
# VALUE FOR MONEY IN PROCUREMENT FINANCED BY MULTILATERAL DEVELOPMENT BANKS

## AN ASSESSMENT FRAMEWORK

---

HEADS OF PROCUREMENT OF
THE MULTILATERAL DEVELOPMENT BANKS

APRIL 2026

# VALUE FOR MONEY IN PROCUREMENT FINANCED BY MULTILATERAL DEVELOPMENT BANKS

## AN ASSESSMENT FRAMEWORK

---

HEADS OF PROCUREMENT OF
THE MULTILATERAL DEVELOPMENT BANKS

APRIL 2026


6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Tel +63 2 8632 4444; Fax +63 2 8636 2444
www.adb.org



ISBN 978-92-9277-649-7 (print); 978-92-9277-650-3 (PDF)
Publication Stock No. TIM260007-2



Note:
In this publication, "$" refers to United States dollars.

Cover design by Rommel Marilla.

# CONTENTS

# TABLES, FIGURES, AND BOXES

## Tables



## Figures



## Boxes

# FOREWORD

We are honored to introduce this important work—the result of close collaboration among the Heads of Procurement of 15 multilateral development banks (MDBs). As a coalition focused on harmonizing to project procurement, we seek to ensure that MDB-financed projects are executed with economy and efficiency, underpinned by integrity and transparency, and designed to achieve value for money for our borrowers.

*Value for Money in Procurement Financed by Multilateral Development Banks—An Assessment Framework* advances procurement practice across MDBs and borrowers, and sharpens our collective focus on delivering the best outcomes from MDB-financed infrastructure.

In today's environment, procurement success extends beyond time and budget to encompass quality, sustainability, life cycle costing, resilience, inclusion, and affordability. This framework provides guidance to help borrowers, MDB staff, public institutions, and procurement practitioners embed those broader success criteria into their procurement processes.

The framework aligns with good international practices, ensuring that procurement decisions contribute to sustainable development and positive impact in the communities we serve. It successfully bridges high-level policy objectives with on-the-ground procurement practices, providing easy-to-apply solutions to issues that can be complex in nature.

As the Heads of Procurement of the MDBs, we collectively endorse this framework and the guidance it provides. We encourage you to engage with the material fully and consider its recommendations in your work. We are confident that the framework will equip you to implement procurement strategies that are objectively assessed for time, cost, quality, sustainability, and development impact, reaffirming the values we share across our institutions.

*— Heads of Procurement of the Multilateral Development Banks, 1 April 2026*

# SYNOPSIS

This framework has been developed to support the assessment of value for money (VfM) in procurement activities within infrastructure projects financed by multilateral development banks (MDBs). With high expectations for MDBs to drive global economic development through financial and technical assistance, it is vital to maintain transparency and accountability in procurement processes. Public funds, whether borrowed by or granted to governments, must be used economically, effectively, and efficiently, while promoting or contributing to equity to achieve optimal outcomes throughout the procurement and implementation process. As described in **section I** of this framework, by aligning procurement practices with the VfM principle, the framework will help MDB-financed projects deliver increased value and support broader development objectives.

In an MDB context, VfM entails striking a balance between factors such as cost, quality, sustainability, and timeliness to maximize impact. While assessing VfM may seem straightforward, it is often complicated by challenges such as varying stakeholder perspectives; an absence of standardized metrics; gaps in data or technology; and the difficulty of measuring intangible factors like innovation and quality (or performance in use). Effective VfM assessment must address these complexities. As detailed in **section II**, by aligning VfM objectives with project design and using measurable indicators, procurement strategies can be tailored to reduce risks, enhance performance, and ensure that where achieved (or actual) outcomes fail to meet target outcomes, the gap is minimized.

**Section III** focuses on integrating VfM principles throughout the project cycle—including during country strategy development and project completion—and sets out how this approach helps align procurement practices with broader development goals to maximize impact. VfM principles should be embedded at every stage, including initial planning, concept development, project approval, and implementation. Early consideration of VfM helps establish clear expectations, which can guide decision-making in the planning, evaluation, award, and contract management phases of procurement, and assist in securing political and resource backing.

The VfM assessment process in **section IV** sets out a phased approach to implementing VfM principles, spanning three phases: (i) design of the VfM assessment approach including a VfM statement, relevant performance indicators, outcome targets, a scoring system and an assessment of assumptions and risks; (ii) a pre-implementation review which ensures the approach is aligned with project conditions through scenario analysis and adjustments; and (iii) implementation and monitoring which tracks performance, identifies deviations, and takes corrective actions, with continuous data collection, performance evaluation, and reporting.

**VfM is a continuous process of planning, learning, and adapting, driven by ongoing monitoring, feedback, and stakeholder engagement. This approach fosters innovation, keeps VfM central to improved project outcomes, and leads to stronger governance and improved benefits for communities.**

The practical tips in **section V** focus on moving from theory to practice throughout the assessment of VfM. Key takeaways include the importance of establishing a clear and early VfM statement during planning, developed collaboratively with all relevant stakeholders. This statement should guide the selection of specific, measurable, achievable, relevant, and time-bound (SMART) indicators, ensuring they are aligned with the project's objectives. It is also important to consider assumptions and risks when setting targeted outcomes, as assumptions can evolve into risks if inaccurate. Furthermore, establishing and prioritizing indicators based on their significance to project goals is key to effective VfM assessment. Weighing these indicators ensures that the assessment reflects the project's strategic priorities, with flexibility for context-specific adjustments. In addition, to evaluate VfM success, it is crucial to measure the gap between target and achieved outcomes, supported by a clear scoring scale to assess the extent of achievement.

By establishing a transparent and adaptable system, the framework's practical tips guide the VfM assessor, consistently maximizing VfM across project stages. Further assistance is provided in a suite of practical tools. These tools, explained in **section VI**, include a checklist for integrating VfM principles throughout a project; a sample menu of SMART indicators categorized by cost, quality, sustainability, and time; a sample VfM assessment tool for evaluating performance and identifying gaps; practical application of sensitivity and variance analysis; and examples showcasing application of the VfM approach.

Finally, under **section VII**, the framework emphasizes the importance of VfM in procurement, advocating for integration of the VfM principle throughout the project cycle in a cost-conscious manner. Moving forward, it encourages MDBs and borrowers to institutionalize VfM practices by updating their policies, enhancing capacity building, and improving monitoring systems.

This framework represents an important step in the ongoing journey to enhance VfM in MDB-financed procurement. While it provides a structured and practical approach to assessing VfM and integrating it throughout the project cycle, it recognizes that there is no one-size-fits-all model. Individual MDBs may continue to adapt and refine the principles and tools presented here to reflect their unique operational contexts. It is important to note that this framework can be utilized by both MDBs and governments, when adapted to their specific contexts.

This framework is a starting point: its real impact will come from learning through application, and tracking achievements, challenges, and lessons from practical use. In this way, delivering VfM reflects a shared commitment to good governance, accountability, and better results for people and communities.

# INFOGRAPHIC

## WHAT IS VALUE FOR MONEY?

Value for money (VfM) is the principle of achieving the best possible outcomes from an investment by ensuring that resources are used economically, effectively, and efficiently while promoting or contributing to equity.

