This is a companion note to the 2019 VfM Smart Guide for External Partners.

Contents

Authors' note: Compiled by Inclusive Societies Department in July 2017 with greatly valued input from colleagues across DFID. Revised for partners in August 2019.

Executive summary

What is equity?

1. Equity in DFID is the extent to which all people can achieve equivalent outcomes in life, such as in health, the economy, and active participation in society. It means the services we provide are designed to help people according to their need. It means spending fairly with due consideration to the different constraints and opportunities people face and how these may affect their ability to achieve different outcomes in life.

When to consider equity?

2. Assessing equity involves assessing how fairly the benefits of a programme are distributed and the extent to which benefits will reach poor and marginalised groups. It can be assessed at programme design through to implementation and closure.
3. The different lenses through which to view equity will vary just as the characteristics and identities of people most at risk of extreme poverty, exclusion, stigma, violence and discrimination vary by context. To maximise the impact of interventions on poor people's lives, it is important to consider equity alongside economy, efficiency and effectiveness.

How to consider equity?

4. Equity can be considered in different ways, depending on your role. It will be important to consider the different people who could be reached by your programme and whether there are different approaches which would allow the most excluded and in need to benefit. It is also important to consider the counterfactual: what will happen if these groups aren't reached. You can also consider barriers to inclusion in the programme, which if not addressed may lead to further marginalisation of groups.
5. Balancing the four E's of Value for Money can be complex and there may be trade-offs. Considering the fourth E equity alongside the other E's does not mean weighting equity higher than the other E's.

Valuing costs and benefits

6. When forming assumptions about costs, it is important to unpack who will benefit from the cost incurred and whether everyone in the target population can benefit equally without additional support. If not, consider what the barriers to benefiting are and how they might be resolved. Do not assume that the cost of developing an inclusive programme will be prohibitively high. Instead, gather the evidence on how the investment will impact all groups.
7. The focus of analysis of value should be at outcome level where possible, or on outputs that maximise the chance of delivering the programme's expected outcomes. The impact of a policy, programme or project on an individual will vary according to his or her income and ability to receive the benefit from elsewhere.

Monitoring and evaluation

8. A good VfM monitoring and evaluation framework involves using SMART[1] metrics to capture information on all four E's, including equity. Metrics are generally most useful as triggers for wider VfM discussion. Evaluations can drive VFM by generating evidence and learning for current and future programmes.
9. Equitable monitoring and evaluation will involve understanding who benefits from the programme and how this may vary with individuals' characteristics. It will also mean including the views of beneficiaries and their representatives in assessments of the programme.

[1] SMART: **S**pecific, **M**easurable, **A**greed-upon, **R**ealistic, **T**ime-bound

A: Background

10. **This document starts by summarising DFID's approach to VfM and equity.** This is to ensure that everyone has the same understanding of what is being discussed here.

A1: Aim and audience

11. **This external guidance is for DFID's delivery partners involved in and competing for programmes funded by DFID.** It is intended to inform partners of how DFID considers equity as part of Value for Money and reflects DFID's internal guidance on equity.

A2: DFID's approach to VfM

12. **For DFID, VfM means that 'we maximise the impact of each pound spent to improve poor people's lives.'** It means that in everything we do, we try to maximise our impact and support long-term transformational change to improve poor people's lives, given the financial, political and human resources we have available. The full conceptual framework for VfM can be viewed in the DFID VfM Smart Guide for External Partners (DFID 2019a).

13. **DFID's approach to VfM is clear that it does not mean we should take the easy options, ignoring difficult to reach populations or problems which are difficult to tackle** (ibid). Best impact does not necessarily mean a programme that reaches the highest number of people or reaches people at the lowest cost. DFID works across some of the world's poorest countries, with a focus on a group of priority countries, many of which are fragile and conflict-affected, and have large numbers of extremely poor people who are hard to reach.

14. **Assessing the four E's of a programme can help maximise a programme's impact on poor people's lives, given the resources spent**. These are economy, efficiency, effectiveness, and equity. Box 1 gives a description of the four E's.

Box 1: The 'four Es'

Economy - Are we (or our agents) buying inputs of the appropriate quality at the right price?

