity of state-level actors to promote action on locally salient but politically tractable issues, mainly in the fields of education, health and state budgeting. SAVI staff had considerable freedom to make decisions on which partners to work with and how to support them. Partners, in turn, were not held to results frameworks, deliverables or other formal reporting requirements, giving them the flexibility to be locally led and locally accountable, and to focus on issues that were relevant, politically salient and capable of gaining traction (SAVI, 2016b).[7]

MUVA is a six-year DFID (now FCDO)-funded programme led by Oxford Policy Management (OPM), which aims to link girls and women more closely with Mozambique's economic growth. Focusing on young, urban and largely economically excluded women, MUVA aims to find innovative solutions that improve their recruitment and retention in secure, well-paid jobs that provide them with better access to markets. A long inception phase was included in the design of the programme, to allow time for scoping studies to find out what kinds of interventions would be most likely to have traction in the local context. MUVA operates through a flexible fund and a series of experiments targeted at key issues, such as improving informal sector conditions. Each MUVA proposal goes through cycles of Build-Measure-Learn to validate and learn what works.

Oxfam's **AACES** programme focused on water, sanitation and hygiene (WASH) in South Africa and Zambia. It was part of an AU$90 million, five-year umbrella programme that was delivered in 11 African countries, with the budget for the Oxfam component at around AU$7 million. AACES used a rights-based approach to improve access to WASH services for poor and vulnerable people in remote and rural areas. Recognising that this would require the participating NGOs to address complex and interrelated challenges, the programme was designed to allow for adjustments and learning in response to unforeseen events. A VfM assessment report in 2016 indicated that the AACES programme had a good amount of flexibility, with Oxfam staff noting that they were able to cancel planned activities if they no longer made sense, and could be responsive to needs and requests from partners (Besley, 2016: 20). The donor, the Australian government's Department of Foreign Affairs and Trade (DFAT), did not institute compliance guidelines, which reportedly enabled Oxfam and partners to determine their own implementation pathways (ibid.).

From 2012 to 2016 ActionAid worked on a VfM pilot project as part of its Programme Partnership Agreement with DFID. It developed, tested and refined a distinct approach and way of measuring VfM across a series of **LRPs** in different countries, culminating in a participatory methodology being rolled out in LRPs in Nigeria and Malawi. LRPs are geographical areas where ActionAid engages for a period of at least 10 years with 20–40 local communities. While DFID funded the VfM pilot, the LRPs were funded through several different sources, including child sponsorship, trusts, foundations and other institutional donors.

In Nigeria, the LRP was managed by ActionAid's local partner Participatory Development Alternatives (PDA) and delivered in four local government areas. The VfM assessment focused on ActionAid's work with PDA on women's rights between 2013 and 2015. The LRP worked on five areas: legislation and policies to support women's rights; building and strengthening the women's network and leadership capacity; a women's peer education programme; income generation activities; and advocacy and campaigning. In Malawi, ActionAid worked to deliver an LRP initially through local partners before moving to direct implementation. The programme and VfM assessment focused on women's economic empowerment, land rights and preventing and responding to violence against women and girls.

7 In May 2016, SAVI transitioned into a successor programme – the Engaged Citizens Pillar (ECP) – which is part of a wider FCDO-funded governance reform programme in Nigeria, the Partnership to Engage, Reform and Learn (PERL).

3.2 Approaches to VfM

DFID was criticised by ICAI and others for taking a 'one-size-fits-all' approach to VfM assessment, recommending the same general approach for both simple and complex problems, based on a standardised way of understanding the 4Es. In contrast, in each of the case studies programme teams developed issue- and context-specific ways of defining and measuring VfM, with a strong emphasis on generating VfM data that is relevant to their delivery model, programming objectives and context.

For example, EPI is attempting to influence complex political and economic processes in Nepal to unlock barriers to economic growth. In the face of this complexity and uncertainty, the team has based its VfM approach on adjusting the nature and scale of outputs and activities in response to lessons about what works, and to changes in the surrounding political and economic context. In other words, EPI assesses its VfM based on whether it is rigorously applying its method of testing, learning and adapting to achieve different institutional reforms.

The MUVA and AACES programmes have both developed VfM approaches strongly influenced by evaluative frameworks. For example, the VfM approach developed for Oxfam and piloted in its AACES programme is based on the premises that: (a) VfM judgements are ultimately the subjective interpretation of the evaluator; (b) there are competing interpretations of what value is or should be, and who ought to define it; and (c) value takes time to deliver and may only be realised after the programme is completed. In practice, this means developing programme-specific understandings of what value looks like, and then using simple rubrics to assess programme progress in those areas.

The VfM approach developed by ActionAid is the only one we studied which departs from the language and framing of the 4Es. ActionAid argues that a programme should be judged on how much social change it has generated, and that communities themselves can best assess this value. ActionAid considered using the 4E framework but felt that, by typically being used to focus on economy and efficiency, it diverts attention from whether change has happened, whether those changes are sustainable, and whether people are valuing the change. Instead, VfM assessment is approached as a 'structured conversation' with programme participants. This approach reorients VfM analysis as an exercise in downwards accountability, with stakeholder feedback at the centre, instead of the more common approach where it is framed in terms of upwards accountability to donors (D'Emidio, 2017).