**By focusing on:**

- COST
- QUALITY
- SUSTAINABILITY
- TIMELINESS

## WHY DOES VALUE FOR MONEY IN PROCUREMENT MATTER?

Embedding VfM as a core principle in the procurement and delivery of infrastructure projects helps tailor fit-for-purpose procurement techniques, strategies, and approaches to achieve desired outcomes. It also allows for an objective assessment of how effectively these mechanisms contribute to delivering the greatest possible benefit from an investment.

## WHAT CAN PROCUREMENT DO TO INTEGRATE VALUE FOR MONEY ACROSS THE PROJECT CYCLE?

**Country strategy.** Consider incorporating the principle of VfM into country or sector strategy documents to help shape project design and implementation.

**Project concept.** Embed VfM considerations into early planning documents such as the project concept note (or preliminary business case) to set out the initial VfM objectives of a project.

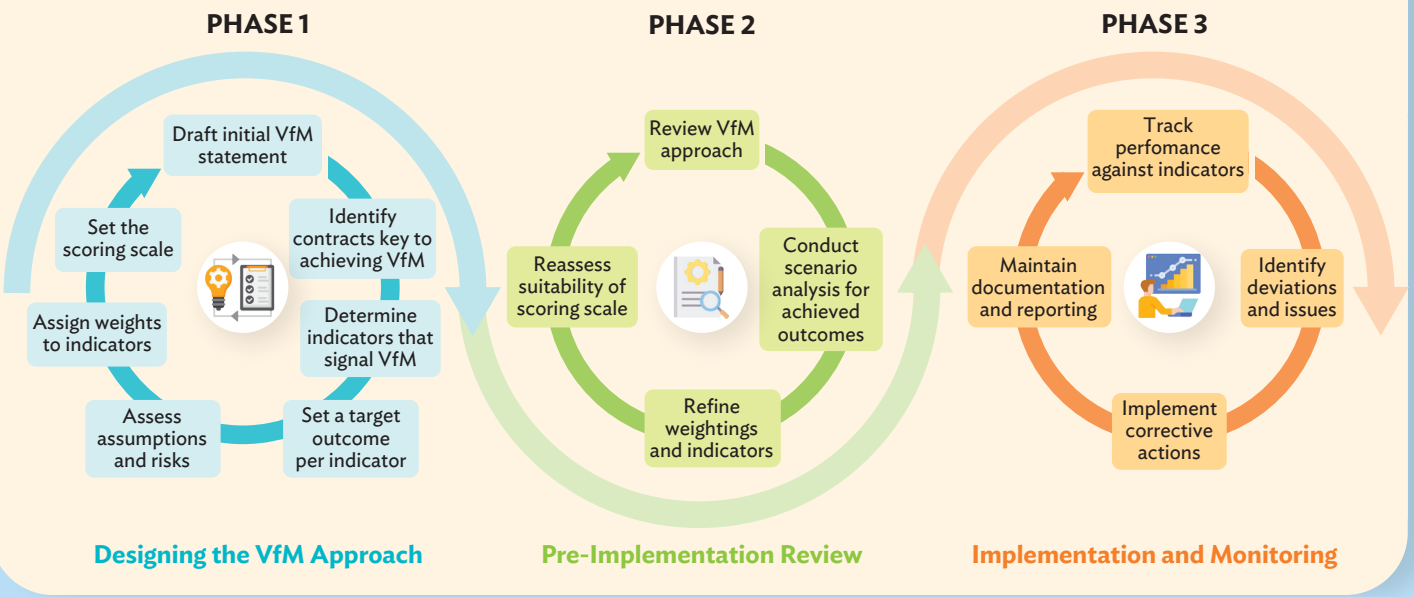
**Project preparation.** Craft a procurement strategy with a clear VfM statement and defined indicators across the contract, output, and project levels to set an agreed framework for assessing VfM.

**Project approval.** Verify that the VfM approach embedded in the procurement strategy is aligned with other project documentation to realize the achievement of VfM under a project.

**Project implementation.** Integrate VfM indicators into bid evaluation criteria, technical specifications, and contracts; ensure their thorough consideration in contract award; and monitor performance throughout contract execution.

**Project completion.** Assess VfM achievement across contracts, outputs, and projects by comparing targeted outcomes against achieved outcomes for each indicator.

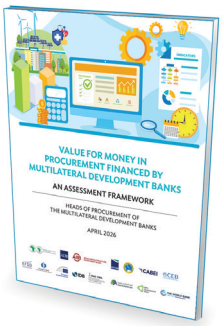
## HOW IS VALUE FOR MONEY IN PROCUREMENT ASSESSED?



# GLOSSARY

| Term | Definition |
|---|---|
| 4Es | economically, effectively, and efficiently, while promoting or contributing to equity |
| Activity | Set of actions that consume time and resources, and whose performance is necessary to achieve, or contribute to, the realization of one or more project outputs |
| Benefit | Created advantage, value, or other positive effect |
| Cost | Monetary value of resources consumed to perform activities |
| Economy | Minimization of the cost of resources used to achieve a desired project (spending less) |
| Effectiveness | Extent to which planned project outcomes are realized or achieved (spending wisely) |
| Efficiency | Resources used in relation to the results achieved (spending well) |
| Equity | Balanced and objective consideration of intergenerational, interregional and intra-societal ethics, including economic, environmental, and institutional societal needs (spending fairly) |
| Gap | Difference between the targeted outcome and the achieved outcome |
| Impact | Broader, long-term effects or changes resulting from an activity, which affect individuals, communities, or systems, whether beneficial or adverse |
| Indicator | Specific and measurable metric used to assess an aspect of performance, based on quantitative and/or qualitative data |
| Input | Financial, human, and/or material resources that are invested in a project to carry out an activity to produce an output |
| MDB | multilateral development bank |
| Outcome | Measurable change or benefit resulting from an activity |
| Output | Tangible goods, services, or assets produced from an activity |
| Performance in use | A qualitative level of a project's critical property at a given point in time |
| Public value | Social value that a project contributes to society or the total well-being of the public in a given city, region, or country as a whole |
| SMART | specific, measurable, achievable, relevant, and time-bound |
| Sustainability impact | Change to the economy, environment, institution, or society, wholly or partially resulting from decisions and activities in relation to a project |
| Timeliness | Degree to which project outcomes are delivered within time limits |
| Value for money | Optimal use of resources to achieve the most desirable possible outcomes while balancing benefits, risks, and costs |
| VfM | value for money |

# I. ABOUT THIS FRAMEWORK




**This framework has been developed to support the assessment of value for money (VfM) in procurement operations within infrastructure projects financed by multilateral development banks (MDBs).[1] Considering the high expectations regarding the pivotal role of MDBs in advancing global economic development—particularly through the provision of loans, grants, and technical assistance—transparency and accountability in procurement operations are more important than ever. It is crucial that public funds, such as those borrowed by or granted to governments, are deployed in a manner that reflects the principles of economy, efficiency, and effectiveness, while promoting or contributing to equity (4Es) to achieve optimal outcomes in the implementation and delivery of projects through contracts or outputs.**

MDBs operate in diverse institutional and country contexts, and are at different stages of maturity in applying and reporting on VfM in procurement. Recognizing these differences, this framework offers a unified yet adaptable approach to help align VfM assessment practices across MDB-financed projects. It aims to harmonize the principles of VfM assessment while allowing for flexibility to meet institutional mandates and operational realities.

