DFID Department for International Development

How to note

A DFID practice paper

AUGUST 2011

Writing a Business Case

Introduction

1. A Business Case sets out the rationale for choosing a project, programme, or approach to funding (referred to collectively as an intervention). It aims to provide a consistent approach to the choices and design of DFID interventions. This note is targeted at all staff involved in the design of interventions leading to investment decisions. Separate guidance is available for **Multilateral core-contributions (for Multilateral projects with core contributions resulting form the MAR** **only** and rapid-response humanitarian interventions.

2. This note does not attempt to provide all the detailed technical guidance that would be necessary for every possible scenario. If the programme team is unclear on any technical elements of the Business Case then they should consult with advisors who have been involved in similar interventions or contact Heads of Profession or policy leads for the area. Advisors can share experiences and approaches in the various Results and VfM 'theme-sites' and these are a good resource to see how others have tackled similar issues. There is also a host of evidence papers and systematic reviews on various sector themes available from R4D. Enquiries specifically relating to this How to Note should be directed to the FCPD Service Desk and a further associated guidance, including on the Quality Assurance process, is available on MoneySight,

The Business Case model

3. All proposals for DFID funding must be accompanied by a Business Case which sets out the need, justification and affordability of the intervention – making a sound case for the commitment of public funds. Read "The DFID Approach to Value for Money" to understand how the Business Case fits into the broader Value for Money Framework.

4. DFID's Business Case is based on HM Treasury's 'five case' model. It ensures that DFID's approach to investment decisions is consistent across its own portfolio and with other UK government departments. The Business Case has 5 interdependent cases:

Strategic Case – sets out the context and the need, including for DFID intervention. Sets out the Impact and Outcome we expect to achieve.

Appraisal Case – explores how DFID will address the need set out in the Strategic Case, appraises options, and identifies which best delivers value for money.

Commercial Case – ensures that the option is commercially viable and delivers value for money through procurement;

Financial Case – establishes that the option is affordable and that the principles of sound financial management for public funds are followed;

Management Case – sets in place the arrangements necessary for the successful delivery of the intervention including procedures for monitoring and evaluation.

5. Producing a Business Case is an iterative process – as you proceed you will, for example, identify questions you need further analysis to answer; or different options for intervening may lead you to a need to develop different value for money measures. Following this How to note will take you through a series of questions that are designed to enable DFID to take sound decisions and to identify the issues that will guide you through eventual implementation. As you work through the process, you will need to revisit the draft as your thinking on the intervention evolves.

Confirm the Scope

6. As a first stage you should confirm the scope of the intervention. This involves drafting the Strategic Case and identifying some feasible options (the first part of the appraisal case). You should also outline any major financial implications.

7. All interventions of £40m or over and those that are politically sensitive, novel or technically contentious interventions, regardless of value should be submitted to Ministers for early approval, drawing on information and analysis from the confirmation of scope. The submission must be presented in the standard format and submitted through the appropriate Minister for approval by the Secretary of State. The purpose of this is to ensure that Ministers are sighted on large or potentially contentious interventions before significant staff time is invested.

Building a Multi-disciplinary Team

8. A multi-disciplinary team should be involved in the development of the Business Case from the outset. Teams with too narrow a range of expertise may risk missing out important considerations in the design stage, leading either to more work later on or jeopardising the expected results and overall value for money of the intervention.

Resourcing the Team

9. When resourcing a design team for preparing a Business Case you should consider a range of options before looking externally from DFID. There are four key resourcing routes to consider and these are ranked in the following order of DFID's corporate preference:

1) Existing DFID staff;
2) Access individual interim resource to work under DFID direction via an approved HR hiring route;

3) Access individual interim resource to work under DFID direction via a Resource Centre; and
4) Use supplier resource / services (as a 'last resort')

10. Under option four, consideration should always be given to combining both design and implementation as one tender competition. Whichever route is used to resource the team, DFID and the Business Case approver must always retain control and responsibility for the content of the Business Case and the recommendation on the investment decision including programme design. If DFID has to make use of supplier resource/services and the design and implementation cannot be combined into one requirement, then all parties must be aware that depending on the level of 'involvement' they may risk precluding themselves for bidding for subsequent work. DFID staff must be clear with the supplier at the very start of the process if the level of involvement proposed will preclude them from bidding for subsequent work. For further advice on this you should contact Procurement Group.

Approving Design Costs

11. Where external design costs need to be incurred, these can be approved at the appropriate level of authority for the design costs alone, not the entire proposed intervention spend.

A Proportionate Business Case

12. A proportionate Business Case is one which provides sufficient information for the approver to make an informed decision. The approver (the person ultimately responsible for the Business Case) must make a judgement as to what level of detail achieves this on a case-by-case basis. **Longer is not necessarily better**. The level of detail will be influenced by (a) the size of the intervention, in terms of funding, (b) the potential significance of the intervention in terms of its impact on poverty, and (c) the complexity, novelty or contentiousness of the intervention. It might be helpful for the design team to agree the expected depth of analysis and resource requirements of the Business Case with the approver at an early stage. Ultimately, the approver must be satisfied that they can sign-off on the elements set-out in the approver / assurance checklist. Because all Business Cases are published, the information presented must also allow an external reader to understand the basis for the decision.

Use of Evidence in the Business Case and the Results Chain

13. Evidence plays a critical role in three parts of the Business Case: in the Strategic Case - justifying the need for the intervention; in the Appraisal Case – demonstrating why the intervention will work; and in the Management Case – understanding how well the intervention is working. Strengthening the use of evidence in decision making is one of the key aims of the Business Case. For all interventions in fragile and conflict-affected countries, evidence should draw on relevant knowledge and experience from fragile states as far as possible.

14. The Results Chain explicitly sets out the results to be achieved by the intervention and will be informed by evidence. The Results Chain is set out here to ensure that all DFID staff use this terminology in a consistent way.

Inputs – the total resource, in terms of finance and staff time (where appropriate), devoted to the project.