For ActionAid, traditional VfM measures – like cost per output, cost per beneficiary, or the ratio of administrative to programme staff – provide limited useful information about what is changing for target groups, for example in terms of the sustainability of water and sanitation services, the quality of education, or the effect of malnutrition rates on child survival. ActionAid's approach is specifically designed to encourage learning and adaptation on the basis of feedback from communities that are participating in its programmes. VfM discussions with community members during the assessments focus on appraising the progress made so far and identifying corrective action: has the work achieved the best possible change and, if not, what needs to be done differently for this to happen, both in terms of programmatic approaches and investment decisions (D'Emidio, 2017)? This seems like a sensible way of undertaking VfM analysis for a problem-driven, adaptive approach to complex social change. This differs in emphasis from the AACES or EPI approaches as it prioritises the perspective of programme participants, rather than evaluators or programme teams. The benefits of a more participatory VfM method, even if it loses some of its credibility with some economists or programme managers in comparison to evaluation-driven models, is that there is a genuine feedback loop between the analysis, action and those who are supposed to benefit. This may help to overcome negative perceptions that VfM is essentially a donor-driven requirement (Bond, 2016).

3.3 Measures of VfM

While there are alternative ways of categorising VfM measures, we structure our discussion below using the 4E framework, since this was used in four of our five case studies. It is also compatible with the ActionAid approach, depending on the question or issues that are used to structure the participatory assessments. We have included cost-effectiveness as a fifth dimension of VfM, but for the sake of consistency with the wider literature we continue to refer to the 4Es throughout this paper when discussing the framework as a whole.

In what follows, we draw on our case studies to suggest ways of reframing the traditional 4Es in ways that are more suitable for adaptive programmes (Table 2). At the core of each is the requirement for ongoing testing and learning, rather than a one-off ex-ante investment in a VfM analysis.

3.3.1 Economy

As we have seen, economy in the 4Es is usually measured by whether inputs of the right quality are being bought at the lowest price. We suggest that this same understanding applies to economy in adaptive programmes, provided there is an emphasis on whether resources of the right quantity and quality are being supplied to support testing, learning and adapting.

What might these resources look like? There is growing evidence in the literature on adaptive management that finding capable national staff with the right kinds of skills and networks is a key success factor when undertaking problem-driven, in-country experimentation (see, for example, Booth (2018)). Across our sample of programmes, we found that some of the economy measures being used were well aligned with this observation. SAVI, for example, prioritised long-term, locally recruited staff over short-term and international consultants, who have higher daily and transactional costs (SAVI, 2016a). This seems like a sensible economy measure that also marries well with the programme's primary delivery model, which was facilitating partnerships. Similarly, in Oxfam's AACES programme, high-quality national consultants were engaged to provide technical support, and local South

Table 2 Traditional value for money measures and adaptive alternatives

	Traditional/simple	Adaptive/complex
Economy	Are we (or our agents) buying inputs of the appropriate quality at the right price?	Are we (or our agents) investing resources of the right quantity and quality to support testing and learning?
Efficiency	How well are we (or our agents) converting inputs into outputs? ('Spending well'.)	Are we (or our agents) testing which combination of outputs is likely to contribute to outcome-level change, with appropriate rigour and pace, and adapting accordingly?
Effectiveness	How well are the outputs from an intervention achieving the intended effect? ('Spending wisely'.)	How confident are we that the current outputs will contribute to intended outcomes? Do we have a plausible theory of change that is being tested in a robust way, and signs of a good initial return on our investment? If there is low confidence or evidence of poor returns, are steps being taken to redesign those outputs?
Equity	How fairly are the benefits distributed? To what extent will we reach marginalised groups? ('Spending fairly'.)	How fairly are the benefits of the intervention expected to be distributed? Do we have a plausible theory of change, being tested in a robust way, about how to reach marginalised groups?
Cost-effectivness	What is the intervention's ultimate impact on poverty reduction, relative to the inputs that we (or our agents) invest in it?	What is the intervention's ultimate impact on poverty reduction, relative to the inputs that we or our agents invest in it? Is the overall investment worthwhile and/or funded at the correct scale, based on the performance of the programme against the other Es and its relevance to broader changes that are being pursued at a portfolio level? [i]

[i] This suggested reframing is in part a response to ICAI's (2018) argument that the most significant gap in DFID's value for money approach was the lack of analysis at the country portfolio level.

African NGOs were engaged to provide support on child protection and disability (Besley, 2016). Interviews with EPI programme staff indicated that they learnt from the experience of the predecessor programme, which struggled to gain influence with international staff. By comparison, EPI has found that Nepali consultants have quicker access to, and greater ability to influence, ministers and senior bureaucrats.[8]

However, while it seems appropriate to consider measuring and assessing the proportion of international vs. domestic staff (and whether and how this changes over time) as a way of measuring the economic aspect of an adaptive programme, this may not necessarily be suitable for every programme, and if it is interpreted as a rigid target it could easily lead to teams not having the right people in the right positions.[9] International team members or consultants can add value to an adaptive programme in ways that local staff may not always be able to (by providing an external challenge function, for example). It is important that programmes are able in principle to allocate resources to support this, without automatically falling foul of economy criteria. Ultimately, while there should be a presumption in favour of local over international staff, what is required in any programme is a reasonable justification of the value of a particular team structure.