The framework aims to build a common understanding of VfM among diverse stakeholders, while offering flexible and practical strategies for integrating and assessing VfM in procurement across various project phases. It supports a shift toward procurement strategies that are not only cost-effective but also aligned with broader development goals. It is intended for a wide range of stakeholders involved in MDB-financed procurement activities, including procurement and operational staff within MDBs, borrowers and grant recipients. Although many stakeholders may participate in a VfM assessment, the primary responsibility typically rests with key project personnel such as implementing agency teams, procurement experts, data analysts, and monitoring and evaluation staff.

The framework is structured around five primary objectives:

- support the harmonization of VfM principles across MDBs while accommodating institutional mandates and operational realities;
- provide practical tips in demonstrating VfM by offering tools and step-by-step guidance;
- emphasize the importance of fit-for-purpose procurement strategies in achieving project objectives by embedding and balancing the 4Es;
- offer a clear and consistent approach for assessing VfM across the project cycle; and
- encourage the integration of sustainability, public value innovation, and life cycle considerations into procurement planning and implementation.

The framework focuses on VfM considerations up to project completion and does not specifically address post-completion aspects such as operation and maintenance, or decommissioning. However, it is important to recognize that VfM is a long-term concept that extends throughout the entire life cycle of an infrastructure asset. Longer-term projects, such as public–private partnerships, inherently cover post-completion phases, including ongoing operation and eventual disposal. A complete assessment of VfM may also require attention to the long-term management of assets to support sustained value achievement.

The content of this framework may evolve in response to emerging best practices, stakeholder feedback, and priorities within MDBs and the broader development landscape.

[1] African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, Black Sea Trade and Development Bank, Caribbean Development Bank, Central American Bank for Economic Integration, Council of Europe Development Bank, Eurasian Fund for Stabilization and Development, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Fund for Agricultural Development, Islamic Development Bank, New Development Bank, and World Bank Group.

# II. WHY VALUE FOR MONEY IN PROCUREMENT MATTERS

Embedding VfM as a foundational principle in the procurement of projects financed by MDBs helps tailor fit-for-purpose procurement techniques, strategies, and approaches to achieve desired outcomes—and assesses how effectively they contribute to delivering the greatest possible benefit to beneficiaries. By focusing on cost, quality, sustainability, and timeliness, it maximizes the value of any investment, addressing both immediate needs and long-term goals. In MDB-funded projects, embedding VfM in procurement promotes a more efficient use of funds, enhances quality and impact, and ensures accountability. This is achieved through tailored strategies that integrate economy (spend less), efficiency (spend well), and effectiveness (spend wisely), while promoting or contributing to equity (spend fairly) throughout the project.

**Value for money is assessed through a combination of factors, including**

**COST**

**QUALITY**

**SUSTAINABILITY**

**TIMELINESS**

For instance, in a road construction project, VfM may mean procuring quality materials at a competitive price **(economy)**, completing the road with minimal delays and resource use **(efficiency)**, and ensuring the road meets safety and performance standards **(effectiveness)**, while considering the sustainability impacts and needs of all communities, including remote or vulnerable groups, in its design and access **(equity)**.

While the concept of VfM may seem straightforward, its assessment within procurement operations is often complex. Understanding the inherent challenges in measuring VfM is essential to improving the selection processes of procurement strategies in MDB-funded projects.

**Common challenges in VfM measurement**:


stakeholders may have diverse interpretations of what constitutes VfM, and differing views on when and how it should be measured;

an absence of standardized indicators or metrics;

difficulty in measuring intangible aspects such as quality, innovation, public value, and risk;

the need to weigh cost, quality, risk, and innovation against one another, making it challenging to optimize all factors simultaneously;

gaps in technology adoption or poor data integrity, which may hinder accurate VfM evaluations; and

weak alignment between procurement and project objectives.

Assessing factors such as cost, quality, sustainability, and time is essential to determining whether key VfM considerations have been achieved in delivering a project, and how procurement strategies have contributed to these outcomes. More specifically, assessing whether VfM has been achieved requires evidence. To keep the assessment sound, quality

should be treated as conformance with contractual requirements, verified through inspections, tests, and acceptance, and used primarily as a pass or fail compliance check. Sustainability should be assessed as a distinct factor reflecting environmental, social, economic, and institutional outcomes specified in the contract scope. Where sustainability requirements are embedded in the contract, sustainability measures the value generated by achieving set outcomes, while quality confirms that the works meet the contract requirements. Only where contractors offer verifiable performance above the minimum quality standard, if possible with quantified life-cycle benefits, should such enhancements be scored, ensuring fairness, transparency, and an accurate view of overall VfM.

A wide range of procurement practices is available to address the key components of VfM within projects (Table 1).

**Table 1: Procurement Practices for Achieving Value for Money**

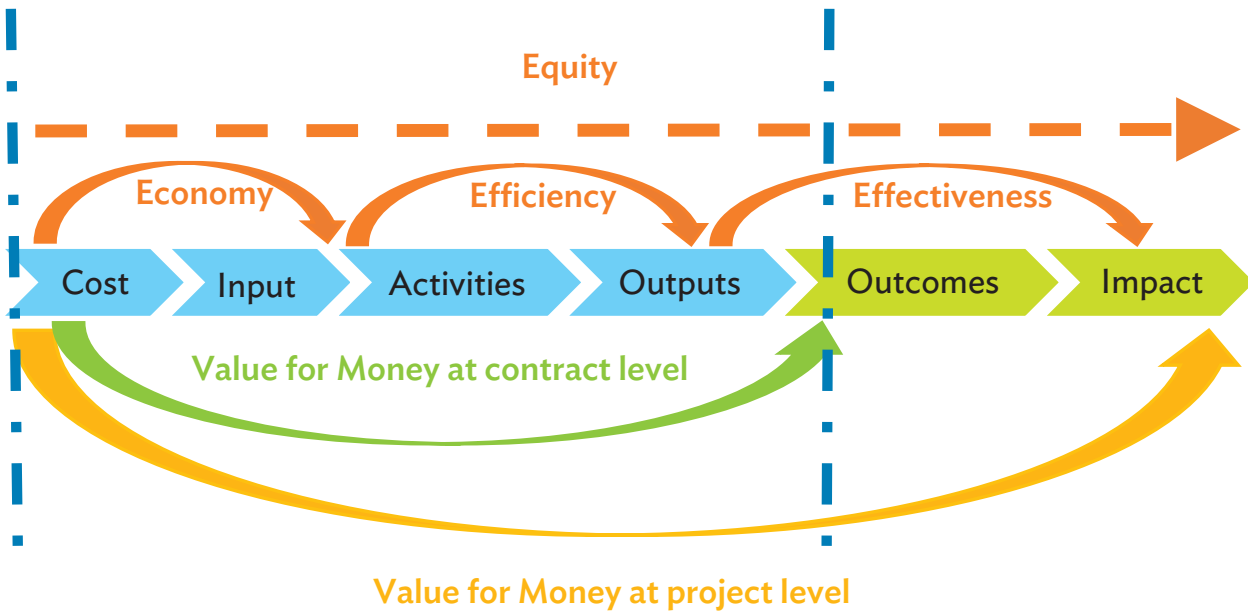
| Key Components | Purpose | Examples |
|---|---|---|
| Optimized spending | Ensure resources are allocated efficiently, maximizing budget effectiveness | Conduct market research; benchmark costs; apply life-cycle costing; ensure competitive bidding |
| Quality assurance | Maintain high standards to avoid poor performance and costly errors | Draft clear technical specifications; use robust evaluation criteria that seek to identify the most advantageous offer; apply inspection and quality control protocols |
| Risk management | Reduce the likelihood and impact of implementation disruptions | Conduct supplier due diligence; perform risk assessments; prepare contingency and mitigation plans |
| Fairness and transparency | Promote ethical, inclusive, and accountable procurement decisions | Implement open competitive bidding; publish procurement notices; engage stakeholders; ensure independent oversight, as well as balanced risk and reward allocation |
| Sustainability and ethics | Minimize negative and maximize positive economic, environmental, institutional, and social impacts, and promote public value | Establish minimum qualification requirements, constraints to delivering on a project, and what can be promoted to ensure sustainable development and public value |
| Innovation and competitiveness | Drive forward better solutions and improve long-term performance | Use output-based specifications; encourage participation by small and medium-sized enterprises; adopt flexible and innovation-friendly procurement methods |

