

## METHODOLOGY FOR ASSESSING VALUE FOR MONEY (VFM) OF PROJECTS

*Virgin Islands Recovery and Development Agency*

One of the core roles of the Recovery and Development Agency (RDA) is ensuring Value for Money (VfM) in the delivery of programmes and projects aimed toward recovery and development of the Virgin Islands. Section 5(2)(c) and (d) of the Virgin Islands Recovery and Development Regulations outline the value for money mandate of the RDA, specifying that:

The Agency shall be responsible for implementing the Government’s Recovery and Development Plan in partnership with the Ministries and in so doing shall:

- (c) deliver the intended benefits; [and]
- (d) ensure that each project represents value for money.

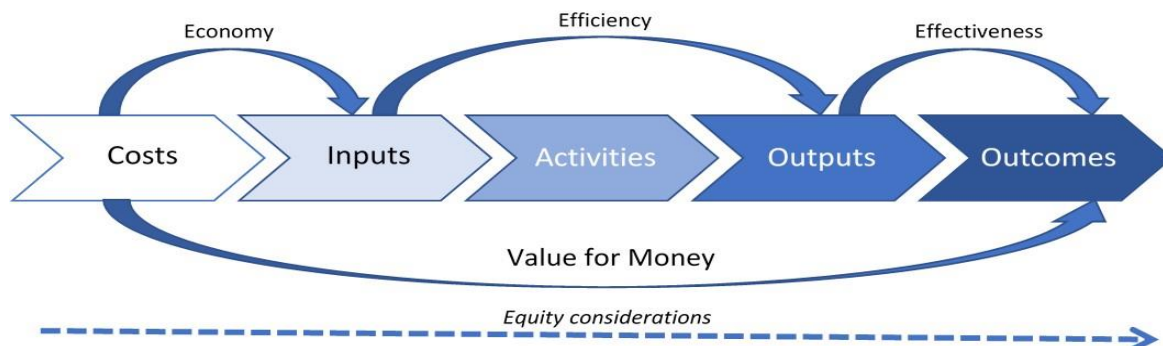
Value for Money can be defined as the utility derived from every sum of money spent, based not only on the minimum purchase price (economy) but also on the maximum efficiency and effectiveness of the purchase. In this way, this Value for Money Framework outlines the RDA’s approach to measuring the 1) Economy; 2) Efficiency; 3) Effectiveness; and 4) Equity of project implementation to ensure that the RDA is able to deliver value for money to financial contributors including principally the Government of the Virgin Islands (GoVI), UK Government (UKG), private donors, and centrally, the ultimate beneficiaries: the people of the Virgin Islands.

This framework also outlines the principles and methodology for assigning VfM scores to projects undertaken by the RDA. These scores are based on the time and cost inputs, as well as the quality results of RDA outputs measured against precise, clearly articulated aims, and benchmarked to international standards and similar contexts where relevant. The Framework envisions an overall Value for Money score of up to 100 points for individual projects. Examples of how these methodologies will be applied are outlined throughout the Framework.

*Table 1: Value for Money Areas within the 4Es*

VfM Area	VfM Indicators
Economy	Economy
Efficiency	Output Cost, Output Time, Schedule
Effectiveness	Output Effectiveness, Outcome Effectiveness, Quality
Equity	Equity

The Value for Money score is made up of eight indicators (listed in Table 1) within the four outlined areas of Value for Money, namely Economy, Efficiency, Effectiveness and Equity.



## 1) ECONOMY

The RDA has undertaken to provide priced Bills of Quantities (BQs) for all projects being procured, providing guidance to potential tenderers. This process provides a target against which the economy of project outputs can be measured, given that economy is a measure of how accurately the planned budget relates to actual spending. In this way, the value of actual project spending is compared to the value of the priced BQs, or the developed budget. The following criteria and scoring in Table 2 will be applied in assessing the economy of project outputs, with the highest score for Economy set at 10 points:

Table 2: Costs based on Project BQs/Detailed Planning Budget

TARGET: VALUE OF PRICED BQs FOR PROJECT OUTPUTS	
Criteria	Scoring
Up to 5%	10.0
From over 5% up to 10%	7.5
From over 10% up to 20%	5.0
From over 20% up to 30%	2.5
Over 30%	0.0

## 2) EFFICIENCY

The efficiency of an intervention considers the relationship between time and cost inputs, and delivery of project outputs, in determining whether time and costs have been well spent. Project outputs must be well understood during the planning stage, and collected over the life cycle of the project, to allow efficiency measurement.

The RDA's M&E Framework contains output indicators for the projects which the RDA is responsible for delivering. These outputs are considered in conjunction with the time and cost inputs expended in producing them, and then benchmarked against project implementation and results within a similar context, to determine whether value for money - efficiency specifically - has been achieved.

The maximum number of points available for this measurement is 40 points, namely 20 points for output cost, 10 points for output time, and 10 points for schedule. Output cost is equal to the total cost of the project divided by the quantitative value (where relevant) of a measured output. In this way, the output cost gives the dollar value cost of each output. The scoring methodology for this indicator is outlined in Table 3.

Table 3: Output Unit Cost

BENCHMARK: COMPARISON OF OUTPUT COST IN SIMILAR CONTEXT	
Criteria	Scoring
Up to 20%	20
From over 20% up to 30%	10
From over 30% up to 35%	5
Over 35%	0

Similarly, output time is equal to the quantitative value of a measured output divided by the total number of days taken to deliver the project (from signed SoR to project closure). In this way, the output time gives an estimate of the number of outputs produced per day. The benchmark for this scoring can be either output time in a similar context, or the calculated targeted output time. The scoring methodology for this indicator is outlined in Table 4.