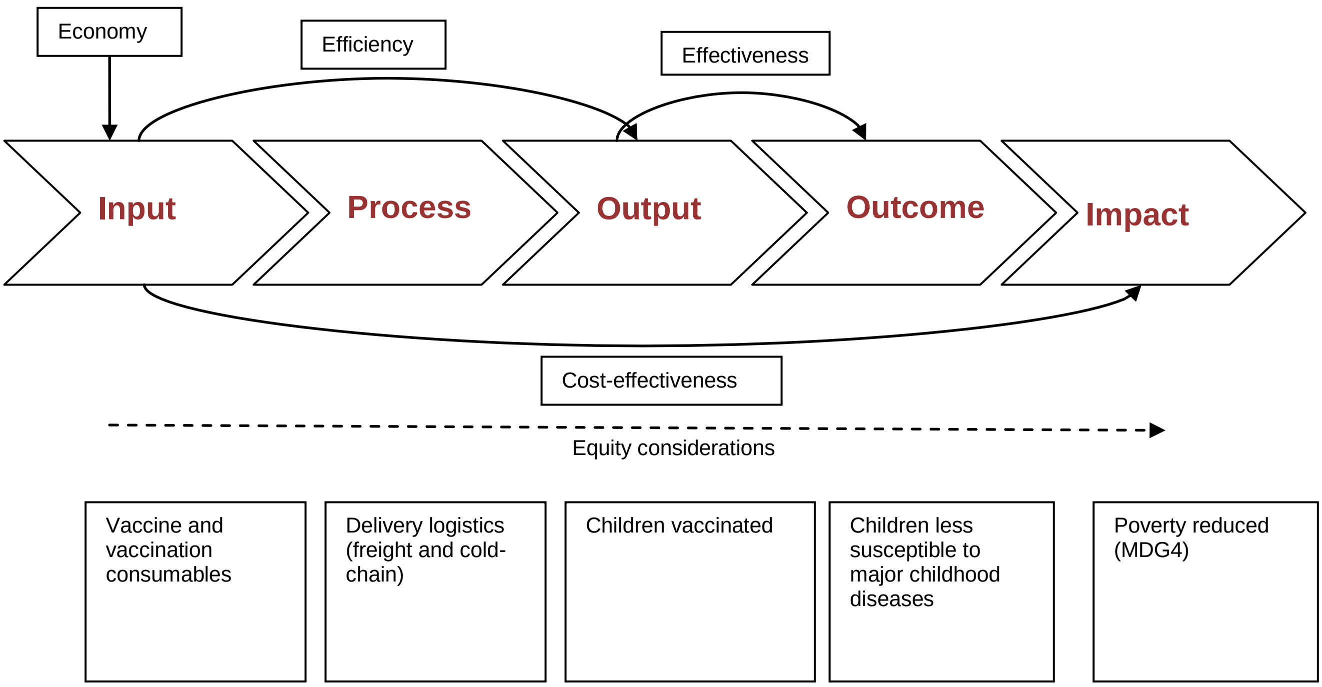
Process – the activities which turn inputs into outputs.

Outputs – the specific, direct deliverables of the project that are attributable to the inputs.

Outcome - what is expected to change as a result of the intervention, and who benefits? There should be one principal Outcome for a Business Case and accompanying logframe. Outcome level targets should be delivered within the life of the project.

Impact – not intended to be achieved solely by the project. Rather this is a higher order and longer term issue. There should be one Impact only in a Business Case.

The diagram below shows the Results Chain and its relationship to value for money measures.



<u>3Es</u>

- **<u>Economy</u>** Are we or our agents buying inputs of the appropriate quality at the right price? (Inputs are things such as staff, consultants, raw materials and capital that are used to produce outputs)
- **<u>Efficiency:</u>** How well do we or our agents convert inputs into outputs? (outputs are results delivered by us or our agents to an external party. We or our agents exercise strong control over the quality and quantity of outputs)

- **Effectiveness:** How well are the outputs from an intervention achieving the desired outcome on poverty reduction? (Note that in contrast to outputs, we or our agents do not exercise direct control over outcomes)
- **Cost-effectiveness:** How much impact on poverty reduction does an intervention achieve relative to the inputs that we or our agents invest in it?

Peer Review

15. DFID staff have found peer review very helpful in producing a robust Business Case. DFID advisers are available as necessary to assist through early peer review (facilitated by the Quality Assurance Unit). You may also want to make use of informal peer review opportunities you broker directly with colleagues.

Quality Assurance (QA)

16. There is a formal quality assurance process of all Business Cases where the programme is either large (£40m and over), **including programme extensions that bring the total value of the commitment to £40m or over,** or novel and technically contentious. The formal QA process takes 5 weeks from the day a Business Case is submitted to the Quality Assurance Unit. The Unit coordinates inputs from relevant advisory and corporate cadres, working closely with Heads of Profession to identify reviewers, and prepares an integrated QA report for the Chief Economist. The QAU send a final report agreed with the Chief Economist to the spending team in advance of the 5th week discussion. This specifies the Unit's overall view of the Business Case. In the 5th week discussion the QAU share views with the spending team, and discuss next steps in the submission process. More details on the QA process and examples of Business Cases and QA review can be found on the QAU team pages.

What Ministers want to see

17. Ministers need to approve all spend of £40m and over, and politically sensitive, novel and technically contentious interventions. In these cases, they may well want to look through the full Business Case, particularly as all approved Business Cases will be published, but it should not be necessary for them to read it in order to approve the intervention. The full Business Case, including the logframe and intervention summary, **should be attached to the submission** but the submission needs to work as a stand-alone document which should:

- Set out the results to be achieved and the choices we have made about how to deliver those results;
- Cover risks and monitoring and evaluation;
- Confirm that the Business Case has been formally quality assured by the Quality Assurance Unit if approval is for £40 million and above or novel/technically contentious;
- Summarise any salient Quality Assurance Unit views expressed on the case and highlight where it has been strengthened if relevant; and
- Include the final Quality Assurance minute as an attachment.

Transparency and Communication – publishing Business Cases

18. DFID publishes all Business Cases and Intervention Summaries (including translated Summaries in major written local languages) and logframes.

19. The process of publication is automated through ARIES and QUEST, but this relies on documents being classified and stored correctly (see how to publish your Business Case). Completing this process is mandatory and it is the responsibility of project approvers to ensure it has been done correctly. If the process below is not followed exactly, the Business Case will not be published.

20. Make sure that project titles and descriptions in ARIES are clear and concise and outline the intended benefits in a way that the public will understand. Poorly drafted or misleading descriptions can damage DFID's reputation. Sensitive project information which cannot be published should be included in the submission rather than the Business Case.

21. Ensure the Business Case is saved correctly to QUEST. A project folder is automatically generated when the ARIES record is created. Go to level "03 Policies, programmes and projects", then to "Manage programmes and projects", find your department, and open "Live programmes and projects", where the relevant folder will be displayed. You must save all relevant Business Case documents to this folder with the right metadata:

- Content type must be 'Business Case and Summary'
- Copyright declaration must be one of the following as appropriate:

  'Written by DFID Staff'
  'Written by Other UK Government Department'
  'Written Externally - Permission Obtained'

22. Finally, declare the document as a record in the Quest folder. If the document is attached to an email, the publishing process will not work – please save only the relevant Word document.

Intervention Summary

23. All Business Cases have a short Intervention Summary at the front. You should write this on completion of the five cases. The summary should give any reader, including the public, an easily understood and concise view of the intervention and what it is expected to achieve. In the main, these should be no more than two pages.

Title:

This should clearly reflect the nature / benefits of the intervention and be the same as the description on ARIES.

What support will the UK provide?

This should provide the details of:

- How much funding the UK expects to provide
- Period of the funding

Why is UK support required?

- What need are we trying to address?
- What will we do to tackle this problem?
- Who will be implementing the support we provide?

What are the expected results?

- What will change as a result of our support?
- What are the planned Outputs attributable to UK support?
- How will we determine whether the expected results have been achieved**?**

1. Strategic Case

Sets out the context and the need including for DFID intervention. Sets out the Impact and Outcome we expect to achieve.