Embedding the components shown in Table 1 into procurement practices and strategies supports MDB efforts to enhance the impact of development financing. By aligning VfM with project design from the outset, stakeholders can better identify opportunities to improve performance and reduce risks. Procurement plays a central role in delivering project outcomes by identifying fit-for-purpose procurement strategies supported by measurable indicators throughout the project, including at the contract and asset or output level. Indicators are important in assessing VfM because they help focus the evaluation on specific procurement contributions to broader project outcomes. This shifts the emphasis from high-level assessments to specific and measurable aspects of procurement performance.

VfM is evaluated through the key dimensions of economy (acquiring inputs at the best value), efficiency (how well inputs are converted into outputs), and effectiveness (the extent to which outputs achieve the intended outcomes). Equity (the legacy left behind) is also critical, cutting across all stages to assess the impacts of decisions and activities on the economy, environment, society, and institutions; this includes social equity, inclusive growth, fair opportunities, reduction of greenhouse gas emissions, and the creation of job opportunities for disadvantaged communities. Such impacts help ensure that procurement contributes meaningfully to inclusive and sustainable development as well as public value.

The assessment of VfM across different stages of a contract or project requires an analysis of relationships at each stage; this includes cost and inputs, and activities and outputs, as well as outcomes and impacts (Figure 1). VfM is considered achieved when credible data shows that achieved outcomes meet or exceed target outcomes. A significant gap between target and achieved outcomes may indicate that VfM is at risk due to a decline in one or more of the 4Es, signaling the need for corrective action. While assessment at the contract level often focuses on costs, inputs, and outputs, assessment at the project level focuses on evaluating overall outcomes and impacts, allowing for a more nuanced, end-to-end understanding of value.

**Figure 1: Value for Money Considerations Across a Project**



# III. INTEGRATING VALUE FOR MONEY ACROSS THE PROJECT CYCLE

Each of the six sequential stages of the project cycle presents distinct opportunities for procurement to embed VfM considerations. **Appendix 1** presents a checklist of recommended actions that procurement experts can take for each stage of the project cycle.

## Country Strategy

At the strategic level, MDBs prepare, in collaboration with the government, country-level planning documents—such as a country partnership strategy, country cooperation framework, or similar—which define medium-term priorities, objectives, and areas of support. These strategies are aligned with the country's national development goals and the MDB's corporate priorities. Even at this high-level planning stage, consideration can be given to how VfM will be promoted across a country or sector portfolio. While a dedicated VfM section may not be required, integrating the VfM principle into relevant areas of the country strategy can help with defining clear expectations and shaping how projects are designed and implemented. By aligning with national priorities, procurement can deliver broader benefits beyond project-specific objectives—such as supporting small and medium-sized enterprises, promoting women's economic empowerment, and advancing inclusive economic development. In addition, early integration of VfM can significantly enhance the achievement of development objectives, and reduce resistance from stakeholders later.

## Project Concept

The concept stage is where a project's strategic rationale, objectives, scope, and initial design are established in alignment with MDB and government priorities—offering a critical opportunity to embed VfM considerations into early planning documents such as the project concept note or early business case, particularly when defining VfM objectives of the project. Early actions help lay a solid foundation for integrating VfM into the subsequent project preparation stage, where considerations can be further incorporated into detailed procurement strategies (Table 2). For instance, early engagement with the market can help calibrate VfM expectations and targets, and inform an overall approach. Setting clear VfM objectives, identifying opportunities, and outlining expected outcomes in the project design can positively influence the achievement of economic, social, environmental, and innovation goals.

## Project Preparation

The preparation stage, where a project is designed and assessed to ensure feasibility, compliance, and implementation readiness, is a critical opportunity to embed VfM considerations in the procurement arrangements, documentation (e.g., procurement strategy, procurement plan, project administration manual), and overall project structure (Table 2). Crafting a procurement strategy with a clear VfM statement and defined indicators across the contract, output, and project levels can outline an agreed approach for assessing and achieving VfM. The information captured will help shape the procurement strategy reflected in bid documents, contract, and related project documents, promoting alignment between VfM objectives, planning, and implementation.

# Project Approval

The approval stage is where the procurement strategy is finalized and approved. At this stage, ensuring that VfM principles are integrated and aligned with overall project objectives is crucial for maintaining focus on long-term project outcomes (Table 2). This is the point where the VfM approach in the procurement strategy is aligned with other project documentation. This alignment helps secure the necessary resources and support for successful project delivery, while also promoting transparency, efficiency, and sustainability.

# Project Implementation

The implementation stage is where procurement plans or procurement strategies are executed through contracts, and VfM objectives are operationalized. It is the stage where strategic procurement decisions translate into real outcomes, making it critical to maintain focus on cost-effectiveness, quality, sustainability, and time (Table 2).

# Project Completion

The completion stage marks the closure of the implementation stage of all contracts, and the formal assessment of whether the project has delivered its intended results. The extent to which VfM objectives have been achieved across a project is assessed at this time. Lessons learned at this stage directly inform improvements to future project and procurement strategy design. A clear focus on results and learning at completion reinforces a cycle of continuous improvement and strengthens future project outcomes.

