Sightsavers' submission to the IDC's inquiry on the FCDO's approach to Value for Money

January 2025

Summary

Sightsavers is an international development organisation which works with partners to prevent avoidable blindness, eliminate neglected tropical diseases (NTDs) and realise rights for people with disabilities in more than 30 countries in Africa and Asia. We are also part of the Inclusive Futures consortium leading the FCDO's flagship Disability Inclusive Development programme.

We welcome the opportunity to contribute to the International Development Committee's inquiry and as coalition members also endorse the submissions of both the Bond Disability and Development Group and Action for Global Health.

Our submission argues that equity, particularly inclusion of marginalised and hard to reach groups including persons with disabilities, should be central to any definition of and approach to Value for Money as fundamental to achieving good development outcomes. We therefore recommend that equity is not only explicitly set out in the FCDO's Value for Money framework and guidance but goes beyond this by framing equity as central to the success of a programme, taking a 'do no harm' approach, considering equity throughout the results chain and collecting and using data on the its cost drivers.

We also offer a number of practical observations in response to those questions which are relevant in terms of our experience on how the FCDO funding models and choices may be improved to better achieve Value for Money objectives or in areas where we have actively engaged.

Key questions

1. **How does the FCDO currently define the term Value for Money? Are there any other aspects of Value for Money that the FCDO should be considering in its assessment?**

FCDO's approach and definition

In the period since the former Department for International Development Value for Money framework was published in 2011, increasingly approaches have included a 'fourth' E of Equity, whereas earlier approaches tended to only focus on the first three of Economy, Efficiency and Effectiveness.

For example, the 2021 FCDO's Programme Operating Framework (ProF) sets out a top line view of the department's definition of Value for Money (VfM). It uses the approach of adopting '4Es:' including Equity. There is, however, limited publicly available information on how this approach is operationalised or on the guidance given to staff to implement it. Business cases from recent FCDO programmes seem to broadly follow the form of the 4Es (some adding cost-effectiveness) but there also seems to be some differences in how the approach is interpreted. Developing a better understanding of the approach that is being taken and how this supports decision making would be valuable.

Equity and Value for Money

As pointed out in a 2016 paper by the Bond network of UK international development organisations, Leaving no one behind: The value for money of disability-inclusive development, too often value for money and inclusion are perceived to be in conflict as they are often interpreted or implemented in a narrow way incorrectly equating the best impact with one that reaches the most people for the lowest cost. This particularly negatively impacts people with disabilities who may be harder and more expensive to reach, particularly those with complex needs or who experience multiple intersecting inequalities. Without an explicit equity measure in the VfM framework, the focus on the other 3 Es can easily translate into exacerbated inequities and widens the gap. Consequently, the fourth E of Equity should not be seen as undermining the other aspects of VfM but as central to achieving good development outcomes.

We are pleased to see that a number of recent Business Cases from the FCDO include references to disaggregated data or collecting data on the number of people with disabilities or from other marginalised groups reached through programmes as part of their equity considerations. However, approaches to equity must also go beyond this. For example:

- Framing equity as central to the success of a programme - for example processes for assessing bids or monitoring progress should not imply a trade-off between equity and economy/efficiency/effectiveness.

- Taking a ‘do no harm’ approach - such approaches should avoid incentives that discourage actors from reaching hard-to-reach groups. For example, comparing programmes based just on cost per beneficiary or Payment by Results approaches that are purely focused on numbers reached rather than equitable outcomes.

- Considering equity throughout the results chain - in practice this means not just considering whether project results are inclusive, but also whether processes such as recruitment and procurement are enhancing equity, for instance by requiring that technologies are accessible, and where possible by supporting suppliers who come from marginalised communities.

- Understanding and collecting data on the cost drivers of equity - promoting equity within VfM should not equate to not taking the other elements of VfM seriously.

These approaches to Value for Money should also sit alongside the new Government’s focus on locally led development and ‘modern partnerships’ by ensuring that approaches to VfM have a strong focus on the views of intended recipients of UK Aid, rather than a narrow focus on numbers.

However, as the previous International Development Committee's report of its inquiry into the FCDO's approach to FCDO and disability inclusive development noted, approximately 1.3 billion people, or 16% of the global population face more barriers to equal participation in society than those without disabilities, with around 80% of people with disabilities living in low and middle-income countries. Therefore, even if viewing Value for Money through a narrow lens in terms of numbers of people reached, any development programmes which are not disability inclusive therefore exclude a very sizeable proportion of the general population.

2. **To what extent did the merger of DFID and the FCO affect what the FCDO considers to be Value for Money?**

The merger of the two former departments brought together some markedly different processes, language and to some extent cultures and it is not clear to what extent these might have had an impact on how different teams and individuals conceptualise and approach VfM.

Aside from the short mention in the ProF highlighted above, there are limited other publicly available documents which articulate the approach. As both departments spent ODA prior to the merger, it is not clear whether different approaches were being used and what impact it has had. We understand the FCDO has used the UK Government's Social Value Model for commissioning and procurement post-merger, however it is unclear how or if this impacts on the broader VfM framework in theory or in practice.

Key areas for clarification include the following:

Value for Money for whom

DFID's approach to Value for Money was founded upon an understanding that underpinning Value for Money calculations was the need to achieve value for those DFID was intending to reach through its programming and policy. As such, the Smart Rule on VfM started by setting out that Value for Money means that "DFID is committed to maximising the impact of each pound spent to improve poor people's lives (economy, efficiency, effectiveness and equity)" before highlighting issues around ensuring value for the UK taxpayer. By contrast, although it incorporates

Equity as previously mentioned, the FCDO's ProF frames VfM solely in terms of the value to the UK taxpayer.