A. Context and need for a DFID intervention

24. Set the scene and provide the overarching context for why DFID is doing this. The case for any intervention in a **country** should always be rooted in analysis of the relevant context – in particular all interventions should refer to political economy and social context, and where appropriate climate change and the environment, and conflict and fragility issues. Please refer to relevant technical guidance that can be found on MoneySight.

25. Summarise relevant evidence demonstrating the **need** for an intervention. Provide or refer to appropriate qualitative and quantitative evidence, including social, political, climate change and environment, institutional and other evidence from the local context. Reference your Country Governance Analysis as necessary.

26. For all interventions in fragile and conflict-affected countries, you must set out why intervening will make an important contribution to addressing conflict and/or fragility, and how doing harm will be avoided.

27. Set out why it is right for **DFID to intervene**, and explain the consequences of not doing so. Set out the difference intervening will make to reduce poverty and for poor people's lives, including women and girls. Explain the political incentives behind the intervention, specifying any relevant factors and stakeholders that are for or against reform.

28. All interventions must link to the strategic policy objectives for poverty reduction of the UK government and partner organisations. DFID's high level objectives are set out in the DFID Business Plan 2011-2015; cite these where applicable. Cover links to any other HMG/DFID strategic priorities.

29. Where the intervention involves working in partnership with others, summarise their plans and how DFID's proposed intervention fits. Where you are proposing to work with a multilateral organisation, explain why it is a key partner in achieving the UK's strategic objectives in this context.

30. The Strategic Case should not begin to analyse which precise option could deliver the required Impact and Outcome; this will be covered in the Appraisal Case.

B. Impact and Outcome that we expect to achieve

31. Set out the expected Impact and Outcome that our funding will contribute to in terms of poverty reduction. There should be a clear link between the need outlined in section A above and the Impact and Outcome set out here. Determine what needs to happen in the medium term before the Impact can occur. Explain why and how the Outcome can be expected to lead to the desired Impact.

2. Appraisal Case

32. Explores how DFID will address the need set out in the Strategic Case, appraises options, and identifies which best delivers value for money.

Overview

33. Robust decision-making requires an evaluation and comparison of alternative options. You will get most value out of the Business Case process by focusing it on real choices and decisions still to be taken. There is less value in reviewing options that are not, in reality, open to us or to justify decisions already taken. You will need to judge what level of decision making to focus the Business Case on. It may be sensible to assess either a range of high level decisions (e.g. different ways to achieve a health outcome such as improved child health), or a range of detailed design decisions (e.g. different ways to deliver a specific anti-malarial treatment). Both levels of assessment may be useful. There may be situations where there is only one feasible option or where no decisions or choices remain except whether or not to intervene – in these situations describe why this is the case and use the Business Case to compare intervening with the "do nothing" counterfactual and to explore thoroughly the value for money opportunities that can be exploited during implementation.

34. The Appraisal Case should fully integrate all relevant professional expertise. Economist expertise will normally be needed to ensure that the value for money appraisal is robust.

The Appraisal Case should provide the answer to two questions:

> Which options are likely to work in practice?
>
> Which of these options maximises the impact of each pound spent to improve poor people's lives?

35. To help guide you through this process and use evidence to improve decision making there are five key stages from A to E.

A. Develop options by considering the evidence of the different ways in which the outcome and impact could be achieved, identify feasible options and establish a 'do nothing' counterfactual;
B. Assess the strength of the evidence of impact for each of the feasible options, and determine climate change and environment risk and opportunity categories;
C. Carry-out an appraisal, setting out all costs and benefits of each feasible option and identify the preferred option; complete a Climate and Environment Assurance Note for the preferred option.
D. Identify Value for Money measures that can be used throughout the intervention life-span.
E. Draw on the evidence in sections A to D to summarise the Value for Money of the proposed intervention.

A. What are the feasible options that address the need set out in the Strategic Case?

36. The objective of this section is to determine the range of actions that DFID could take to achieve the Outcome and Impact, drawing on evidence of impact and Theory of Change type approaches, and to identify which of those options are feasible.

Generating options

37. To develop options, identify the evidence which demonstrates that the Impact and Outcome stated in the Strategic Case are achievable. Consider the evidence of the different ways that the Outcome and Impact could be achieved. Be explicit about the process through which it is expected that Inputs will be converted to expected Outputs, Outcome and Impact. These results levels will be reflected in the logframe. There are a range of tools and approaches to help think these linkages through, and make explicit the assumptions that underlie them. Most staff are already familiar with the development and use of logframes, and the logic model that this represents. Others will have used Drivers of Change approaches. Theory of Change is another approach that teams may wish to use setting out the theories and assumptions which underpin the anticipated change.

38. Any intervention will begin with a belief about how it will work – but the process through which programme inputs lead to outputs, and outputs convert to the Outcome and Impact, often remains opaque (the 'black box' of the change process). This needs to be articulated, and its theoretical foundations made explicit. For example, your intervention may involve an expectation of behavioural change in particular populations. Ideally therefore, you should draw on existing research or evidence to show how the expected Outcome and Impact will be achieved in this particular population given the local circumstances – you may be replicating a similar intervention (or combination of interventions) in similar circumstances, which has previously produced the anticipated effects. Or you may be using your professional judgement and extrapolating from similar interventions in very different circumstances. Making your hypothesis explicit and discussing the strength of evidence which supports it will give confidence that your expected trajectory from Outputs to the Outcome and Impact will be achieved.

39. Often in the past the theories of change will have been discussed but not always documented. The intention now is to articulate and record this information at the intervention design stage. Clearly identify your target populations and the baseline conditions, and then draw from existing evidence to set out the expected change. This will make it easier to monitor the intervention as it proceeds, getting into the 'black box' of the change process. A diagram can help complement a narrative explanation, helping to identify appropriate indicators to assess progress through implementation and identifying the barriers and constraints to achieving the expected Outcome, beyond the very high level assumptions which are often given in the existing logframe format. Make explicit the assumptions at each stage. Set out the evidence which supports these assumptions. For example, is the assumption based on evidence or is it a leap of faith based on assumed logical connection?

40. It is expected that articulating these assumptions explicitly makes it easier to assess the extent of change which the intervention is *likely* to achieve – some interventions have been overly ambitious in their expectation. A more realistic understanding of expected results will also help determine the level of risk.

Identifying feasible options

41. Once you have generated options, these should be filtered for feasibility. It is important that this is done explicitly and in a way that ensures that underlying assumptions are tested and challenged if necessary. It is easy for feasible options to be screened out without sufficient challenge through force of habit or practice. It may be helpful for the team working on the Business Case to agree which criteria matter for feasibility in the specific context and intervention before assessing options. The reasons for rejecting any options as infeasible must be made explicit in the Appraisal Case.

Establish the ‘Do Nothing’ counterfactual

42. In all cases, a ‘do nothing’ alternative option (or counterfactual) should be presented. This is the benchmark against which all costs and benefits of the other options are articulated and compared. The ‘do nothing’ option presents what we expect to happen over time without the DFID intervention. It should set out the costs and benefits expected over time so they can be compared to the costs and benefits of the different intervention options. Where the DFID intervention represents a scale-up of an existing programme, then the ‘do nothing’ option should describe the continuing situation of the existing programme without the scale-up.