**Table 2: Procurement Considerations throughout the Project Cycle**

| Project Concept Stage | |
|---|---|
| **Activity** | **Examples** |
| Needs assessment | • Work with stakeholders to prioritize requirements that are clear, realistic, and market aligned.<br>• Identify constraints and success factors to shape the procurement approach. |
| Market research | • Assess market capacity, capability, and readiness to meet project needs.<br>• Evaluate market maturity, technical feasibility, innovation potential, competition, and sustainability. |
| Preliminary risk analysis | • Identify high-level risks related to the market, suppliers, technology, and regulations.<br>• Develop early-mitigation strategies. |
| Development of procurement strategy | • Outline a high-level procurement approach tailored to the project environment, which establishes VfM objectives.<br>• Consider client capability and choose appropriate procurement methods during planning.<br>• Integrate sustainability considerations, such as solutions that conserve resources, reduce pollution and waste, promote fair working conditions, enable local participation, and monitor health and safety measures. |
| Project design input | • Collaborate with design teams to incorporate life-cycle costs and end-of-life considerations.<br>• Ensure procurement implications are considered early in design choices.<br>• Consider technology options based on resources to construct, operate, and maintain the works. |

*continued on next page*

Table 2 *continued*

| Project Preparation Stage | |
|---|---|
| **Activity** | **Examples** |
| Identification of technical assistance | • Recognize gaps impacting VfM delivery.<br>• Define scope of support necessary to achieve VfM goals. |
| Selection of procurement method | • Establish prequalification or eligibility criteria which must be satisfied before bids are evaluated to ensure that only those bidders who have the potential to deliver against the VfM imperatives are awarded contracts.<br>• Apply evaluation methods that reward innovation, quality, and local job creation.<br>• Select evaluation criteria and weightings aligned with VfM expectations to identify the most advantageous bid. |
| Contract packaging | • Package contracts to attract multiple bidders and stimulate competition.<br>• Avoid contract approaches that increase risks or inappropriately allocate risks to parties involved.<br>• Package contracts considering interdependencies and interfaces—where delays or failure to put in place a contract, or timing to complete a contract in whole or part, has a knock-on effect on project outcomes. |
| Market engagement | • Communicate VfM expectations clearly.<br>• Solicit market feedback to refine the procurement approach and optimize value. |
| Procurement approach | • Allocate risks to any party to the contract which is best able to manage them.<br>• Clearly specify in contract documents requirements and constraints relating to works—particularly those that support quality, performance in use, sustainability impacts, and public value—to ensure that they are contractually enforceable. |

| Project Approval Stage | |
|---|---|
| **Activity** | **Examples** |
| Validation of procurement plan | • Design contract packages to maximize competition and promote cost-effectiveness.<br>• Avoid package sizes that limit supplier participation and reduce VfM opportunities. |
| Strategy for tender publication | • Approve channels and timing for tender announcements to maximize market response.<br>• Include international outreach to enhance competition. |
| Endorsement of quality assurance system | • Validate quality assurance measures that guarantee high-quality and clear tender documents.<br>• Reduce risk of rework and cost overruns post approval. |
| Monitoring framework | • Ensure bid documents confirm that VfM criteria which are applied at the bidding stage are clearly understood by the bidder.<br>• Incorporate VfM requirements in the proposed contract are contractually enforceable.<br>• Establish processes for regular VfM tracking and reporting throughout project delivery.<br>• Set clear accountability and reporting mechanisms. |
| Environmental and social compliance | • Approve monitoring mechanisms for contractors' environmental and social performance.<br>• Ensure compliance measures are integrated into contracts. |

| Project Implementation Stage | |
|---|---|
| **Tender Preparation** | Prepare tender documents with clear and measurable VfM criteria aligned using indicators from the procurement strategy for the evaluation of bids, contract performance criteria, and reporting requirements. |
| **Activity** | **Examples** |
| Specifications and evaluation criteria | • Tailor criteria to project complexity and objectives for cost-effective, quality outcomes.<br>• Reward innovations that reduce environmental impacts, lowering long-term costs.<br>• Set mandatory targets to minimize resource use and waste, and improve operational efficiency.<br>• Require recognized certifications (e.g., certifications in terms of international standards) to ensure quality and reduce risks.<br>• Request life-cycle data (longevity, recyclability) to reduce replacement costs.<br>• Use total cost of ownership, not just purchase price, for comprehensive cost comparison. |

*continued on next page*

Table 2 *continued*

| Activity | Examples | |
|---|---|---|
| Performance requirements | • Use performance-based specifications to encourage innovative, cost-efficient solutions that offer increased value. | |
| SMART indicators | • Establish measurable performance indicators with clear targets to monitor VfM delivery.<br>• Enable proactive risk management and continuous improvement. | |
| Comprehensive evaluation criteria | • Evaluate factors contributing to VfM, such as sustainability, risk reduction, and social value.<br>• Apply sanctions or disincentives for failure to achieve VfM milestones throughout contracts. | |
| Reporting, audit, and testing requirements | • Implement regular monitoring and audits to verify VfM achievements.<br>• Gather reliable data to monitor compliance and identify inefficiencies early, preventing cost overruns. | |
| **Tender Evaluation and Contract Award** | Apply VfM evaluation criteria from tender documents consistently and equally, and translate the VfM criteria and targets into contract conditions and indicators to measure contract performance and results. | |
| **Activity** | **Examples** | |
| Process efficiency | • Schedule timelines appropriate to contract complexity.<br>• Utilize competitive bidding to improve VfM. | |
| Selection process | • Ensure the contract award aligns with criteria established in tender documents.<br>• Select proposals that deliver maximum VfM, in accordance with the approved evaluation criteria. | |
| **Contract Management** | Conduct performance measurement throughout contract implementation using clearly defined indicators to effectively manage the contract and monitor work progress. | |
| **Activity** | **Examples** | **Unit of Measure** |
| Cost management | • Monitor cost in relation to the contract budget.<br>• Analyze causes to inform future cost indicators. | Amount over budget (amount) |
| Schedule management | • Track time overruns.<br>• Implement corrective actions promptly to mitigate time delays. | Time over schedule (days/weeks) |
| Contract management | • Manage variations and change orders to avoid unnecessary cost and time increases.<br>• Review contract termination for lessons learned.<br>• Nature of defects (work not in accordance with the requirements of the contract). | Number of changes and/or terminations (number) |
| Environmental impact | • Measure carbon dioxide emissions, energy use, water consumption, waste reduction, and noise pollution.<br>• Use data to assess environmental compliance. | Carbon dioxide emissions (kilotons), energy (kilowatt-hours), water (metric/cubic tons), waste (cubic meters), noise (decibels) |
| Social performance | • Measure wages paid to local workers, expressed as a<br>• percentage of the total contract price.<br>• Measure payments to supply firms owned by women, expressed as a percentage of the contract price.<br>• Maximize local job creation. | Number of women-owned businesses (number)<br>% of workforce that is local |
| Health and safety | • Monitor health and safety measures on site.<br>• Assess incidents to improve contractor performance. | Incident rate and/or compliance metrics (percentage) |
| **Contract Completion** | Collect, review, and evaluate results and feedback to identify lessons learned and best practices for future contracts. Contract completion is also an ideal opportunity to measure VfM by verifying whether the contract was delivered within the established cost and timeline, and if quality (performance in use), sustainability impacts, public value, and other performance targets were met or exceeded. | |

SMART = specific, measurable, achievable, relevant, and time bound, VfM = value for money.

# IV. PROCESS FOR ASSESSING VALUE FOR MONEY IN PROCUREMENT

While the previous section set the context for when and how VfM considerations can be integrated throughout the project cycle, this section operationalizes the VfM assessment within the procurement process. It proposes a process for designing and applying a VfM assessment within MDB-financed infrastructure projects in a phased manner. This process covers the design of the VfM approach, pre-implementation review, and application during project execution (see a sample VfM Assessment Tool in **Appendix 3**).

**Box 1**

## Phase 1: Designing the Value for Money Approach

This phase lays the foundation for value for money (VfM) assessment by defining the VfM statement, selecting indicators, and developing the measurement structure. While it may begin during the project's concept stage, it is generally carried out during the preparation stage of the project cycle.