Efficiency - How well are we (or our agents) converting inputs into outputs? ('*Spending well*')

Effectiveness - How well are the outputs produced by an intervention having the intended effect? ('*Spending wisely*')

Equity - How fairly are the benefits distributed? To what extent will we reach marginalised groups? (*"spending fairly")* (DFID 2019a)

A3: DFID's approach to the fourth E Equity

15. **In the context of Value for Money, DFID understands equity to mean spending fairly.** This means that we are concerned with and account for people's differing needs and opportunities. Box 2 sets out the National Audit Office meaning of equity which we will use throughout this document (NAO, 2013).

16. **To assess and monitor the fourth E, we require a context- and programme-specific understanding of relative needs, and the barriers and constraints to inclusion.** The fourth E asks whether inclusion and the needs of vulnerable people have been considered throughout the programme and in choices at the input, output and outcome levels.

17. **The different lenses through which to view equity will vary by country** just as the characteristics and identities of people most at risk of extreme poverty, exclusion, stigma, violence and discrimination varies by context. Examples of some of the characteristics and identities that may be correlated with equity

concerns are: geography, disability, age, ethnicity, social economic group, religion or belief, language spoken, sex and sexual orientation inter alia.

Box 2: National Audit Office VfM guidance on equity and VfM

Equity: the extent to which services are available to and reach all people that they are intended to – spending fairly.

Some people may receive differing levels of service for reasons other than differences in their levels of need. Some examples of barriers to inclusion which could produce inequitable services are:

- the cost and level of provision of a service is more for one group of people than that for another group of people with similar needs;
- some people cannot reach, see, hear or use a service;
- the service may be unsuitable for some people's specific needs;
- a service is provided in a language that some people do not speak or terms they do not understand; or
- some people are unaware that the service is available to them. (NAO 2013)

B: Equity in the Results Chain

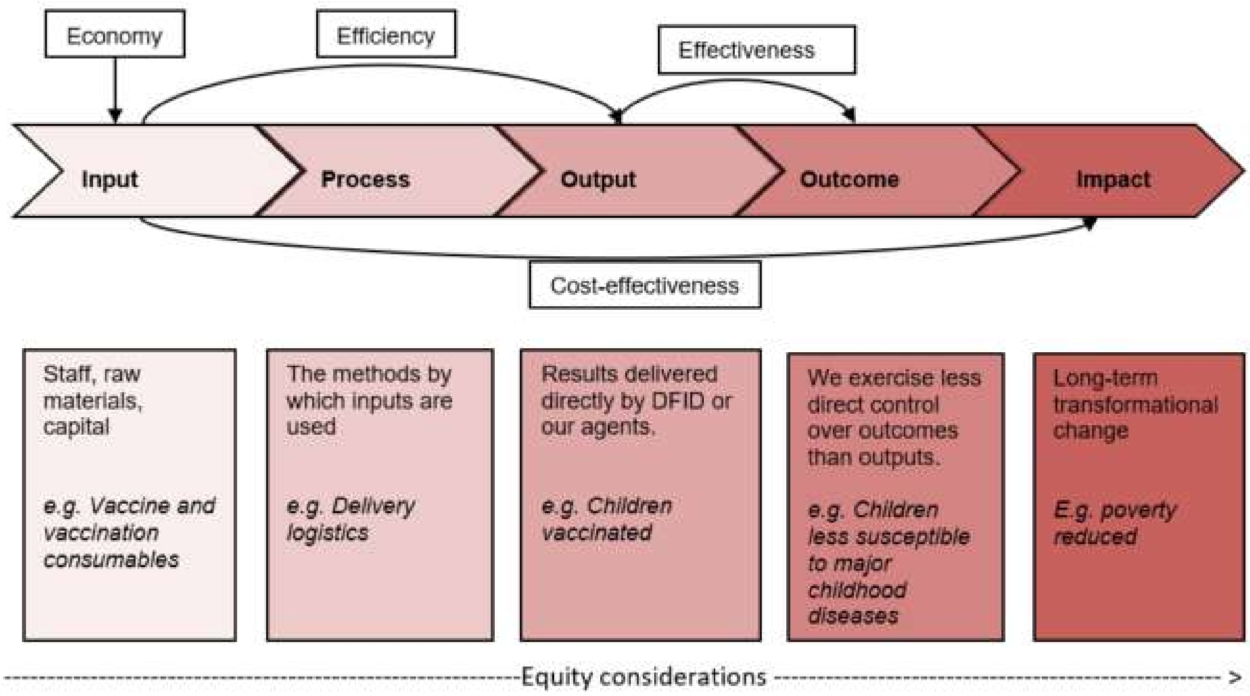
18. The rest of this document gives practical guidance on how to assess and monitor equity in VfM analysis. In addition, it provides some prompt questions that can help identify indicators to measure equity throughout the programme cycle.