43. In the ‘do nothing’ alternative, consider the likelihood of any ‘displacement effect’, where in the absence of DFID funding the intervention might still go ahead with funding from other sources such as partner governments or other development partners. In this case, DFID’s funding of the intervention might just displace other sources of funding. If displacement is likely and the intervention would still go ahead without DFID, then the benefits from the intervention going ahead need to be factored into the ‘do nothing’ alternative option. If you do not consider there is likely to be much or any displacement, you should explain why.

44. In contrast, it is possible that, in the absence of DFID involvement, a proposed multi-partner intervention would not be implemented at all. If this is likely, you should present supporting evidence along with a brief statement to accompany the quantified DFID attribution.

45. In all cases the ‘do nothing’ option must be suitable to the context of the intervention.

B. Assessing the strength of the evidence base for each feasible option

46. Because the strength of evidence may be different for different options, an assessment of the strength of the evidence base is required for each option.

47. For each feasible option, assess the existing evidence of impact on how similar interventions have worked previously, citing empirical research, impact and other evaluation or other peer-reviewed sources, both qualitative and quantitative, where possible. You should make sure you quote your sources appropriately for internal or external peer review, and for publication.

48. There are three categories of evidence:

Strong	Strong evidence of achieving expected outcomes that is relevant to the local context, from previous well conducted (methodologically rigorous) studies, or impact evaluations
Medium	Evidence only from different contexts or inconclusive evidence from relevant contexts, or other (non-impact) evaluations
Limited	There is limited (or no) evidence of impact from previous studies. In this case, you should be clear how you propose to evaluate the impact of the intervention to ensure that it is having the anticipated effects

49. ***Strong evidence of impact*** is normally derived from direct measurement of *the outcome which DFID is intending to achieve, not of proxy markers of this.* Good evidence is secured from primary research and evaluation methods that ask the impact question at the outset, and analyse how, why and in what contexts interventions may lead to that impact. Data collection is designed and undertaken from the beginning of the process. Cited references for the evidence should be papers that are peer-reviewed, for example in journals where that is known to be a requirement for publication.

50. Examples of strong evidence would include: good quality impact evaluations of a similar intervention in a relatively similar setting; conclusions on evidence of impact from a well conducted systematic review; randomised trials where relevant; studies that integrate qualitative and quantitative analysis; etc.

51. The citations should be of strong and direct evidence of impact, of a number of studies with similar results, including at least one with contexts that are similar to those of the proposed intervention. For example, if the plan is to provide free healthcare to improve health outcomes the evidence you cite should show health *outcomes*, not utilisation, a proxy measure. Overall, the evidence to support your proposed intervention should show that long-term impact has been achieved in similar circumstances.

52. Where this is the case it can be assumed with confidence that the programme will have the desired outcome, provided it is delivered properly. So in these cases, evaluation should focus on demonstrating evidence of effective delivery. Nevertheless, where possible, you should seek to be able to corroborate previous evidence from the outcomes of your own programme.

53. ***Medium evidence*** includes cases where there is:

- some, but limited (so not conclusive), evidence of impact – often because studies to date are too small, or are not methodologically robust

- Good evidence from very different settings e.g. excellent studies from Uganda, but the programme is in Afghanistan
- Not all relevant studies have found the same results; majority of evidence supports but with some dissenting results, all from well conducted studies
- Indirect evidence of impact from proxy markers

54. ***Limited evidence or no evidence*** is where either no studies or impact evaluations exist, or the evidence is from poorly conducted studies on which no reliance can be placed, or where the results are conflicting so no firm conclusions can be drawn. This does not mean a programme with no existing evidence should never be undertaken. Rather it should be seen for what it is: an innovation (even if it is an innovation people have been doing for some time, without any evidence that it works). As a minimum, the proposal will need to include a rigorous monitoring and evaluation strategy or impact evaluation plan, but it may also be necessary to set out what other reasons there are for embarking on a programme where the evidence is weak.

55. It is important here to differentiate between lack of evidence (there is no evidence whether something works either way) and evidence that something does not work – solid evidence of lack of effect. The latter scenario could be a reason for rejecting one of the options. An intervention can have no prior evidence that it works, and still turn out to be highly effective – but there is no way of knowing that, and it should never be assumed without explicit supporting reasoning.

56. At present, many DFID programmes[1] may well fall into one of the latter two categories. Our purpose is to be explicit in recognising this and to manage programmes appropriately. Assessing an evidence base as medium or limited is not necessarily an impediment to approving a project - the important thing is to be accurate and realistic in making the assessment, so do use the lower points on the scale when appropriate.

57. The point of this exercise is not to stop innovative work. It is important that it does not lessen DFID's appetite for risk and innovation. Rather, the objective is to encourage honesty about where current evidence is weak but then to get the level of evaluation of impact right for the existing evidence base. Thus, if the evidence base is limited, weak or indirect – or if there is no existing evidence other than that of need – the programme may be approved as an 'innovation'. You will be required to give particular attention to rigorous evaluation, so that the evidence base for future similar work will be strengthened.

58. In cases where the labelling of an option is uncertain, a judgement call should be made and the lack of clarity should be highlighted. For example, if an assessor is undecided whether to categorise an option as Strong or Medium, s/he must select either Strong *or* Medium and note that the choice was uncertain; the label Strong/ Medium should not be applied.

[1] Applying this categorisation to funding of projects with multi-lateral partners is more complicated. We may use the approaches used by partners in joint programmes, but should nonetheless seek to encourage good practice in our partners.

59. DFID wishes to avoid taking the 'easier' route of selecting options that are only about single defined interventions where assessment of impact is relatively easier. You are encouraged to do the more complicated, difficult things, but to build in evaluations to learn from these.

Table for rating evidence

60*. In the table (illustrated below) rate the quality of evidence for each option as either Strong, Medium or Limited*

Option	*Evidence rating*
1	
2	
3	*Add rows as necessary*

Climate change and environment category

61. All feasible options will need to be assessed by a Climate and Environment Adviser to establish any potential impacts or risks to both climate and the environment and the susceptibility of each option to environmental or climatic factors. The Climate and Environment Assessment (CEA) analysis will form an integral part of the overall sensitivity analysis described in paragraph 82. As part of the CEA process the C&E Adviser will have to define the climate change and environment context for each feasible option, as well as consider and give evidence for its likely impact (positive and negative) on the environment and on climate change. The C&E adviser will also consider the impact of climate change and the environment on the option. For all interventions, the focus is on; a) minimising and mitigating negative impacts on the environment or on climate change; b) maximising positive impacts on climate change or the environment offered by the intervention; and c) identifying how climate change could affect the achievement of outputs, the Outcome and the Impact. Where 'b' is applicable, the label 'opportunity' should be applied.