- **Draft initial VfM statement.** Articulate what VfM means for the project, considering the four core dimensions of cost, quality, sustainability, and time, and based on the priorities of the partnership between the MDB and the government. While procurement experts (within an MDB or government) usually take primary responsibility for drafting the VfM statement, it is both important and beneficial to engage other stakeholders, including technical team leaders and project managers.
- **Identify key procurement contracts.** Determine which contracts are most critical to achieving VfM in the context of the project, focusing on those with the greatest impact on project outcomes (e.g., high-value, high-risk, or complex), by reviewing the project's procurement plan and strategic procurement assessment.
- **Determine relevant indicators.** For each key contract, choose an appropriate number of indicators that reflect VfM performance—enough to provide a balanced assessment across cost, quality, sustainability, and/or time. Ensure indicators are specific, measurable, achievable, relevant, and time bound (SMART) (**Appendix 2** provides examples).
- **Set target outcomes.** Define what constitutes success for each indicator by setting target outcomes (e.g., 10% reduction in energy use or on-time delivery within 5% of the contract completion date).
- **Assess assumptions and risks.** Ensure that target outcomes are informed by assumptions and reviewed to assess potential risks (e.g., supply chain disruptions, geotechnical conditions, or market volatility) that may affect performance. Where appropriate, adjust target outcomes to account for these uncertainties (risks).
- **Assign weights to indicators.** Prioritize indicators by assigning relative weights, both within and across contracts, to reflect their contribution to overall VfM achievement.
- **Set the scoring scale.** Establish a fair, consistent, and interpretable scoring system (e.g., 1–5 or 0–100), with performance levels such as low, moderate, substantial, and high to categorize the results of the VfM assessment.

MDB = multilateral development bank.

**Box 2**

## Phase 2: Pre-Implementation Review

This phase ensures that the VfM approach is robust, practical, and aligned with current project conditions through review and refinement, and typically takes place during the implementation stage of the project cycle.

- **Review the VfM approach.** Assess the VfM statement, indicators, and methodology to confirm alignment with project context, goals, and strategic priorities.
- **Conduct scenario analysis.** Test the VfM approach under a variety of outcome scenarios to identify any weaknesses, unrealistic assumptions, or sensitivities.
- **Refine weights and indicators.** Refine weights and indicators based on scenario testing and any changes in project conditions.
- **Reassess the scoring scale.** Ensure the scoring scale remains applicable across a realistic range of target outcomes.

**Box 3**

## Phase 3: Implementation and Monitoring

This phase applies the value for money (VfM) approach during the project implementation stage, or in some cases at project completion, focusing on data collection, performance monitoring, and timely corrections.

- **Track performance against indicators.** Collect and evaluate actual performance data for each key contract:
  (a) record achieved outcomes for each indicator,
  (b) assess the performance gap by identifying variance between the target and achieved outcome,
  (c) calculate, by aggregating weighted indicator scores, a VfM score per contract,
  (d) calculate by aggregating weighted contract scores a VfM score per output (see example below), and
  (e) calculate by aggregating weighted output scores the overall VfM score for the project.
- **Identify deviations and issues.** Continuously monitor for underperformance or overperformance in cost, quality, sustainability, and time, and evaluate their impact on VfM.
- **Implement corrective actions.** Where deviations are identified, take timely action, adjusting contractor performance or contract management inputs to improve outcomes.
- **Maintain documentation and reporting.** Keep detailed records of performance, deviations, corrective actions, and lessons learned to promote transparency and support future performance.

$$\text{Overall Score for Output} = \frac{\sum (\text{Contract Score} \times \text{Contract Weight})}{\sum \text{Weights}}$$

**Example:**

Contract 1: 50% score × 20% weight = 10%

Contract 2: 70% score × 50% weight = 35%

Contract 3: 90% score × 30% weight = 27%

Total VfM Score for Output = 10% + 35% + 27% = 72%

Consider applying a "comply or explain" approach to ensure that VfM assessment is actively and consistently applied. Users are expected to use the standard methods set out in the procurement strategy; where they depart—whether in indicator selection, weighting, data sources, or tool parameters—they should document their rationale, the alternative method, and any implications for comparability and auditability. This creates a consistent practice with justified flexibility, strengthens accountability through a clear audit trail, and generates structured feedback for continuous improvement.

# V. PRACTICAL TIPS FOR ACHIEVING VALUE FOR MONEY IN PROCUREMENT

These tips are designed to help project stakeholders move from theory to practice. Each insight will help to strengthen VfM across the project cycle, including in defining VfM, selecting indicators, managing assumptions, mitigating risks, and evaluating outcomes. Whether launching a new infrastructure project, revisiting an existing one, or setting up procurement strategies, stakeholders can use these tips to help maximize VfM in a transparent and adaptable manner.

**Box 4**

## Practical Tip 1: Define a Clear Value for Money Statement Early in the Process

Start defining what "value" means for the project during the planning phase. This sets a clear foundation for selecting indicators and managing trade-offs across cost, quality, sustainability, and time. A well-defined VfM statement helps in:

- considering value in terms of the 4Es;
- guiding how VfM is measured, monitored, and reported across the project cycle;
- explaining and justifying decisions, especially when balancing cost against longer-term benefits;
- ensuring that metrics focus on what truly matters (e.g., cost-efficiency, environmental impact);
- demonstrating how performance will be judged; and
- reflecting the priorities of key partners to build trust and ownership.

Engage a cross-cutting team of stakeholders, including implementers, development partners, and technical teams, to ensure that the VfM statement reflects shared priorities. Include the statement in key project documents and revisit it as the project evolves.

For instance, consider the following inputs: market analysis to assess feasibility, project risks, development objectives, and the country strategy. Key questions to ask might include: how critical is quality to the asset's long-term performance? What price premium is expected for enhanced quality, and how does this contribute to performance or durability? What are the implications of potential delays? Which project impacts could lead to significant disruption or reputational harm?

Ensure indicators are a direct extension of the VfM statement. Use SMART criteria to track what truly matters, whether that's cost-effectiveness, quality, sustainability, or timeliness (or a combination of all four). While a fixed number of indicators per contract can promote consistency and simplicity, this approach should remain flexible. Adjust the number and type of indicators based on the project's characteristics, including its complexity, cost, and scope, to enable meaningful and proportional measurement of value.

Sometimes, competing priorities may arise—for example, a country strategy might prioritize engaging local, small, and medium-sized enterprises, while a project also aims to attract innovative proposals from other markets. In such cases, it is essential to work closely with the government, key stakeholders, and the market to evaluate the relative importance of each objective, and identify approaches that can successfully address all project priorities.

Before finalizing the indicators, validate that they align with the VfM statement. If they do not, revise the indicators or the VfM statement until they address questions such as: do they reflect the stated VfM goals? Do they capture the 4Es? Do they cover all or a combination of factors such as cost, quality, sustainability and time? Are they SMART?

4Es = economically, effectively, and efficiently, while promoting or contributing to equity; SMART = specific, measurable, achievable, relevant, and time bound.

Box 5

## Practical Tip 2: Incorporate Assumptions and Risks into Target Outcomes

Target outcomes for each indicator can be affected by issues that arise during project implementation. Therefore, it is essential to integrate both assumptions (e.g., stable prices of goods or services during the contract) and risks (e.g., unexpected price fluctuations or risks materializing) impacting target outcomes and VfM achievement into the VfM assessment (Table 3). This enables identification of potential uncertainties, their impact on target outcomes, and necessary adjustments. The key challenge is maintaining project adaptability amid uncertainties by incorporating flexible targets and proactive risk management to address inaccurate assumptions and unforeseen risks, while still striving to meet target outcomes and deliver VfM.