Along with committed local leadership, adaptive programmes tend to require a more significant outlay on management and administration than conventional programmes (Sharp et al., 2019).[10] In addition, the recruitment and performance managements costs required to find the right people and to build and maintain a team culture that can support adaptive programming may also be higher than in more linear projects. This was problematic from the perspective of conventional VfM in DFID, because there was a drive in the organisation to keep these costs low as a way of demonstrating economy. DFID distinguished programme delivery from programme administration and encouraged programmes to drive down the costs of the latter. In keeping with this, EPI uses an online timesheet system to track the percentage of staff time dedicated to management and administration, and aims to reduce this as the project progresses and systems are bedded down. But this may represent a false economy. For adaptive programmes, higher management and administration costs should be regarded as an investment in achieving greater impact. What is required as a project moves ahead may be hard to predict. Reconciling this with DFID's systems and requirements sometimes required a degree of bureaucratic creativity. For example, since staff in SAVI with administrative responsibilities spent much of their time supporting technical delivery, these aspects of their work were formally recognised as programme delivery costs (Derbyshire and Donovan, 2016).

3.3.2 Efficiency

According to the standard definition, 'efficiency' looks at how quickly and easily inputs (staff, time, resources, etc.) are being converted to outputs. But for complex problems, the number and cost of outputs produced may be less important than the pace and quality of how

8 There is also an efficiency dimension to this measure, as both EPI and SAVI found that relying too heavily on short-term staff or international consultants can result in a lack of momentum in partner engagement or a slower pace of delivery overall.

9 It could also lead to staffing structures that fulfil a quota for local staff but do not actually create local leadership. It is common practice for aid projects to be staffed with expatriates in senior positions and locals in junior positions. In these cases, while a high ratio of local over international staff is achieved, the goal of being locally led is not. This indicates it is important to look at the kinds of roles that international and national staff are assigned to, as well as trends in staff ratios over time.

10 In theory this is a question of balance: if making a programme cheaper would make it less effective, then a decision needs to be made on that trade-off. However, if, as ICAI (2018) notes, economy and efficiency are prioritised at the expense of effectiveness, there is a risk FCDO gets cheap and ineffective programmes.

the programme tests its core assumptions and adapts as necessary.[11] We found some interesting examples of how the adaptive programmes in our sample have tried to do this, which can be broadly divided into sequential (EPI, MUVA) and parallel testing and learning (AACES, SAVI).

EPI's efficiency measures are framed around a dynamic process of testing and learning: placing bets in a number of areas and being responsive to different locally defined needs. EPI uses a variety of assessment and research methods to document and evidence its decisions about which bets to pursue and which ones to stop. At the same time, EPI tracks its spend per issue relative to the number of key actions that it achieves. As Booth (2018: 25) explains:

> learning and adaptation are accommodated and incentivised by recording numbers and percentages of outputs comprising the typical steps in applying the method to new and mature problem-solving projects. Reporting against these indicators, including work by [monitoring and evaluation] specialists to ensure they are measurable and able to be evidenced, meets the DFID preference for numerically based performance assessment. No less importantly, it allows the setting of targets or milestones that 'stretch' the implementers, prompting them not to rest on their laurels but to keep up a good pace of activity.

These kinds of process-related targets have the advantage of incentivising a rapid pace of testing and learning, and so might provide a useful way of measuring the efficiency of adaptive programmes grappling with complex challenges. However, there is also a risk they create perverse incentives. For some issues, it is not clear that a rigorous pace of delivering outputs (even if process oriented) is what is required. For example, having a target for the 'Number of quality project plans developed with key actions agreed with partners' could lead the team to produce project plans simply to meet their target, rather than to respond to actual problems. EPI looks to avoid this by (a) setting output targets at the start of each year rather than agreeing in advance how many will need to be met during the lifespan of the programme; (b) leaving the targets open enough to accommodate different kinds of projects; and (c) letting the pace of work be driven by opportunities, on the condition that the programme can redirect staff resources if there are no promising opportunities to develop project plans for.

In MUVA, efficiency criteria go beyond focusing on the maximisation of outputs for a given amount of inputs. The team also considers whether they are investing resources effectively across their portfolio of interventions and whether they are working adaptively by responding to feedback and scaling up or exiting interventions quickly when they do not work.

Other programmes in our sample ran trials or experiments in parallel and compared results against costs, to come up with a measure of efficiency. For example, the outputs in the AACES programme were about building partners' capacity to integrate WASH into their organisations and programmes. AACES partners trialled the use of a range of WASH infrastructure and technologies in different communities and undertook exchange visits to share their experiences. This enabled partners to compare technologies, avoid making the same mistakes, and determine which were the most suitable and cost-effective solutions (Besley, 2016). SAVI operated across 10 states in Nigeria and used these varying locations to undertake parallel learning by testing different approaches and comparing results. By moderating for external factors, SAVI used VfM efficiency data to indicate whether good or bad performance in a state was due to factors within the control of the state team.

11 To take a more adaptive approach to efficiency, ICAI (2018) encouraged DFID to experiment with different ways of delivering results and then to scale up the solution that delivers the optimum balance between the 4Es. The problem with this is that it may relegate testing and learning to inception phases or pilot programmes, when what may be required for particularly complex situations is ongoing testing and learning.