62. For further guidance see the Climate and Environment Assessment How to Note

63. Categorise the likely relationship between the option and climate change and environment as follows. Categorise risk and opportunity separately.

A high potential risk / opportunity
B medium / manageable potential risk / opportunity
C low or no potential risk / opportunity
D core contribution to a multilateral organisation (MO)

Option	*Climate change and environment risks and impacts, Category (A, B, C, D)*	*Climate change and environment opportunities, Category (A, B, C, D)*
1		
2		
3	*Add rows as necessary*	

64. The climate change and environment assessment and categorisation must be considered for each feasible option. Final categorisation will be assigned in the appraisal of options.

C. What are the costs and benefits of each feasible option?

65. The appraisal should assess all costs and benefits, including all expected benefits that can be articulated now and observed post implementation, not just the benefits that can be quantified. These costs and benefits should be compared to the expected costs and benefits of the 'do nothing' counterfactual, established in section A.

66. The analysis should be proportionate to the size and complexity of the intervention. All feasible options identified in section A should be included in the appraisal.

67. All intended indirect benefits should be included within the appraisal. For example the expected benefits of a particular education intervention would include the main intended education outcomes but might also include additional social benefits such as reduced crime and improved health outcomes. All relevant and credible benefits should to be included. For performance management purposes however, only the main Outcome as stated in the Strategic Case should be included in the logframe.

Multi-Partner Programmes

68. In cases where DFID is one of a number of contributors in a multi-partner programme, the overall multi-partner programme will normally form the basis for the appraisal. So the incremental costs and benefits for the programme as a whole should be presented first. Then the DFID contribution to the programme must be appraised. The DFID contribution will be presented as the expected incremental costs and benefits that are attributable to DFID.

Attribution

69. The attribution of benefits to DFID should be based on the proportion of our inputs to the programme, e.g. if DFID provides 10% of the programme costs, DFID would claim 10% of the overall benefits.

70. If you have reason to believe that proposed DFID inputs will be more (or less) productive than the average productivity of all partners' inputs, then DFID should claim greater (or lesser) credit for producing benefits than the simple pro-rata approach described above. This may occur where DFID, more (or less) than other contributors, uses its expertise and resources to increase government staff productivity, reduce transaction costs or increase the efficiency of the spending. Evidence of these effects must be presented and used to adjust the DFID pro rata credit for producing benefits.

Cost benefit framework for the appraisal

The following should be included for each feasible option;

71. **Expected resource costs of the intervention:** Identify all expected resource costs of the intervention in monetary terms, and clearly state the costs which are attributable to DFID. Describe the main drivers of these costs (cost drivers) and identify any cost-drivers that may be useful to the management and monitoring of the intervention.

72. If appropriate, state the contributions of all development partners, including country governments, and estimate any additional resource cost incurred by the private sector and/or individuals. If appropriate, consider the costs incurred by governments or others after the end of the intervention, in order to realise the intended sustainable benefits.

73. Set out when the costs are expected to be incurred. The distribution of costs over time should be made clear, and a table may be the best way to present this. Do not use discounted cost values at this stage.

74. **Expected benefits of the intervention:** Identify all benefits that relate back to the Outcome and Impact. For multi-partner programmes, include the range of benefits attributable to the overall programme. Then in all cases, clearly state the benefits which are attributable to DFID. Quantify and value benefits where possible. Benefits that cannot be quantified must be stated and included. You should also include relevant 'negative benefits' e.g. a social protection scheme which is administered by teachers could lead to a diversion away from teaching time. This would be captured as a negative benefit of the social protection intervention.

75. When considering the inclusion of indirect benefits make sure that these are both relevant and credible to the intervention.

76. The process of estimating benefits should be conducted in 3 stages, going as far through the stages as is sensible given readily available evidence. A table is provided to summarise all expected benefits and their distribution over time. Do not use discounted benefit values at this stage.

- Stage 1**: Identify** expected benefits **-** this should be in narrative form. Include details on who is likely to be impacted, as well as how, where, and when they are affected. This should include direct and indirect benefits, and should cover expected economic, social, political, institutional, environmental, fragility and conflict, climate change, institutional, and private sector engagement impacts, using the evidence already identified. Potential negative impacts should be set out here as negative benefits.

- Stage 2**: Quantify** expected benefits, providing a measure of both scale and timing of the benefits. For example 1,000 treatments delivered, 200 infant deaths prevented per year, etc. If in doubt how to proceed you should consult advisory and policy support (e.g. Results and VfM 'ThemeSites')

- Stage 3: **Value** expected benefits in monetary terms where both possible and sensible to do so in order to make easy comparison of options.

Summary of benefits table

Stage 1 Description of who benefits, and how and when they benefit	**Stage 2** Quantification (please give units)	**Stage 3** Monetary value (not discounted)
Add rows as necessary		

77. **Fragile and conflict-affected countries:** Consider the likely impact (positive and negative) of each option on conflict and fragility. This could be included as either a positive or negative benefit within the 'expected benefits of the intervention section'. Within this you must consider the impact of the intervention on the political context and the likely impact of domestic politics in the partner country on the proposed option. For all interventions the focus is on a) contributing to reducing conflict and fragility (refer to the peace building and state building framework) and b) doing no harm (as per the OECD-DAC principles for good engagement in fragile states).

78. **Risks and opportunities involved in implementing the intervention:** Include as relevant all economic, social, political, institutional, environment, fragility and conflict, corruption, climate change and institutional risks and opportunities. Highlight any notable differences in risk between the options under consideration. A detailed corruption risk assessment/mitigation plan is required in the Financial Case.

79. **Balance of costs and benefits:** The decision to invest in an intervention requires a judgement of whether the expected development results justify the costs. As a minimum, this section on the balance of costs and benefits should describe as accurately as the existing evidence permits the full expected benefits compared to the full expected costs. Where the intervention is a multi-partner programme you should first calculate the total costs and benefits of the entire programme and then consider and calculate the appropriate costs and benefits attributable to DFID.

80. Where a significant proportion of the benefits can be monetised, calculate the expected net present value (simply the discounted benefits minus discounted costs) for each option over a reasonable time period (in doing so you must consider the sustainability of the costs and benefits for the intervention). Costs and benefits arising in the future have a lower value than the same nominal amounts arising now. The more distant in time the costs and benefits occur, the less they are valued. Discounting is the process of adjusting future costs and benefits to arrive at their present value. Each country should have one common discount rate for all their interventions to present both costs and benefits in present value terms. DFID economists will advise on what the suitable discount rate to use is based on the country/context of the intervention and they should provide a short justification for why it was chosen at the given rate.

81. Include within this section all the identified benefits that were not quantified and valued in monetary terms in narrative form alongside the monetary estimates. Where a significant proportion of benefits cannot be quantified or valued, it is important to include a narrative assessment describing the extent to which the expected benefits will outweigh the stated costs.