B1: Equity in the programme cycle

19. **We can review equity as part of a VfM assessment throughout the programme cycle – from design to delivery, closure, and throughout learning, evolving and adapting the programme**. This guidance does not discuss how equity considerations should be applied to every stage of a programme. However, it demonstrates tools which can be used for all aspects of the programme cycle.

20. **The prompt questions in this section can help identify VfM equity indicators to use at all stages of the programme cycle.** They should be used as a starting point to think about equity but are not exhaustive and there will be other considerations that may be relevant. The next part of this section summarises how to consider equity at the input, output and level. Figure 1 shows how each of the four E's relate to each stage of DFID's results chain.

Figure 1: DFID's Results Chain



<u>**The '4 Es'**</u>
Economy - Are we (or our agents) buying inputs of the appropriate quality at the right price?
Efficiency - How well are we (or our agents) converting inputs into outputs? ('*Spending well*')
Effectiveness - How well are the outputs produced by an intervention having the intended effect? ('*Spending wisely*')
Equity - How fairly are the benefits distributed? To what extent will we reach marginalised groups? ("*spending fairly*")
<u>**Cost-effectiveness**</u> - What is the intervention's ultimate impact on poverty reduction, relative to the inputs that we or our agents invest in it?

B2: Inputs

21. **Inputs are the total resource used, such as staff time and assets.** Equity can be considered as we review, select and cost the inputs needed to deliver a programme. If equity is not considered at the input level, then the VfM assessment of a chosen 'least cost' option may miss the potential cost imposed by the delivery method perpetuating inequalities. See Box 3 for some example considerations.

Box 3: Prompt questions for assessing equity of inputs

Direct suppliers and their supply chain partners should adhere to existing DFID guidance on procurement[2], including information on supplier compliance processes, ethical behaviour, safeguarding, social responsibility, and human rights. DFID's Supply Partner Handbook provides further information.

Understanding and management of cost drivers:

1. Are any higher unit costs for a programme that is inclusive set out clearly and justified? This should include consideration of the costs of working with particularly hard-to-reach groups.

Impact on equity of purchase of inputs required for programme:

2. Does the purchase of any of the required inputs have any effect on existing inequalities? How are inputs produced? For example, are there any environmental or health effects on already-poor communities?
3. How are the risks of adverse impacts on equity through downstream suppliers managed? Are there processes to ensure supply chain partners also comply with DFID procedures regarding equity and safeguarding?
4. What impact do the procurement procedures have on equity? For example, how does the placement of advertisements for required services or goods affect who might apply to supply them?

B3: Outputs

22. **Outputs are a product or service delivered to the intended user that is attributable to the inputs.** It can be useful for analysis of equity to include the distribution of outputs across groups. Box 4 suggests prompt questions to help you think about assessing the equity of outputs.

Box 4: Prompt questions for assessing equity of outputs

Measuring how inclusive the programme outputs are:

1. What is the present and future need for the outputs that are being produced? How does need vary across the population and how is this measured?
2. How does the distribution of who benefits from outputs compare to the population in the region and the target audience? Is it representative of groups facing intersecting exclusion, and of highly marginalised groups?
3. How are barriers to benefiting from the outputs being addressed for excluded beneficiaries? How is it being ensured that marginalised groups are included and have access to the outputs?
4. Are additional outputs needed specifically to achieve the expected outcomes for excluded people?