3.3.3 Effectiveness

In the conventional definition of the 4Es, effectiveness is an appraisal of whether the outputs from an intervention are 'achieving the intended effect' at the outcome level. But in complex change processes involving multiple actors, directly attributing these kinds of changes to donors or their agents is often difficult. We suggest effectiveness for adaptive programmes should be based instead on a reasonable assessment of the contribution that a programme is making to outcome-level change. This should be based on: (a) whether the programme has constructed a plausible theory of change from outputs to outcome; (b) whether that theory of change is being tested in a robust way; and (c) whether there are clear initial signs of a good return (financial, social or otherwise) on the investment. As far as possible, teams need to also monitor the relative importance of other factors at play, external to the programme, that might affect their contribution to change. If circumstances change or new information comes to light that dents the team's confidence that their current activities will make the desired contribution, they should have in place a credible process for redesigning their outputs.

The adaptive programmes in our sample have broadly followed this model. They have also tended to use more qualitative evidence – albeit often alongside quantitative data or estimates – to support their assessment of their contribution to outcomes. This seems appropriate given that change in the complex political, economic and social processes on which they are working is often hard to measure credibly in numeric terms alone.

EPI monitors two things to assess its effectiveness: (a) whether the programme is influencing and leveraging resources for reform initiatives; and (b) whether the programme is promoting issues which have a significant net benefit for Nepal. Where appropriate, this second metric is measured through quantified estimates of the economic or social benefits resulting from changes to policies, regulations, and practice, and direct improvements to the economic status and well-being of citizens (EPI, 2018). Both these metrics seem to be well suited to assessing the effectiveness of an adaptive economic development programme like EPI. Getting resources committed from other actors can be a powerful sign that they have bought into a particular reform process, which is especially important for a programme, like EPI, that is looking to leverage policy change and subsequent implementation. According to programme literature, the second metric – looking at the net benefit of the programme for Nepal – is challenging to measure and attribute, but helps keep the programme focused on justifying why those leveraged resources are important for overarching development outcomes. It is also important to note that EPI lends itself to these sorts of effectiveness measures because it is an economic development programme, where some outcomes can be articulated quite straightforwardly in monetary terms. These measures are likely to be less suitable for programmes such as SAVI or MUVA that are working on issues like empowerment and accountability, because it is difficult to measure programme performance against outcomes in these areas in quantitative terms.

SAVI's way of measuring effectiveness reflected its adaptive approach to testing engagement strategies across different states in Nigeria. The SAVI team acknowledged that the governance reform processes that they were trying to influence were not linear, and could not easily be planned or monitored against predetermined outcomes. As such, SAVI produced annual VfM effectiveness case studies that highlighted demonstrable changes in state government policy and practice, and quantified the value of those benefits as far as possible, in order to measure changes in outcome indicators compared to programme spending, by state and by year. By contrasting outcome results with the approaches taken in each state, the team analysed programme performance overall and identified trends over time. This reportedly helped challenge or validate the overarching theory of change and to build up a picture of the relative effectiveness of each state team.

OPM notes in its VfM guidance (King and OPM, 2018: 13) that the criteria that are used to assess effectiveness in MUVA are different from traditional indicators. While indicators are usually specific and measurable, these criteria describe the nature of the changes that MUVA is trying to bring about, and these descriptions are deliberately broader and less specific, in order to facilitate meaningful evaluative judgements. To make the concept of effectiveness directly relatable and meaningful to the programme, it is broken down into three criteria, each of which then has its own set of criteria for success. These are defined in Table 3.

Table 3 Effectiveness criteria and sub-criteria in MUVA

Effectiveness criteria	Sub-criteria for evaluation
Effectiveness as an urban female economic empowerment programme	MUVA's approaches make their intended contributions to female economic empowerment as defined in project-level theories of change, and are scalable.
Effectiveness as a learning programme	Local participation, relationships and knowledge contribute to project development. Reflective learning processes are occurring as intended. MUVA provides credible evidence about the effectiveness of every project, including evidence to enable decisions about which projects deliver better results.
Effectiveness as an influencing programme	Effective approaches are taken up and implemented by partners. MUVA influences FCDO and non-FCDO programmes. Stakeholders become champions/ agents of change.

Source: adapted from King and Guimaraes (2016).

As long as they are combined with transparent standards that are agreed with the donor, evaluative judgements guided by programme-specific criteria are a sensible way of assessing VfM for an adaptive programme. In particular, developing standards for effectiveness that are tailored to the particular context and objective of the programme provides a strong way of responding to ICAI's (2018) recommendation to DFID to move away from a one-size-fits-all approach to VfM, and to recognise that different approaches may be required for simple and complex interventions. This, in turn, requires mutual respect, trust and capability on the sides of the donor and the implementer, to define what the programme needs to deliver its outcomes, and to periodically update this based on evidence and learning.

3.3.4 Equity

We suggest that a similar way of understanding and measuring equity applies to both adaptive and non-adaptive programmes: how fairly are the benefits of the programme being distributed, and how far does it reach marginalised groups? The key point is that adaptive programmes working on complex problems will probably need to test their assumptions about how best to distribute benefits and reach marginalised groups; learn from knowledge and understanding gained about (and from) different marginalised groups within a target population; and adapt their approach accordingly. Maximising equity relies upon programmes fully understanding who the marginalised groups (or target beneficiaries) are, and developing a theory of change specifically for them. In other words, equity criteria should be context- and programme-specific and testable, as with effectiveness.[12]

For Oxfam's AACES, this means integrating equity into the programme's theory of change and having alternative strategies in place in case the initial approach does not generate promising results. It also involves the kind of parallel learning discussed earlier, as programme partners in different locations share lessons with each other about how to achieve more equitable outcomes.