82. **Sensitivity analysis:** Slight changes in key assumptions can often have large impacts on the expected benefits of an intervention. This represents potential risk to the results of the intervention and affects the balance of costs and benefits. Sensitivity Analysis involves changing a key assumption and seeing how robust the benefits of the intervention are to this change. Your assessment of the strength of evidence for each option should help identify key assumptions which may be vulnerable to change. Identifying significant risks and estimating their impact and their probability of occurring requires collaboration between advisers from relevant DFID cadres. Economists should then use this information to analyse the potential implications for the balance between costs and benefits for each option.

83. **Identify the preferred option(s) on the basis of the appraisal. Provide further information about the project design if helpful, based on the preferred option.**

84. **Climate and Environment Assurance Note:** This note is required for the preferred option, and must be signed off by a Climate and Environment Adviser, and saved to the **relevant project folder** in Quest. If the preferred option is categorised A or B (significant risks to the climate or environment) during the Climate and Environment Assessment a full scoping of climate and environment risks, opportunities and mitigating / management measures should be undertaken and built into the risk narrative in the Management Case. The Management Case should include robust justification on how the risks will be addressed during implementation (please see *Climate and Environment Assessment Technical How to Note*).

D. What measures can be used to assess Value for Money for the intervention?

85. Use the analysis from the appraisal in section C to set out relevant and sensible Value for Money measures. The Value for Money measures should measure the economy, efficiency, effectiveness, and cost-effectiveness of the proposed intervention. Provide measures that will be useful to track through Annual Reviews and Project Completion Reports in order to help indicate whether the intervention continues to represent good Value for Money. Examples of measures include;

- Unit costs (at input and output levels);
- Measures and ratios from economic appraisal such as Net Present Value, Internal Rate of Return, Benefit Cost Ratio, etc;
- Relevant comparisons of rates of return or unit costs with those used in similar interventions (could be in similar country contexts, regions or past interventions within the same country);
- Key cost drivers in the intervention.
- If the intervention is delivered through partners, reference any institution-specific agreements on how the institution will assess the Value for Money of its programmes that DFID is funding.

86. Include a brief description describing the stage at which the intervention would no longer represent good Value for Money. This should include quantified trigger points in both costs and output level results. For instance, if the level of results went below a certain pre-determined point or if key cost drivers (or key unit costs) went above a certain level this would trigger a re-evaluation of whether the programme was representing adequate value for money. This analysis should form part of any exit strategy considered as part of the Management Case (see para 117).

E. Summary Value for Money Statement for the preferred option

87. Draw together all the appraisal analysis to summarise the Value for Money of the preferred option(s), using information above as relevant. In no more than a few lines of narrative, set out the extent to which benefits are expected to outweigh costs. State costs in monetary terms. Also, ensure read across with the rating provided for the quality of evidence of impact of the preferred option in Section B and how this influenced the Value for Money judgement of the option(s).

3. Commercial Case

88. Outline the approach that delivers Value for Money through procurement. Complete either the section on direct procurement or indirect procurement, or complete both where appropriate.

89. **Direct Procurement:** where the intervention requires DFID to contract directly for the supply of services (e.g. technical assistance/ programme management to deliver the intervention).

90. **Indirect Procurement:** where the intervention requires DFID to provide funding to a third party organisation such as a Multilateral Organisation (MO) or a Civil Society Organisation (CSO) and so is 'indirectly' procuring the supply of goods and services. Interventions include those:

- delivered through Memorandum of Understanding (MoU) arrangements with MOs (e.g. a UN agency of Global Fund);
- delivered through Accountable Grant (AG) terms with CSOs;
- delivered through partner governments under MOU arrangements.

91. Bilateral funding through multilateral delivery channels: If you are choosing a multilateral delivery route you must demonstrate that you have carried out full due diligence on the choice of channel:

- Have you considered alternative delivery options?
- What are the institution's strengths and weaknesses as identified by the MAR? And how do these compare with this country context?
- Do we have a strong Value for Money case for using the institution as a delivery channel?

Direct procurement:

A. Clearly state the procurement/commercial requirements for intervention (distinguishing between direct and indirect procurement)

92. Provide a brief summary of the funding models that will be applicable to your intervention. If the Business Case relates to a large programme with potentially multiple interventions and funding types, give an outline of the interventions and the relevant funding plans for procuring the goods or services.

93. Where a Business Case covers a large programme including sub interventions which are either procured directly by DFID or procured via third parties (UN, World Bank etc), provide an outline of how the funding will be disbursed across the interventions into direct or indirect.

B. How does the intervention design use competition to drive commercial advantage for DFID?

94. Make the design element of the contract as clear as possible, both in terms of setting out DFID's expectations and in ensuring that we have the ability to encourage adequate competition in the supply of goods/ services. Where possible,

specifications should be outcome focused; this approach will provide the supply base with a clear understanding of DFID's needs but will provide enough flexibility to encourage innovation and to help ensure that DFID delivers best Value for Money.

C. How do we expect the market place will respond to this opportunity?

95. Consider the potential number of technically suitable suppliers who may take part in the tendering process, so as to understand the potential resource requirements to set up and manage the procurement effectively.

D. What are the key cost elements that affect overall price? How is value added and how will we measure and improve this?

96. Cost drivers for procurement are the breakdown elements of the costs which affect the overall price of a good or service. Value for money is demonstrated by outlining your awareness of all costs and those which may fluctuate and by setting out the governance processes you have put in place that will mitigate and manage these cost areas to minimise DFID risk exposure and to ensure that DFID secures the best quality goods or services at the best prices.

E. What is the intended Procurement Process to support contract award?

97. Consider the key factors that are relevant to the process used to procure the intervention. For further guidance on supplier involvement in development of Business Cases and Design & Implementation please see Commercial HTN.

F. How will contract & supplier performance be managed through the life of the intervention?

98. Outline how the contract and supplier performance will be managed from start to end, including the methods to achieve this (e.g. good, clear contract design with robust and reasonable implementation plans which include KPIs / SLAs and progress reporting to mitigate and manage poor supplier performance).

Indirect Procurement:

A. Why is the proposed funding mechanism/form of arrangement the right one for this intervention, with this development partner?

99. Justify your choice of funding mechanism (e.g. MOU, AG) for engaging with a third party entity to demonstrate that this represents Value for Money and explain the reason for your choice.

B. Value for Money through procurement

100. Describe the procurement policies, capacities, systems and, where you have it, evidence about procurement outcomes for the third party entity. Set out any major concerns with the proposed procurement process and any key changes we should seek to deliver. The 'Commercial How to Note' provides advice on steps to be considered.

4. Financial Case

101. This section should cover the cost breakdown of the project and an assessment of the underlying cost drivers. The case should cover issues of affordability, sources and types of budget funding and an assessment of financial risk This should cover capital and resource requirements and the overall impact on budgetary totals. Issues of time/ cost overruns and contingent liabilities should also be covered.