Table 4: Output Unit Time

<b>BENCHMARK: COMPARISON OF OUTPUT TIME IN SIMILAR CONTEXT OR PLANNED OUTPUT TIME</b>	
<i>Criteria</i>	<i>Scoring</i>
Up to 20%	10.0
From over 20% up to 30%	7.5
From over 30% up to 35%	5.0
Over 35%	0.0

The third aspect of Efficiency measurement is based on the planned schedule. This compares the planned number of days to complete the project and produce the outputs to the actual number of days taken. The methodology for this Schedule aspect is outlined in Table 5 below.

Table 5: Schedule

<b>BENCHMARK: PLANNED SCHEDULE (DAYS)</b>	
<i>Criteria</i>	<i>Scoring</i>
Up to 20%	10.0
From over 20% up to 30%	7.5
From over 30% up to 40%	5.0
Over 40%	0.0

### 3) EFFECTIVENESS

The effectiveness of an intervention measures the relationship between a project's outputs and its outcomes, to determine if the products of the project have indeed assisted in achieving its broader objectives. While evaluation of effectiveness can be quite an involved process, for purposes of simplicity and timeliness, a straightforward methodology for measuring effectiveness has been developed for the purposes of the RDA and its stakeholders, which combines comparison of target versus achieved output indicators, with observed relationship (positive, neutral, or negative) between output and outcome indicators, and a measurement of whether industry standards have been met. The scoring methodology for this indicator is outlined in Table 6.

Table 6: Target versus Achieved Output

<b>BENCHMARK: COMPARISON OF TARGET OUTPUT</b>	
<i>Criteria</i>	<i>Scoring</i>
Up to 20%	20.0
From over 20% up to 30%	10.0
From over 30% up to 40%	5.0
Over 40%	0.0

Where achieved outputs come within 20% of the target, full points (20) will be awarded, demonstrating overall success of the project.

The change relationship between outputs and outcomes will be used as a measure of outcome effectiveness. Generally, this measure analyses the directional change in outcomes in relation to the directional change in outputs. The maximum score (15.0) is assigned where the anticipated/desired movement in outputs and related outcome(s) is observed, and this is termed a “positive correlation”. The scoring methodology for this indicator is outlined in Table 7.

*Table 7: Relationship between Outputs and Outcomes*

<b>CHANGE RELATIONSHIP BETWEEN OUTPUTS AND OUTCOMES</b>	
<i>Criteria</i>	<i>Scoring</i>
Positive correlation	15.0
Neutral/Unclear	5.0
Negative correlation	0.0

Another dimension of effectiveness involves measuring whether the outputs produced meet industry standards and/or quality expectations, and/or how many valid defects are reported about the project within the contracted defects and liabilities period, where relevant. This measure requires identification of appropriate industry standards and measurement of outputs’ relevance to and achievement of these. Quality assessment may also, alternately, consider user satisfaction through interviews and/or the number of valid defects reported. In assessing quality, information is collected from project managers on standards achieved by the outputs and reported valid defects, as well as end-users on whether outputs have met quality expectations. The scoring methodology outlined in Table 8 below is used to assign a score for the Quality aspect of Effectiveness.

*Table 8: Meeting Quality Expectations*

<b>QUALITY</b>	
<i>Criteria</i>	<i>Scoring</i>
Fully meets industry standards/quality expectations	10.0
Partially meets industry standards/quality expectations	5.0
Does not meet industry standards/quality expectations	0.0

#### 4) EQUITY

The equity dimension of Value for Money focuses specifically on whether an intervention meets the anticipated/planned goals for equity, based on collection and analysis of disaggregated output and outcome indicators. Indicators may be disaggregated by gender, and/or by age, to capture differences in

results and persons' experiences generated by interventions. The equity measurement determines whether the observed disaggregated outputs and outcomes demonstrate advancement or retrenchment of the anticipated equity goals. Where observed results demonstrate positive movement towards equity aspirations, the maximum score (5) is assigned.

Table 9: Impacts on Equity

EQUITY GOALS	
Criteria	Scoring
Positive impact	5.0
Neutral/Unclear	2.5
Negative impact	0.0

## 5) Overall VfM Score

The overall VfM score combines the scores allocated for Economy, Efficiency, Effectiveness and Equity. The maximum total score is 100 points, with 10 points for Economy, 40 points for Efficiency, 45 points for Effectiveness and 5 points for Equity. Where a specific aspect of the Value for Money scoring methodology is not relevant, and is not used, the score will be weighted to account for the aspect not included. A maximum of 100 points can be achieved for overall VfM.

Overall VfM Score – 100 points			
<b>Economy</b>	Economy	10 points	10 points
<b>Efficiency</b>	Time Efficiency	20 points	40 points
	Cost Efficiency	10 points	
	Schedule	10 points	
<b>Effectiveness</b>	Output Effectiveness	20 points	45 points
	Outcome Effectiveness	15 points	
	Quality	10 points	
<b>Equity</b>	Equity Goals	5 points	5 points
<b>Overall VfM Score</b>			<b>100 points</b>

## 6) Considerations

Calculation and reporting of VfM scores must be done within a context which effectively explains the reasons for the scores, and the underlying, external factors which influence scores. Overreliance on scoring in the absence of the appropriate context can have the opposite effect to that intended, which is greater transparency and accountability, instead leading to gaming and other dishonest practices.

For this reason, the Value for Money reports produced using this methodology must adequately present a contextual narrative alongside scoring.