As noted above, this kind of parallel learning makes good sense for adaptive programmes that involve multiple partners simultaneously testing different ways of working in different locations. In contrast, adaptive programmes like EPI that are looking to influence the development of national or sub-national policy in one discrete forum do not necessarily have the same ongoing range of programme experiences to draw on, and so use a benchmark to inform their adaptations. Partly for that reason, Palladium has

12 As one of our reviewers pointed out, over the course of a programme the composition and status of marginalised groups may change, particularly in a conflict-affected or otherwise unstable setting. Therefore, it is likely that equity criteria will need to be reappraised during implementation.

concentrated on building the EPI team's internal capacity to support adaptive programming, including equity. As part of this, it has designated a focal person to oversee the mainstreaming of gender equality and social inclusion (GESI) in its projects, which includes integrating GESI considerations into the theory of change for each issue they consider.

Of all our sample programmes, the participatory approach developed for ActionAid is perhaps most explicitly designed with equity in mind: specifically, how to measure the VfM of a programme that aims to empower the most vulnerable and excluded, in particular women, in remote areas. By giving priority to the feedback of local communities as the critical information on which to make this value judgement, ActionAid's approach is in principle supportive of the kind of locally led learning and critical reflection that should drive an adaptive approach to improving the lives of hard-to-reach communities and populations.

However, as with most monitoring and evaluation approaches, the credibility of this method clearly relies heavily on participatory processes that are genuinely inclusive. No community is homogenous, and there is always a risk that discussions may get captured by the most powerful actors, in ways that may skew the outcome of the assessment. This method therefore needs to be based on a sophisticated understanding of local political and social dynamics, to ensure that the discussions are, as far as possible, genuinely representative and inclusive.

3.4 Managing VfM

Managing and using VfM evidence and analysis to support adaptive programming may require an effort to bridge silos between the finance, MEL and frontline delivery components of programmes. In the case of EPI, for example, responsibility for VfM analysis initially sat with the programme's finance team and MEL manager. In part due to its commitment to adaptive programming, Palladium has provided additional support to deepen its analysis and make VfM a bigger part of how the programme is managed. As part of this, it developed a 'dashboard' for VfM which displays the more intuitive cost–benefit information of its interventions, to help disperse responsibility for VfM thinking across the whole team.[13]

Our case study programmes demonstrate the potential for using VfM data to inform learning and adaptation, taking it beyond the normal concern with satisfying donors' reporting requirements. While VfM analysis is clearly important for donors' strategic thinking about where to place their investments, and so has a key upwards accountability function, it can also drive improvements in programming that are grounded in the perspectives of local partners and participants. However, our case studies also suggest that FCDO needs to signal to implementing teams that it is receptive to them developing and using a wide range of evidence to assess, demonstrate and improve their overall value, beyond narrow cost–benefit quantification. Broader contextual evidence is important to provide richer information about programme performance, and to support appropriate interpretation of indicators. For example, the VfM case studies developed in SAVI were used to provide information to improve programme management. This reportedly helped the team make management decisions relating to programme, team and staff assessment.

An underlying point here is that VfM is, fundamentally, a matter of context and perspective: the VfM of a programme from the perspectives of beneficiaries and in-country governments may diverge from VfM from the donor's perspective. As a result, the sorts of VfM approaches and measures that are most often used for demonstrating value to donors – usually focused on quite narrowly construed economy and efficiency criteria – may not be suitable for measuring the value of a programme intervention to beneficiaries, or for guiding decisions on what actions are contributing most to outcome-level change.

13 It is worth reiterating that assigning monetary values to intended outcomes in this way may work well in an economic development programme like EPI, but may not translate in a straightforward way to programmes working on less easily quantifiable goals like social change or empowerment.

For economic development programmes like EPI, where at least some programme outcomes can be measured in cost–benefit terms, the two kinds of measures may align quite closely. But for adaptive programmes that are working on less easily quantifiable goals, like social empowerment or accountability, there may be a potential trade-off between focusing on the measures that make a donor feel they are getting value from the programme (usually based on an economy, efficiency and/or cost–benefit metric), and prioritising the measures that tell the implementer which actions are yielding the most benefit to the intended beneficiaries, or are making the most contribution to systemic change. An implication of this is that the DFID approach to measuring and managing VfM could actually detract from the overall effectiveness of certain kinds of adaptive programmes. This is because it threatens to tie up teams with reporting on how the programme is delivering economy and efficiency gains that may bear little resemble to actual transformative development outcomes, and the cycles of testing, learning and programme adaptation that may be required to contribute to them. Not dissimilarly, Yanguas (2018) has noted how perhaps the most damaging aspect of VfM could be that it detracts from a team's focus on politics.

As we have noted above, ActionAid's approach to measuring and managing VfM seems well suited to keeping the programme team focused on their contribution to meaningful change. VfM is seen as an opportunity to reflect not only on whether the organisation has the right systems and processes in place, but also if its investments are generating the kind of changes that are most valued by the communities with which it works. Hence, VfM is a way of informing overarching strategy as well as day-to-day operational choices, rather than just focusing on accountability and reporting to the donor. According to ActionAid's literature (D'Emidio, 2017), entrusting communities to define the value of the work, sharing with them the way budgets are allocated and working together to assess where results were the strongest, were important ways of incentivising adaptation. It allowed staff, partners and communities to link financial allocations to what was and was not working from the perspective of local partners, and led to discussions about the need to adjust and refocus spending. This participatory approach seems better suited to capturing qualitative changes in complex social processes than quantitative measures, and also allows ActionAid to take account of contextual factors that can play a part in affecting the trajectory of its programmes, and thus their VfM.