A. What are the costs, how are they profiled and how will you ensure accurate forecasting?

102. State the total financial resources required and the annual breakdown of those requirements.

You might like to use a table to illustrate, similar to the one below:

	2011/12	2012/13	2013/14	…
e.g. Core delivery costs				
e.g. Project admin costs				
e.g. Evaluation budget				
Total				

Consider the following points:

- Is adequate funding currently available within resource allocation or will funding require to be bid for through contingency?
- If the expenditure will extend into years beyond the current spending round, you must consult with FCPD to obtain the required HMT approval
- Have you obtained formal approval from FCPD at the correct level of HMT delegated authority for the intervention?
- If this funding is sensitive, novel or contentious, or relates to a press announcement, Treasury needs to be consulted (note this is required irrespective of value). This will normally be following Ministerial approval, although early sight by Treasury is helpful.
- Is there an adequate budget for monitoring and evaluation (of the project)?
- Additional budget profile information will be required within year and so any significant impacts on in –year spend should be considered.
- Regular forecasts of spend will be required in-year. Are there significant events/components which will need to be regularly tracked to enable forecasts to be updated?
- What are the significant cost elements of the project? What use is made of unit cost information and how do these compare with comparable unit costs for other projects? What are the cost drivers and what is the sensitivity to changes in activity?
- What are the financial risks associated with the project? (see section D)

Additional sources of guidance/information

103. Confirm you have secured the necessary funding in each year of the project. Consider the impact and costs of use of Promissory Notes when used as a funding mechanism and how these score as funding – in full when deposited rather than when encashed. The amount of note deposited but not encashed will be shown on DFID's Statement of Financial Position (formerly known as balance sheet) within the Resource Accounts, encashments then have no further budgetary implications or requirement for spenders. From a maximising financial resources perspective each deposit and encashment incurs bank charges, which are higher than other payment mechanisms.

104. Confirm that you have the required delegated approvals and secured the necessary sign off from Treasury via FCPD, where required. See **section A4 of Blue book** for more guidance.

B. How will it be funded: capital/programme/admin?

105. Indicate whether the funds will come from the admin, capital, or programme resources. Set out the resource requirements annually by funding type. If necessary seek advice from Financial Accounting on appropriate type of budget.

106. Consider and outline any key issues around DFID's Resource Accounts and Statement of Financial Position (formerly referred to as Balance Sheet). In particular you should highlight any contingent or actual liabilities. This can be presented in a table format if preferred.
Where an impact on the Statement of Financial Position has been identified advise FCPD immediately.

107. Where there are disbursements over more than one financial year or there is uncertainty over the full project amount, have you discussed with FCPD to ensure they are aware of the impact on DFID's Statement of Financial Position?

108. **If DFID is adjudged to have entered into a legally binding agreement full provision should be taken for the proposed spend, irrespective of timing of disbursement.** FCPD will then advise how total disbursements should be scheduled in your forecasted annual budgets. This is particularly relevant for Promissory Notes where it is at date of deposit that budget is required rather than when cash payments are made.

109. Further examples of required consultation and impact on Statement of Financial Position would exist where DFID has issued loan funding or returnable capital to an organisation, established a company limited by guarantee, established a trust or proposed to use an endowment policy. In these circumstances Spenders should ensure they have budgeted for costs throughout the programme. Further budgetary considerations would include repayments of funds but also any adjustments to carrying value of assets. Impairments would also require Annually Managed Expenditure budget.

110. Where funding is coming from a third party you need to set out the mechanism for receiving funds – for example use of Third Party Money account.

Additional Sources of guidance/information

MoneySight: Funding Types guidance
MoneySight: Budgets & Forecasting guidance
MoneySight: Contingent Liabilities guidance
MoneySight: Promissory Notes guidance
MoneySight: receiving funds from other donors guidance
HM Treasury – Consolidated Budgeting Guidance for 2011-2012
http://www.hm-treasury.gov.uk/d/consolidated_budgeting_guidance201112.pdf
MoneySight: How we work with other donors
MoneySight: Funding Considerations
MoneySight: Delegated Authority Levels

C. How funds will be paid out?

111. Set out clearly the funding mechanism to be used, outlining any issues that have been addressed in relation to disbursement of funds, including issues around advance funding where required. HMT rules as set out in "Managing Public Money" explain departments are not permitted to fund commercial entities in advance – exemptions may only be granted by HMT where a clear Value for Money case exists and is demonstrated satisfactorily. For non profit organisations it is not considered Value for Money to issue large sums in advance of need, therefore full justification to issue disbursements less frequently than quarterly must be set out clearly by the recipient organisation and approved by FCPD.

Additional sources of guidance/information

MoneySight: Making Payments/Advance Payments
MoneySight: How we formalise and pay commitments

D. What is the assessment of financial risk and fraud?

112. Consideration must be given to financial risk. This covers the risk of funds not being used for their intended purposes, that expenditure is not properly accounted for and that it does not represent good value for money. It will include an assessment of fraud and corruption risks and identify the mitigating actions to be put in place to minimise this. It will cover disbursements to partners and suppliers and the flow of funds through the relevant agency. It will include an assessment of the financial management and accountability systems of our partners and their underlying capacity and capability.

Describe

- The potential exposure to loss, fraud or corruption and the steps to be taken to mitigate this in terms of disbursement, monitoring and reporting.

- The due diligence process that has been undertaken

Refer to guidance on identifying and mitigating corruption risk (Quest 2893364)

E. How expenditure will be monitored, reported, and accounted for?

113. Reporting and monitoring arrangements should be clearly outlined including audit and accounting arrangements. This should be frequent and detailed enough to enable timely monitoring of the programme. Where funding is used to purchase programme assets provide a statement on asset management and reporting requirements.

Describe

- What are the reporting requirements: financial statements, audited accounts? Do these mitigate the risk of fraudulent use of DFID funds or corruption? Best practice is for, at least, annually audited reports which separately report receipt of DFID funds and associated disbursements, together with unspent funds.

- Are there any assets you need to monitor or manage? What will happen to them at the end of the project? In the case of returnable capital do these enable a valuation to be formed to identify any impairment, which will require budgets?

- Ensure project documentation includes an exit strategy where fraud is identified or project is not achieving expected results.

- In instances when funds are intended to be returned (loans/returnable capital/equity) ensure documentation sets out trigger points for return.

Additional sources of guidance/information

Blue Book: Meeting our Financial Aid Requirement for the use of Aid Funds (C4)

MoneySight: Mandatory Audit Requirements (for the use of aid funds)

MoneySight: Guidance on Interpreting Financial Statements

MoneySight: Interpreting Financial Statements

5. Management Case

114. The role of the Management Case is to set in place the arrangements necessary for the successful delivery of the intervention including procedures for monitoring and evaluation.

A. What are the Management Arrangements for implementing the intervention?

115. Set out the details of how the intervention will be implemented including:

- Any joint funding arrangements;
- Details of the relationships and division of roles and responsibilities between DFID, any partner government, other donors, programme partners or implementing agents; and
- Outline how 'beneficiaries' are represented in the governance of the intervention.

116. Set out clearly how, when and by whom the performance of the intervention will be monitored and assessed. Where relevant, this should include an explanation of the relationship between the DFID and the body managing the intervention.

117. Where appropriate consider an exit strategy from engaging in the intervention should it cease to represent good VfM or fails to deliver the expected results (this should draw on VfM considerations and trigger points outlined in the Appraisal Case at Section D).