Capturing the costs and benefits of delivering equitable outputs:

[2] See our compliance information and handbook here: https://www.gov.uk/government/organisations/department-for-international-development/about/procurement

5. How do the costs of delivering outputs vary depending on who is reached?
6. If the programme includes specific processes or outputs associated with inclusion, is there a clear justification for why these activities add value and contribute to the equity of the programme, compared with alternative (potentially) less costly approaches[3]?
7. Are differences in the benefits of an output across a target group captured? Do not assume that benefits are the same for each beneficiary.
8. Are cost per output measures, including cost per beneficiary, only compared against the same programme over time, or against like for like costs, rather than between programmes or different types of output or beneficiary?
9. Is there a risk that delivery of the outputs will increase inequalities in any way? If so, how are the associated negative benefits and the harm associated with this captured?

B4: Outcomes

23. **An outcome is what will change as a result of the intervention, including who benefits**. This means considering the counterfactual: what will happen if these groups aren't reached by a DFID programme.

24. **Assessing equity at the outcome level requires considering how the outcomes are distributed and if anyone may be excluded from the benefits for reasons other than need**. Consider how the programme may lead to further marginalisation of groups and thus increased social or economic inequalities, and whether at a minimum the proposed option will do no harm. See Box 5 for prompt questions to help you assess equity for outcomes.

Box 5: Prompt questions for assessing equity of outcomes

Understanding how inclusive the programme outcomes are:

1. How do future and present needs vary depending on who the beneficiary is and how have they been addressed by the outcome?
2. How have barriers to inclusion in benefiting from outcomes been addressed?
3. How does the distribution of outcomes compare to the population in the region and the target audience? Is there evidence on the diversity of people reached by the programme (for example, representation of groups facing intersecting exclusion, and of highly marginalised groups)[4]?
4. How is the delivery of outcomes thought through to minimise the exacerbation of existing inequalities or further exclusion of marginalised groups?
5. How might indirect and longer-term beneficiaries be affected by the programme? Will the outcomes have an effect on equity beyond the immediate beneficiaries?

Balancing costs and benefits of equitable outcomes:

6. How do the costs of delivering outcomes vary depending on who the beneficiary is?
7. How do benefits vary depending on who the programme reaches? Do measures for capturing programme outcomes fully capture the benefits, including negative benefits and the benefits of not discriminating and Leaving No One Behind?

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[3] Question adapted from Bond Value for Money paper (Meeks and Loryman 2016:3).
[4] Question adapted from Bond Value for Money paper (Meeks and Loryman 2016:3).

8. Do the methods for measuring outcomes consider the counterfactual? What is the likelihood of different groups finding alternative ways of achieving the outcomes that form the objective of the programme?
9. Does the programme have a credible Theory of Change that explains how inputs, processes and outputs contribute to inclusive outcomes, while being realistic about the level of external contribution and uncertainty associated with some of the longer-term benefits?[5]

Consider sustainability of outcomes:

10. Have any measures been put in place to increase the sustainability of equitable outcomes?
11. Have the effects on equity after programme closure been considered?

B5: Identifying costs and benefits.

25. **Do not assume that targeting harder to reach beneficiaries is prohibitively expensive or that the cost of inclusion will be prohibitively high.** Instead, gather the data and evidence, including understanding of the longer-term impact on reducing inequalities.
26. **It is important from the outset to unpack any assumptions about who will benefit and not to assume that all can benefit equally without additional support**. A proposal will have differing impacts according to age, gender, ethnic group, health, skill, or location. These effects should be explicitly stated and quantified wherever feasible. For example, the costs and benefits of a proposal might be broken down according to the ethnic group they accrue to, providing appraisers with a basis for comparison and analysis (HMT 2018).
27. **It is important to assess the relative needs and thus relative returns of investing UK funds in a more marginalised person versus an easier to reach person.** If you can capture the full range of benefits in your analysis, this can be useful for comparing options. In addition to inherent equity benefits, ensuring equal access can have knock-on economic impacts.
28. **In general the most marginalised, excluded or the poorest will gain the highest value from an output or outcome** that they would benefit from as they will have less ability to have the need met via other means.

[5] Question adapted from Bond Value for Money paper (Meeks and Loryman 2016:3).

C: Inclusive Data and Monitoring

C1: Disaggregated and inclusive data

29. **To improve the quality, quantity and availability of inclusive and disaggregated data and so to inform policy and programme decisions,** DFID signed up to the Inclusive Data Charter and published an Inclusive Data Charter Action Plan in March 2019 (DFID 2019b).