Taking VfM seriously for adaptive programmes in these ways comes with resource implications. While this approach is designed to be sufficiently straightforward to be used by frontline delivery teams without requiring expensive external consultants, it also depends on staff who are well versed in participatory techniques and facilitation. ActionAid estimates that the actual assessment will usually take five days and involve a multidisciplinary team, ideally involving members of the senior management team. The cost implications of this approach are not therefore negligible. But it is worth reiterating that if a programme fails to contribute to real benefits for those living in poverty it represents poor VfM, regardless of how quickly or cheaply it delivers its outputs. In the face of complex problems where the path to success is uncertain, the lived experiences of local actors is critical information to support adaptive improvements in programme delivery, and therefore better returns on donors' investments.

4 Towards an adaptive approach to VfM

In this final chapter we recap the approach, measures and ways of managing VfM that we think are best suited for adaptive programmes. We then conclude with some thoughts on the steps FCDO would need to take to bring these recommendations into the mainstream.

4.1 Approaches to VfM

DFID's VfM approach mapped onto a linear project management model, where there was an implicit assumption that doing A will lead to B, with a strong level of confidence. VfM measures tended to focus on the economy and efficiency of delivering A, because those are the easiest indicators to capture and understand.

However, when working adaptively, it is important to recognise which elements of the theory of change are predictable and which are not. In cases where it is unclear which outputs will achieve the most progress towards the overall outcome, conventional measures of economy and efficiency are less useful, and may create incentives for implementing teams to do the wrong things.

Our case studies demonstrate the need for programme-specific interpretations of the 4Es. These specific interpretations are important because VfM in situations of complexity and uncertainty is essentially an evaluative judgement which needs to be agreed upon between funders and implementers (including local partners), and to incorporate the perspective of programme participants.

4.2 Measures of VfM

A key question to consider when developing VfM measures is *whose* understanding of value counts? The sorts of VfM approaches that are most often used for demonstrating value to the donor – where measures of VfM are usually focused on economy and efficiency – are not usually the most suitable for measuring the value to beneficiaries, or guiding decisions in a programme on what actions are making the most contribution to outcomes or systemic change. Both sorts of measure are important, but for different reasons and at different stages in a programme.

We have suggested ways of measuring the 4Es that are more suitable for adaptive programmes than the conventional questions (see Table 4 for suggested indicators, and Table 5 for some general principles). At the core of each is the requirement for ongoing testing and learning, rather than one ex-ante investment in a VfM analysis. To make use of these adaptive alternatives, FCDO may also need to move away from seeing quantitative evidence as the gold standard for demonstrating VfM. The SAVI and ActionAid examples in particular point to the value of more qualitative and participatory evidence.

For **economy**, our case studies suggested one major VfM concern: that resources of the right quantity and quality are being provided to support testing, learning and adapting. This may require looking at the ratio of local to international staff, but also finding creative ways to preserve a space for the higher management, administration and human resources costs that may be necessary to gather evidence on what works and to feed that learning back into the programme. Driving down these costs may become a false economy if it deprives a project of the capacity to capture learning and build it into what it does.

Efficiency is perhaps the most important of the Es for adaptive programmes, and where the approach to VfM looks most different to a conventional programme. Testing and learning about which outputs are required to make progress is at the heart of the adaptive process, and will not be limited to a one-off pilot exercise or inception phase at the start of a programme. In our understanding of efficiency, VfM is about the quality and pace of learning and adaptation, rather than the balance between the costs and benefits of delivering a pre-specified output.

Table 4 Examples of adaptive value for money indicators, measures and criteria

	Indicator, measure or criteria	Why is this appropriate for an adaptive programme?
Economy	Comparison of costs spent on management and administration relative to technical delivery. This indicator needs to be combined with qualitative reflection on whether the ratio is appropriate in light of the programme's delivery model, implementation stage, context and objectives.	For an adaptive programme, this is preferable to indicators that simply incentivise teams to reduce management and administration costs relative to costs spent on technical delivery. For reasons outlined above, this could be self-defeating. This indicator should prompt adaptive teams to reflect instead on whether they are spending money on the right kinds of inputs needed to support testing, learning and adapting.
Efficiency	Comparison of total expenditure on intervention-scoping relative to the number of interventions progressed, paused or dropped based on evidence and learning. This indicator needs to be combined with qualitative reflection on whether the decisions were taken in a timely manner, on the basis of reliable, well-triangulated information or research, and without committing more time or other resources than was justified reasonably by the information available at the time (Hetherington, 2017). This could include reflection on how quickly workstreams are dropped if they are not having the intended effect, and how quickly the team is able to evidence that learning from these processes is being fed back into programming.	Adaptive programmes will deliver good VfM by using scoping, lesson-learning and feedback mechanisms to identify, pilot and scale up successful interventions, while quickly identifying and scaling down, stopping or adapting interventions that are not showing results (Hetherington, 2017). Tracking and reflecting on the numbers of issues or workstreams progressed, paused or dropped can help indicate whether the programme is using its learning process to strategically allocate funds to those areas that are most promising.
Effectiveness/ cost-effectiveness	Number of issues where the programme has made a significant contribution to outcome and/or portfolio-level change. This indicator needs to be combined with qualitative reflection on the nature and extent of the programme's contribution to change in selected results, an estimate of the costs spent to achieve the result, and an evaluation of why those costs were or were not reasonable in light of the results achieved.	In complex change processes, effectiveness should be based on a reasonable assessment of the contribution that a programme is making to outcome-level changes, while overall cost-effectiveness should be assessed partly by reference to the contribution being made to the broader sectoral or country portfolio. Drawing on qualitative results stories rather than (or in combination with) cost–benefit or cost-effectiveness calculations should help mitigate the risk of the programme focusing on easily measurable but potentially less important areas of work.
Equity	Comparison of the number of target marginalised group members reached by an intervention relative to expenditure. This indicator should be combined with qualitative reflection on the nature of the benefits experienced as described in beneficiary feedback, and an assessment of whether and how the programme could reach target group members more economically, efficiently and effectively.	Adaptive programmes trying to maximise equity should learn and adapt based on knowledge and understanding gained about and from different marginalised groups. This measure is designed to capture the fact that – in principle – adaptive programming provides an opportunity for beneficiaries to shape the programme's approach and spending.