DFID's guidance and approaches on Equity

The Smart Rules were also more explicit in outlining how equity and VfM might interact stating that: "If paying a bit more means the programme is more efficiently implemented, outcomes more effectively met and/or greater equity is achieved, then that payment is likely to be justified." The ProF, by contrast, makes no clarifications around Equity leaving questions about the extent to which it is prioritised.

More substantively, we understand DFID also had specific guidance on Value for Money and Equity which was developed in 2017 and a shorter external version published in 2019 for use by partners. These provided clear guidance and a comprehensive approach to ensuring Equity was at the centre of VfM discussions, largely aligned with the paper on Value and Money and Equity published by Bond highlighted above.

There are also examples from around that time of how DFID was testing approaches to embedding Equity within VfM assessments. In 2017, for example the Girls' Education Challenge adopted a new approach taking into account the higher cost of reaching the most marginalised children through a 'marginalisation weighting'.

Although this approach has its challenges, it is a good way of ensuring that equity is not just seen as an add on but is fundamental to the approach to VfM. In addition, the approach focused on whether applicants understood the cost drivers of the expense of their programmes rather than just looking at cost or cost-per beneficiary. This is critical for an equitable approach as the costs of achieving equitable approaches can vary hugely depending on the context. For example, the cost of providing sign language interpretation at a public meeting will vary significantly depending on the signing infrastructure in that country. It would be interesting to understand what impact this approach had, to what extent it was considered to be effective and whether lessons have been integrated into further programming.

Similarly, the Procurement Act 2023 due to come into force in 2025, moves criteria for tenders across government from Most Economically Advantageous Tender (MEAT) to the Most Advantageous Tender (MAT) which should in theory at least mean lowest price doesn't necessarily mean the best. It would be helpful to understand the extent to which FCDO's frameworks and guidance have or will be updated in response to this.

We therefore recommend:

- The FCDO clarifies what guidance is provided to staff on including Equity within considerations of Value for Money in the context of its programmes and procurement more broadly.

- The FCDO updates DFID's 2017 guidance on Equity and Value for Money and takes more concrete steps to ensure that this is implemented across the department.

- In approaching Value for Money the FCDO balances value and accountability to the taxpayer and value to the intended recipients of UK Aid and centres its approach within a focus on reducing poverty and leaving no one behind.

3. **How effective is the FCDO at monitoring the delivery and outputs of its programming to ensure its achieving Value for Money? Is there a cohesive approach across the merged FCDO?**

While we are supportive of the principle of third-party monitoring and evaluation of grant funding, it requires a common and clear understanding of what constitutes Value for Money in this context. The requirements can also be quite bureaucratic and onerous for third sector organisation taking time and resources away from implementing the programmes themselves which can undermine the original purpose.

4. **How could the FCDO improve its oversight mechanisms to ensure Value for Money of its ODA budget?**

Clearer and commonly understood criteria and proportionate requirements on programme providers combined with more predictable and longer-term funding models would help to improve Value for Money considerably in this context for the reasons mentioned above. Furthermore, there is an inherent tension in the current system whereby grant recipients are understandably expected to spend funds as efficiently as possible, but any underspends are punished through a ‘use it or lose it’ philosophy. This can create perverse incentives to spend money quickly at the end of the year or contract period.

We support the continued oversight role of The Independent Commission for Aid Impact (ICAI) in scrutinising the effectiveness of UK aid spending overall.

6. **Does the FCDO’s funding model impact the cost effectiveness of its aid budget?**

The experience of cuts to and pressures on the available Official Development Assistance budget where programmes were prematurely ended such as in the case of the Accelerating the Sustainable Control and Elimination of Neglected Tropical Diseases (ASCEND) programme or scaled back as with the Disability Inclusive Development (DID) programme, not only had profound impacts in terms of people (not) reached, but also overall cost-effectiveness. The relatively short-term and stop-start nature of FCDO funding in recent years has proved particularly challenging for development NGOs in this regard and although the FCDO has since reinstated some funding, including re-entering the neglected tropical disease field, ongoing pressures on the ODA budget, including due to its use by the Home Office for in-donor refugee costs, present continuing challenges in terms of efficient and effective delivery of aid.

Other decisions about where ODA is spent have impacted on the FCDO’s overall effectiveness of its aid budget. For example, the UK significantly reduced its funding for education in the previous decade from 13.5% of bilateral ODA in 2013 to 3.7% in 2022. Likewise, the reduction in global health spending represents an overall cut of up to 40%. Such significant reductions in these critical areas have undermined the FCDO’s ability to meet its objectives effectively.

7. **To what extent does the philosophy of aid at the FCDO align with its finance delivery partners, including British International Investment, and other Multilateral Development Banks?**

The UK has played a critical role in advocating for disability inclusion at the World Bank, including through the International Development Association (IDA). The UK has recently pledged an increase on its previous commitment as part of the IDA20 replenishment process. Although still a significant reduction on IDA19, we welcome this announcement. It is however also important that the FCDO continues to ensure that Multilateral Development Banks such as the World Bank are prioritising disability inclusion. We therefore recommend that the FCDO is explicit in ensuring development finance institutions prioritise a focus on equity and ensure that this is reflected in core and programme financing to these organisations alongside its political and policy engagement.