30. **The action plan sets out the steps DFID will take to better understand the situation of the poorest and most marginalised in line with the Inclusive Data Charter Principles** which are given in Box 7. As a minimum, all new programmes addressing beneficiaries should collect results disaggregated by sex, age, disability status and geography in their monitoring and evaluation frameworks. Partners should also ensure their management information systems are updated to capture more disaggregated data.

Box 7: Inclusive Data Charter Principles

Principle 1: All populations should be included in the data.

Principle 2: All data should, wherever possible, be disaggregated in order to accurately describe all populations.

Principle 3: Data should be drawn from all available sources.

Principle 4: Those responsible for the collection of data and production of statistics must be accountable.

Principle 5: Human and technical capacity to collect, analyse and use disaggregated data needs to be improved, including through adequate and sustainable financing.

C2: Evidence and monitoring

31. **More qualitative data such as social exclusion analysis may be needed to accurately understand likely programme impacts on different groups.** For example, understanding the benefits of long-term attitudinal change or the intrinsic benefits of inclusive societies, diversity, and autonomy for individuals is difficult.

Box 8: Monitoring and Evaluation

Monitoring and evaluation processes can support and improve assessment of equity in VfM. They can:

1) Support proactive management to drive VfM.
2) Generate evidence for current and future programmes to improve VFM.
3) Enhance transparency and accountability of our partners, to improve focus on VfM through delivery.

A good understanding of VfM throughout the programme, and specifically the fourth E equity and its interactions with the other E's, can be enhanced by designing a robust monitoring and evaluation framework. Monitoring and evaluation may use innovative methods to collect data and evidence, particularly for equity where VfM may be harder to measure or difficult to observe given data challenges.

Implementation, performance, or impact evaluations can be responsible for determining programme success in delivering equity objectives. When appropriate, equity can also be a cross-cutting theme across traditional evaluation criteria such as relevance, sustainability, impact, effectiveness, and efficiency.

32. **A shortage of evidence should not be seen as a barrier to thinking about VfM**: rather it is an opportunity to build a better evidence base with every new programme. This is so future VfM judgements are informed by an ever more specific and nuanced range of information. This can be done through careful design of the monitoring and evaluation framework. See more information in Box 8.

C3: Identifying VfM measures

33. **Good VfM analysis and monitoring frameworks include using smart metrics to capture information on all the E's and carefully interpret and balance the available information** to reach a conclusion on the option that offers the best VfM. "*Fundamentally, VfM still requires judgement – but strong VfM indicators make forming a judgement easier*" (Barr and Christie 2014). Metrics are most useful as a trigger for VfM discussions.

34. **Assessing VfM goes beyond a singular focus on minimising unit costs.** DFID's VfM Smart Guide makes clear that our objective is to maximise our impact given the resources available (DFID 2019a) and that reducing costs should not come at the expense of providing quality services. Whilst developing measures to capture costs, consider how these relate to measures of each of the E's. Box 9 looks at the case of using cost per beneficiary as a metric.

35. **When selecting metrics, question the value they capture and any implicit value assumptions they may contain.** Be aware that trying to capture the value of an intervention in one quantitative measure may not always demonstrate the true value of an intervention. It will usually be more useful to include multiple measures of value.

Box 9: Cost per beneficiary as a metric

Providing information on cost per beneficiary per result can be useful as a VfM metric as long as:

1. It is not used as a standalone metric for decision making. Impact cannot be measured by comparing unit cost per beneficiary or number of people alone. We should aim to consider cost alongside value added and equity considerations.
2. Cost per beneficiary figures are not compared unless the units being compared are the same. This requires:
   - The contextual factors/ cost drivers being the same
   - The value of the units being the same. The value of the output or outcome depends on the beneficiary, as some groups have greater needs and so the potential benefit of an intervention to them is higher.
3. It is clear how the figure was calculated, e.g. the costs used, the results used, who the beneficiaries are (disaggregate where possible).

It is also important to note that there will be differences in programmes designed to reach beneficiaries directly (i.e. rapid response humanitarian relief) and those further removed and less tangible (i.e. Technical Assistance to a Finance Ministry). However, this does not mean the value of harder to quantify or unquantifiable longer-term benefits is less than that of a programme for which cost per beneficiary can be calculated. Cost per beneficiary figures should only be used where meaningful.