Assumptions are factors considered true or certain without empirical evidence. In essence, they are the conditions believed necessary for the project to succeed (e.g., the project will be completed on schedule). On the other hand, a risk is a potential (negative) future event with an associated likely impact on project objectives, often external and beyond control (e.g., resource shortages, political instability, natural disasters).

**Table 3: Examples of Common Assumptions and Risks in Infrastructure Projects**

| Assumptions | Risks |
|---|---|
| • **Resource availability.** Required funds, qualified personnel, and quality materials will be available on schedule to meet milestones.<br>• **Stakeholder commitment.** All key stakeholders will maintain active and timely engagement, providing necessary approvals and support throughout the project.<br>• **Regulatory stability.** Applicable laws and regulations will remain stable, with no significant changes requiring substantial project redesign or delays.<br>• **Market and economic conditions.** Inflation and supply chain conditions will stay within a defined range, triggering risk mitigation only if deviations exceed a specified value.<br>• **Data accuracy and availability.** Accurate and timely data from verified sources will be accessible at required intervals to support performance tracking.<br>• **External dependencies.** Third-party contractors and suppliers will deliver quality inputs on schedule, with contingency plans in place for key dependencies.<br>• **Environmental and social conditions.** No major environmental or social disruptions will occur beyond those in the risk assessments and mitigation plans.<br>• **Human behavior and performance.** Project teams will perform as expected, supported by adequate training, resources, and leadership.<br>• **Clear understanding of objectives.** All parties have shared and documented project objectives, deliverables, and success criteria. | • **Budget overruns.** Unexpected expenses exceeding the approved budget, risking financial viability.<br>• **Regulatory changes.** New or revised laws and policies causing delays, additional costs, or scope adjustments.<br>• **Supply chain disruptions.** Interruptions or delays in procuring critical materials, impacting project timelines.<br>• **Workforce challenges.** Labor shortages, skill gaps, or workforce turnover affecting productivity and project delivery.<br>• **Data integrity issues.** Inaccurate, incomplete, or delayed data compromising monitoring, reporting, and decision-making.<br>• **Economic volatility.** Inflation, currency fluctuations, or economic downturns adversely impacting project costs.<br>• **Force majeure events.** Uncontrollable events such as natural disasters, pandemics, or conflicts.<br>• **Stakeholder conflict.** Divergent or changing stakeholder interests undermining consensus and decision-making.<br>• **Inadequate needs analysis.** Flawed assessment of requirements leading to misaligned objectives or performance metrics.<br>• **Change resistance**. Opposition from users to new systems, processes, or changes, hindering adoption.<br>• **Dependency risks.** Overreliance on single vendors, or resources that fail to deliver or cause bottlenecks.<br>• **Political instability.** Government transitions, policy uncertainty, or civil unrest threatening project continuity.<br>• **Unforeseen weather events.** Weather conditions outside the statistical norms normally accommodated in a contractor's program. |

*continued on next page*

Incorrect assumptions can create gaps between actual and target outcomes, often turning into risks that affect project success (Figure 2).

### Figure 2: Risks Arising from Incorrect Assumptions

| Distorted VfM Assessment | Misaligned Indicators | Unexpected Delays and Costs | Rework and Overruns | Loss of Stakeholder Confidence |
|---|---|---|---|---|
| Information technology system expected to reduce processing time by 40%, but only achieves 10%, overstating efficiency and skewing VfM results. | Solar farm aims to meet 80% of energy demand but only reaches 50%, misaligning fossil fuel reduction and creating a shortfall. | Supplier disruptions delay material delivery, increasing costs and lowering VfM. | Assumed software compatibility proves false, requiring redevelopment, raising expenses, and reducing VfM. | Budget overruns of 30% because of inflation and poor estimates weaken trust in governance and VfM assessments. |

VfM = value for money.

As assumptions carry uncertainty and could become risks if they prove false, the following proactive measures can be taken (Figure 3).

### Figure 3: Managing Uncertainty from Assumptions

**Assumption Validation**
Use market research, historical data, expert insights, and pilot studies to verify assumptions before relying on them.

**Scenario Planning**
Develop best-case, worst-case, and most likely scenarios to anticipate impacts of incorrect assumptions and prepare contingency plans.

**Continuous Monitoring**
Regularly track key indicators, comparing actual data against assumptions to identify deviations early and adapt accordingly.

**Stakeholder Engagement**
Involve clients, suppliers, regulators, and industry experts to challenge and validate critical assumptions.

During project planning, identify key assumptions and risks, and update them as new information or external changes arise. Through implementation, regularly validate these assumptions and adjust as needed to stay on course. At project completion, assess how well assumption and risk management techniques worked, and document lessons for future use. In addition to scenario planning for anticipating assumptions and risks, apply sensitivity and variance analysis to test the robustness of target outcomes **(Appendix 4)**.

Importantly, differentiate between avoidable issues (like poor planning, missed deadlines, or weak stakeholder engagement) and unforeseeable events (such as natural disasters, pandemics, or political upheaval). Unforeseeable events may justify adjusting VfM targets. Avoid classifying mistakes in setting target outcomes as unenforceable or uncontrollable, as doing so can undermine accountability and hinder learning. Ideally, adjust target outcomes through formal change control mechanisms.

It is also essential that the cost and timeliness of contracts incorporate some level of contingency to compensate for risks manifesting. The quantum of such contingencies is dependent upon the nature of the work and the location of the project, and should be reasonable, possibly based on cost creep encountered in similar projects. Failure to set contingency plans at a reasonable level may unduly distort the measurements associated with cost and timeliness.

Consider strengthening the treatment of risk in a procurement strategy by emphasizing a balanced risk allocation—which means assigning each material risk to the party best able to manage or mitigate it, and recording that decision clearly in the risk register and contract conditions. Poor allocation inflates bids through risk premium and increases the likelihood of claims, while appropriate allocation supports competition, price accuracy, and timely delivery.

In parallel, encourage early market engagement to test the suitability of specifications and delivery models, optimize packaging and scheduling, allow for innovation and sustainability options, and identify cost and supply risks before bidding. Practical tools include market soundings, requests for information, industry briefings, and two-stage procurement. Moreover, where uncertainty is material, adopt ranges rather than single-point targets for indicator outcomes; for example, demand, energy use, or delivery time. Pair ranges with tolerance bands or confidence levels, scoring rules for partial achievement, and minimum acceptable thresholds to avoid false precision while preserving accountability and comparability in the VfM assessment.

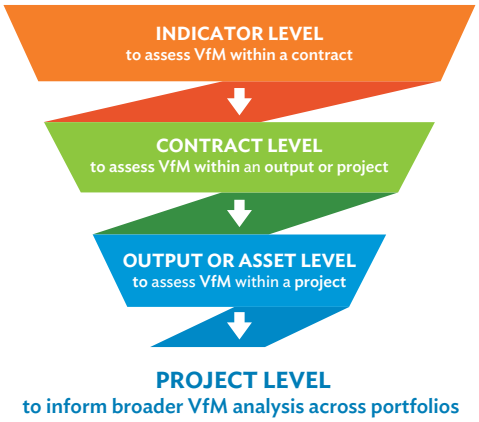
Box 6

## Practical Tip 3: Establish Weights That Prioritize Focus Areas

Achieving VfM is not just about achieving target outcomes; it is about understanding how much each target matters. Not all outcomes carry equal weight, and assigning appropriate weightings during the project preparation phase is essential to ensure VfM assessments are fair, relevant, and aligned with strategic goals. Weighting systems can be applied at multiple levels—indicator, contract, output, and project—to assess VfM (Figure 4).