B. What are the risks and how these will be managed?

118. Summarise the key risks identified that threaten the successful delivery of the intervention. State the mitigating actions to minimise these risks and assess the residual risk. This section should also cover the risk associated with the intervention not delivering on expectation, through consideration of the likelihood of over/ underachieving. Refer to guidance on managing risk (Quest 1728204)

119. Build in climate and environment risks, opportunities and mitigating / management measures as, identified in the Appraisal Case, into the risk assessment narrative.

Risks of Violation of Human Rights (for justice and security sector only)

120. All programmes in the justice or security sector must carry out an assessment of the risk that UK assistance may directly or significantly contribute to a violation of human rights and/or international humanitarian law. The **HM Government Overseas Security and Justice Assistance (OSJA) Human Rights Guidance** (Quest 3438784, see Checklist A in particular) sets out the test that should be applied and provides a useful framework to assist the assessment. The assessment should balance risks against the positive impact that security and justice programming can have on the realisation of human rights. The conclusion of the assessment should be reflected in the risk assessment and any necessary mitigating measures should be incorporated into the design of the programme. It is not necessary to record the assessment in a separate document. Contact the **Security and Justice Team** with

any queries. One source for the assessment should be the human rights assessment within Operational Plans.

C. What conditions apply (<u>for financial aid only</u>)?

121. For financial aid to government, specify whether or not there are specific conditions attached to the disbursement of aid and, if so, what the specific conditions are.

122. For financial aid to government, set out briefly the processes for assessing and continuing to monitor partner government's progress against the four partnership commitments. How would a possible breach of the commitments be addressed through the oversight and management arrangements?

D. How will progress and results be monitored, measured and evaluated?

123. Set out the monitoring and evaluation plan.

124. The assessment of the **evidence base** as outlined in the appraisal case should influence your approach to monitoring and evaluation

Strong evidence base

125. Where the evidence base is strong, and the programme is based on very clear evidence of impact, evaluation can often be limited to *process* – primarily to demonstrate evidence of effective delivery. For example, if there is good evidence that conditional cash transfers improve birth outcomes in India, an intervention should be able to proceed with light or moderate monitoring and evaluation in most contexts. We – and any independent observer – can be confident that the outcome will be as expected, provided the programme is well-delivered. Though even here, it is important to avoid complacency. There will be examples where circumstances change (e.g. rising living standards or welfare indicators, political change), and perhaps previously successful and appropriate interventions may become less effective. It is therefore desirable from time to time still to test previously well established approaches.

Medium evidence base

126. The picture is more complex for **medium evidence**. *Medium grade evidence* may require a full impact evaluation of the programme as well as process evaluation, or evaluation of a component of the programme; or some form of analysis of impact which will provide evidence that programme effects and outcomes are similar to those found in different settings.

Limited, no or indirect evidence

127. Where the evidence is currently weak, indirect or missing, *the programme should be seen as* ***an innovation.*** A formal impact evaluation should be considered from the beginning, including where appropriate *a baseline survey* or other data collection which precede the intervention, and without which it cannot start. Wherever possible this should be undertaken by groups with expertise in impact evaluation relevant to the subject, independent of those commissioning and delivering the programme.

128. In some cases the programme may be considered not to be evaluable, in which case redesign should be considered. However, in some cases it may either be that the intervention is too complex to evaluate, or – exceptionally – on the proportionality principle that the benefits of doing so rigorously are not justified by the difficulty and cost. This decision should however be taken actively, and only in exceptional cases.

128. The **Evaluation Plan** should describe in detail the proposed evaluation approach and how it fits with the existing evidence base and the monitoring strategy.

130. All interventions require a decision on whether to carry out a formal independent evaluation or not. This decision should be based on the evidence underpinning the intervention and the programme budget, with serious consideration of evaluation required for programmes of £5 million and over. Where an evaluation is not planned, an explanation should be provided.

131. In all cases where it is proposed to undertake an evaluation, include an evaluation plan which identifies:

- What is the purpose of the evaluation?
- Who will be the key users of the evaluation?
- When is it planned to evaluate the intervention?
- What are the key evaluation questions?
- What design and methods are envisaged?
- Will the baseline data and monitoring strategy provide the data necessary to answer the evaluation questions?
- How does the evaluation approach fit with the existing evidence base in support of the intervention?
- What is the role of stakeholders (see section A of the Management Case) and how will they be involved?
- What budget has been set aside for evaluation?
- How will suitable evaluators for this work be identified and contracted?
- What is the strategy to communicate the evaluation findings

132. The **Monitoring Strategy** is the systematic collection and analysis of information as a project progresses, aimed at improving the efficiency and effectiveness of a project or organisation.

133. The monitoring strategy should set out data requirements, potential data sources and how the data will be obtained and monitored at the start of the project (baseline), at various intervals during the project (milestones) and at the end of the project (target) to help assess the trajectory of Outputs through to Outcome and Impact. Importantly, the monitoring and evaluation data should be disaggregated wherever possible to effectively track results for girls and women (i.e. by gender and age) and for the poorest and most vulnerable (i.e. by income quintile and defined vulnerable groups where relevant). The tool used within DFID from which to outline these monitoring arrangements is the logframe.

Using the logframe as a monitoring tool

134. A logframe should be prepared for all newly approved projects from January 2011. This should complement the Business Case and be published routinely as part of agreed transparency commitments. Note that Goal and Purpose have been renamed Impact and Outcome in the logframe, in line with results based management.

135. The starting point for the logframe should be the change process, articulated in the Appraisal Case, for the chosen option, and should clearly outline the relationship between all outputs, and the Outcome and Impact. The logframe will develop

alongside the Business Case; the Impact and Outcome are determined early on, and the Appraisal Case will then determine the outputs and activities. It is also important to set out the delivery trajectory for the intervention i.e. setting appropriate baselines and expected milestones and targets. Delivery trajectories should be outlined following detailed consideration of available evidence, a theory of change approach, feasibility of delivery, and identification of appropriate indicators from which to assess progress throughout the life of the project.

Project scoring at Annual Review and Project Completion

136. From January 2012 project scoring will be directly driven by a comparison of results actually achieved against those planned milestones and targets mentioned above. It is important that milestones and targets are set at a realistic level of expectation, rather than at an aspirational level that is unlikely to be fully realised. The fact that all Annual Reviews, Project Completion Reports and logframe documents will be published externally makes it even more important to have a transparent and defensible approach to project scoring.

137. Assessment of achieved performance against planned performance (as outlined at project design stage) will therefore be central to management decisions. Following design of the logframe, project teams should consider what over and underachievement will look like against the identified milestones and targets. The clear outline of parameters defining over and underachievement should make the project scoring process easier and more defensible at review date. The outcome of the review, and in particular the project score awarded, should directly inform future management of the intervention. Guidance on the new project scoring approach will be available in late-2011.

138. Please see the accompanying guidance on Monitoring and Evaluation for further information and the interim guidance on Measuring and Managing for Results in Fragile and Conflict-affected states for further information.