36. **Comparisons are most likely to be meaningful within a given programme over time, or if the units for one programme are the same as the unit being measured for another programme.** Conversely, comparisons of cost per output or outcome across programmes can be difficult to compare, because there are often many variables to consider. Consider whether the programme characteristics are similar enough to make comparison across them meaningful.

D: Accountability and the Public Sector Equality Duty

37. This last section of the guidance looks at the importance of accountability and the obligations of DFID and its suppliers under the Public Sector Equality Duty.

D1: Transparency and accountability

38. **It is important to consider transparency and accountability throughout the programme and contract design in order to assure equity of a programme.** As well as transparency of partners to donors being a key central enabler of VfM assessments, transparency of delivery partners to potential beneficiaries is important to drive VfM. A partner who is transparent about how they select beneficiaries, and who is accountable not just to donors but to potential beneficiaries, is more likely to have higher VfM than one who is not. Making the criteria for selecting beneficiaries transparent can reduce the risk of nepotism and increase effectiveness as well as the equity of a programme.

D2: Seeking beneficiary feedback

39. **A lack of representation is a particular challenge when it comes to the inclusion of people who have been historically marginalised in decision-making processes**. Their priorities may unintentionally be overlooked (Meeks and Loryman 2016:3).

40. **The beneficiary feedback process can be a useful tool for assessing equity by helping to ensure that a diverse range of beneficiaries can be identified and consulted.** This enables their views to be considered at decision points. For example, programmes may ensure that they consider the views of both men and women in this process by consulting both groups separately, or actively engage with Disabled People's Organisations (DPOs).

D3: Do no harm

41. **We need to consider whether there are any negative impacts on the most marginalised and discriminated against that may occur as a result of an intervention**. If there is evidence that the programme may increase inequalities, include these negative benefits in the cost benefit analysis. DFID's Smart Rules (DFID 2019c) capture the principle of safeguards under its technical quality considerations and state DFID should '*avoid doing harm by ensuring that our interventions do not sustain unequal power relations or reinforce social exclusion'* (DFID 2019c[6]).

42. **Beneficiary feedback processes provide an opportunity to identify potential harms that would otherwise be missed.** Safeguarding practices must include mechanisms for those affected by programmes to give feedback and raise concerns. These harms should be included in analysis as negative benefits.

D4: Equity and the Public Sector Equality Duty

43. Box 10 below sets out DFID's obligation to ensuring equality as a public authority. It also sets out how this relates to partners who deliver public functions as suppliers to DFID.

> **Box 10: The Public Sector Equality Duty**
>
> The Public Sector Equality Duty applies to commissioning and procurement. It says that public authorities, in the exercise of their duties, must have due regard to the need to:

[6] The Smart Rules (DFID 2019c) state that DFID should "Avoid doing harm by ensuring that our interventions do not sustain unequal power relations, reinforce social exclusion and predatory institutions, exacerbate conflict, contribute to human rights risks, and/or create or exacerbate resource scarcity, climate change and/or environmental damage, and/or increasing communities' vulnerabilities to shocks and trends. Ensure our interventions do not displace/undermine local capacity or impose long-term financial burdens on partner governments."

1. eliminate discrimination, harassment, victimisation,
2. advance equality of opportunity, and
3. foster good relations.

This applies to all contracts, regardless of value. DFID cannot delegate obligations under the duty to the contractor. DFID must also have had due regard to the three aims of the general duty when procuring and be able to demonstrate compliance.

Obligations for DFID suppliers

Suppliers are also obligated under the Equality Act 2010 when they deliver public functions. Consideration should be given to how the Public Sector Equality Duty can be realised by suppliers as employers and functionary organisations. Contractors must provide any relevant information DFID needs to be able to demonstrate compliance, in case of challenge. Compliance measures will be central to DFID's determination as to whether the VfM proposition in tender documents and Annual Review processes is adequate.

Suppliers are an integral part of our compliance regime and our efforts to ensure equitable outcomes.

The Public Sector Equality Duty will be taken into account as the commercial relationship is managed on an on-going basis including through the Annual Review process. This will provide much needed assurance to DFID and will also serve to mitigate reputational and legal risks which arise from failure to comply.

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