Table 5 Weaker and stronger adaptive value for money

	Weaker adaptive VfM	Stronger adaptive VfM
Approach to VfM	• Programmes use a standard VfM approach with some adaptation to the problem, context and delivery model • Learning is viewed as an end in itself, with a loss of focus on impact • Trying to square standard VfM concerns with adaptive design and ways of working leads to confusion	• Programmes develop a VfM approach specifically tailored to the problem, context and delivery model • Learning is recognised as central to effectiveness, and good VfM • VfM is viewed as an evaluative process which requires balanced judgement based on various kinds of evidence
Measures of VfM	• Standard VfM questions drive measurement • Several indicators are developed to track traditional and adaptive VfM • Indicators balance donor requirements with beneficiary views • Learning indicators are designed to be (or are) easily gamed	• Adaptive VfM questions drive measurement • Modest numbers of indicators are developed, focused on adaptive VfM • Indicators prioritise participant or beneficiary-expressed needs • Learning indicators encourage adaptation and are clearly evaluable
Managing VfM	• Learning happens, is documented, but is not used to influence decisions • Learning associated with VfM becomes bureaucratic and reduces time and space for implementation • VfM becomes an overly dominant lens for an adaptive programme, skewing reporting (and decisions) negatively • VfM appears useful but takes up significant time and resources which could be used to learn and implement	• Learning takes place, is documented and influences tactics and strategy • Learning associated with VfM is carefully targeted and creates space for new programme options • VfM is introduced cautiously, ensuring all programme staff understand and value it appropriately • VfM is resourced sufficiently to be done well, or its scope is heavily reduced

Our reframing is premised on programmes having carefully considered, testable theories of change. Adaptive programmes can then be held to account for how rigorously and quickly they test the key assumptions in the theory of change – for example, identifying issues to pursue and drop. What counts as 'appropriate' rigour and pace depends on the theory being tested, what evidence already exists, and the available data and research methods. Some elements of a theory of change can be tested through regular team reflection sessions, based on personal experiences, while others may require longer-term comparative research. However, it should be noted that not all adaptive programmes will have a fixed set of causal pathways and assumptions in their theory of change, due to changes to the context or programme activities.

For **effectiveness**, the main shift we suggest is from attribution to contribution. In complex change processes, it is more sensible to ask about the plausible contribution that a programme is making to outcome-level change than to look for direct attribution. This also has ramifications for the kinds of evaluation methods which can be used to inform VfM analysis. A key challenge for adaptive programmes, since they remain a minority among aid projects overall, is to be able to demonstrate that they are more effective, and offer strong VfM, than traditional approaches to tackling the same problem. There are many evaluation approaches and ways to assess evidence that can be used to measure effectiveness, as we outline below.

For most adaptive programmes it will be possible to say more about cost-effectiveness when tangible outcomes and impacts appear. As part of this assessment, teams should be using VfM evidence to assess whether the overall investment continues to be worthwhile and/or funded at the correct scale, based on the programme's relevance to longer-term changes that a country office or policy team is prioritising across their portfolio.

We suggest that a similar way of understanding **equity** applies to both adaptive and non-adaptive programmes. The key difference is that adaptive programmes working on complex problems will probably need to test their assumptions about how best to distribute benefits and reach marginalised groups, and adapt their approach accordingly.

Table 4 sets out some broad guidelines to measure the 4Es in the context of adaptive programming. As we have argued throughout this paper, it is crucial that teams develop measures that are tailored to the context and objectives of their individual programmes, and the type and scope of adaptation expected. This table, therefore, should be used as a guide to some of the thinking that may be valuable when trying to do this, rather than a blueprint. Most importantly, these measures should not necessarily be turned into indicators with associated targets.

4.3 Managing VfM

To be suitable for adaptive management, VfM analysis needs to be relevant for resource allocation and other ongoing decisions. It is tempting to suggest that FCDO integrates VfM into every aspect of its decision-making, from portfolio-level thinking to local partners' reflection sessions. But, in practice, FCDO staff and its implementers must respond to a wide range of priorities, and staff time is under significant pressure (Sharp et al., 2019). VfM sits alongside risk assessment, beneficiary feedback, monitoring and evaluation, audit requirements, due diligence, financial monitoring and more. Given these pressures, it seems sensible for VfM analysis to be closely integrated with existing systems for MEL, rather than being a distinct lens through which teams have to view every element of their daily working practice.[14] Any indicator of whether a programme is making a real difference to its intended beneficiaries or to system change has the potential to contribute usefully to a VfM assessment. But, as we have noted throughout this paper, DFID tended to apply a much narrower definition, where VfM indicators were usually either cost–benefit indicators, or other measures of economy or efficiency.

There is an important set of additional questions around how to establish whether an adaptive programme is offering sufficiently good VfM to justify the investment being made, and the point at which a programme or workstream no longer offers strong VfM and should be stopped. As we try to capture in Table 5, adaptive programmes need to show that engaging in learning processes actually improves the programme's contribution to change. Demonstrating learning through, for example, producing reflection reports or engaging in strategy testing sessions does not in itself support a strong VfM case, if these learning products and processes are not ultimately linked to better decisions and improved programme outcomes. Donors quite reasonably want to see that programmes are *applying* what they are learning in order to improve their approach and contribution to change.

It is likely that a rounded appraisal of VfM for many adaptive programmes will only be possible through post-completion evaluation of effectiveness, particularly for those working on complex governance challenges where tangible outcomes and impact may take a long time to appear. This may require evaluation work which 'harvests' or captures its contribution to change at this later stage. But in the short to medium term, during implementation, it may be sensible for adaptive programmes to use embedded evaluation approaches like developmental evaluation and to apply research techniques like process tracing as part of VfM analysis, in order to document how learning is relating to and improving day-to-day decision-making. These methods can be used to track where course corrections or changes to strategy are being identified, at what level and frequency they occur, and what strategies are put in place to address them.

14 The key is to ensure that the resources and time committed to VfM complement rather than challenge other forms of analysis. Bond (2016) has articulated a similar view in its VfM guidance: 'It is important to ensure that approaches to VfM and the resources expended on assessment are commensurate with the programmes and functions to which they relate. Whilst insufficient focus on VfM can undermine an NGO's performance and credibility, over-engineering how VfM will be assessed can also divert resources from the delivery of core objectives.'

4.4 Conclusion

In this working paper we have discussed ways of approaching, measuring and managing VfM that we believe are fit for purpose for adaptive programmes. What would it take for these adaptive alternatives to take root in FCDO?

FCDO would need to acknowledge that it and its implementers work on a spectrum of development interventions, from simple to complex. This has some straightforward practical implications. For example, FCDO can actively create space to have an honest discussion with its implementing partners, on a case-by-case basis, about which evaluation methods and tools to use, including on VfM, depending on the level of complexity.[15] It could adapt its annual review method, to make it more holistic, which itself would set strong incentives for learning across UK aid programmes.

However, this also requires tackling the incentives that sustain more linear VfM thinking. As DFID's budget grew dramatically in its later years, its management shifted towards a results agenda associated with fixed, easily measurable targets and clearly attributable results (Valters and Whitty, 2017), with VfM measurement and reporting one manifestation of this approach. In practice, this oriented DFID's vision to the short-term and narrow results of projects rather than wider processes of change and more sustainable impact. DFID also consulted its staff in 2017–2018 and introduced a new approach to results in response to some of these issues. We hope this report will contribute in some measure to the continuation of these reforms in FCDO.

Yet, finally, we reserve some scepticism about whether such reforms will happen at sufficient scale. DFID staff knew from an early stage of the risks of a narrow VfM approach, particularly too much focus on economy and efficiency. The inability to prevent this in practice suggests to us there are major risks in making VfM the principal lens through which any programme, let alone an adaptive one, is perceived. Yanguas (2018: 70) argues that 'the VfM agenda and its proponents, however well meaning, are forcing foreign aid agencies to choose between irrelevance and subterfuge'. Regardless of whether one accepts this argument, it will certainly be very difficult to shift the idea that VfM is about doing things cheaply and quickly. So, the arguments and case studies presented here are based on a simple premise: if VfM analysis and measurement must be a key part of how aid programmes are managed, it should be done well, in a way that takes account of complexity. If it cannot be done well, it should be avoided or minimised as far as possible.

15 FCDO should also recognise that any indicator in a results framework, even one that is only intended to be illustrative, is likely to become a target for implementers that will affect programme incentives and decision-making. Therefore, only those VfM indicators that actually measure what the programme is trying to achieve should be included as part of the results framework.

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Annex 1 Interviewee list

Julian Barr, non-executive director, Itad

Michelle Besley, director, Collective Insights

Oliver Clark, governance and accountability manager, Palladium

Francesca D'Emidio, independent consultant

Stephen Fraser, technical director, Partnership to Engage, Reform and Learn (PERL)

Matthew Greenslade, social protection and value for money specialist, Development Pathways Ltd

Luize Guimaraes, senior consultant and MUVA programme manager, OPM

Alex Hurrell, social policy programme director, OPM

Harry Jones, infrastructure team leader, Cities and Local Growth Unit, Ministry of Housing, Communities and Local Government

Ram Khadka, economic advisor, DFID Nepal

Julian King, director, Julian King and Associates Ltd

Dr Shankar Sharma, former Ambassador of Nepal to the United States

Cathy Shutt, independent consultant

Strahan Spencer, economic advisor, DFID Nepal

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