VfM achievement is the gap between target and achieved outcomes, tracked through indicators that measure cost, quality, sustainability, and time. Each indicator is assigned a weight to reflect its relative importance. These weights help clarify trade-offs and focus attention on what matters most for a specific project, contract, or output. Once the gap between the target and achieved outcome is calculated, it must be assessed to understand whether VfM has been achieved. To do so, employ a sample scoring range, i.e., a range that establishes if VfM is fully achieved.

**Figure 4: Selecting the Assessment Level Within a Project**




Don't treat all targets as equal; assign weights to indicators based on their relative importance to the project's goals. Weightings must reflect the priorities set during project design, informed by context, stakeholder needs, and sector strategies. Ideally, weightings are agreed through dialogue among key parties such as project teams, procurement specialists, implementing agencies, and financiers.

Approaches to establishing weighting criteria include simple judgment calls and other structured methodologies. Techniques like the analytic hierarchy process, which provides a structured mathematical approach for processing the inherently subjective preferences of an individual or a group, supports decision-making by establishing priorities among alternatives and the criteria used to evaluate them (Table 4).

The use of structured tools increase objectivity and make the rationale behind decisions easier to document and defend. MDBs and government agencies may adapt or adopt models that best suit their operating context.

**Table 4: Principles for Effective Weighting of Value for Money Indicators**

| Principle | Guidance |
|---|---|
| Alignment with project and procurement objectives | Weightings should be directly informed by the strategic objectives of the project and the intended procurement outcomes. They must reflect the relative importance of different projects, outputs, contracts, and indicators in delivering VfM. |
| Context specific and tailored to each project | Weightings are not meant to be standardized across projects, just as overall VfM scores should not be compared between projects. They should be tailored to the specific context of each project, considering factors such as complexity, sector, location, risk profile, and the nature of the assets or services being procured. |
| Structured approaches enhancing objectivity | Using structured methodologies such as the analytic hierarchy process or multi-criteria decision analysis can enhance the transparency, consistency, and objectivity of weighting decisions. |
| Consensus-based weighting preferred | Weightings should be developed through a collaborative process involving key stakeholders, including project teams, procurement specialists, implementing agencies, and financiers. This helps reduce bias and promotes a shared understanding of priorities. |
| Flexibility with justified adjustments | Weightings may be revised when project objectives shift, or significant risks or contextual changes arise. However, any adjustments should be limited, well justified, and documented transparently to preserve the integrity of the original analysis. |
| Artificial constraints avoided | While general guidance or indicative ranges can be helpful, applying fixed caps or rigid formulas may distort the analysis. Weightings should be flexible enough to accurately reflect what matters most in each context. |
| Risk and assessor judgment may influence weightings | Some variability is expected because of differences in risk tolerance and the professional judgment of those assigning weights. Structured methods can help reduce this subjectivity, but relevance and practicality should not be sacrificed for uniformity. |

VfM = value for money.

Box 7

# Practical Tip 4: Assess the Gap Between Achieved and Target Outcomes Using a Scoring Scale

Begin with calculating the gap between target and achieved outcomes (e.g., $5 million over $100 million = 5% gap, i.e., $105 million). This gap forms the basis for assessing whether VfM has been achieved by evaluating not only the difference between the target and achieved outcomes, but also the size of this difference. Generally, infrastructure projects are expected to experience cost and schedule overruns which vary between different types of infrastructure and location. However, in certain critical cases, such as delivering infrastructure in time for a major event, even a minimal deviation, whether above or below the target, is considered unacceptable because of the substantial consequences it may cause.

To calculate a gap effectively, establish a scoring range that defines what constitutes a VfM achievement. For example, a 5% gap might correspond to a 90% VfM score, indicating high VfM achievement.

**CALCULATE THE GAP**
Measure the difference between target and achieved outcomes

**ASSIGN SCORES**
Link VfM achievement levels to the size of the gap

To ensure fair and consistent VfM analysis, assess VfM at multiple levels, starting from individual indicators and potentially aggregating to the project level. Encourage measuring VfM up to the project level, but recognize that this may not be necessary for all MDBs. Keep scoring scales flexible to accommodate project diversity, complexity, and different operating environments. Avoid rigid systems since projects vary widely in targets and goals; comparing VfM scores across contracts, outputs, or projects is not generally advisable as it would not be a like-for-like comparison.

It is recommended to use a simple scale with four tiers of VfM achievement for ease of use and consistency across MDBs; for example, low, moderate, substantial, and high (Figure 5). Apply the same scale across sectors, infrastructure types, and categories (goods, works, services), to the extent possible, within a project. The primary scoring should occur at the indicator or contract levels as needed. Adjust scoring bands based on project specifics, for example, use narrow bands when the margin for error is small, and wider bands when uncertainty is high.

**Figure 5: Sample Value for Money Achievement Scoring Chart**

| **Score** (%) | **Level** |
|---|---|
| 75–100+ | High |
| 50–74 | Substantial |
| 25–49 | Moderate |
| 0–24 | Low |

Scoring scales should remain fixed during the project, even if target outcomes change. Scores can exceed 100% if VfM exceeds expectations at any level (indicator, contract, output, or project). It is recommended to express cost and schedule variances as percentages rather than absolute amounts (currency or time) to support consistent, cross-project performance comparison.

Also, comparing different types of indicators—such as assessing how accurately projects estimate duration or costs—may provide valuable benchmarking opportunities. While some indicators may be specific to a given project, it may be possible to compare common indicators across similar contracts or projects.

# VI. AVAILABLE TOOLS

To promote a more transparent and effective assessment of VfM, this framework includes within its appendices a set of practical tools to support MDBs in applying VfM. These tools are designed to operationalize the VfM concept, guide the selection of relevant indicators, and enable structured measurement across different stages of project implementation:

(i) **Appendix 1: Strategies to Integrate Value for Money Across the Project Cycle.** This appendix is a practical reference to support systematic VfM integration within projects.

(ii) **Appendix 2: Sample Indicator Menu.** This appendix highlights a core set of SMART indicators with a strong link to VfM goals. Organized into four categories—cost, quality, sustainability, and time—the menu includes suggested measurement units, data sources, and formulas to support implementation.

(iii) **Appendix 3: Sample Value for Money Assessment Tool.** This appendix provides an approach to evaluate VfM performance at various implementation levels. Building on the indicator menu, the tool enables users to input targets and identify performance gaps against a scoring system to determine VfM achievement at multiple levels.

(iv) **Appendix 4: Practical Application of Sensitivity and Variance Analysis.** This appendix provides examples illustrating how to perform sensitivity and variance analysis when target outcomes shift during a project.

(v) **Appendix 5: Value for Money Examples.** This appendix illustrates how this framework and its associated tools can be practically applied to assess VfM in real-world projects, providing insights and recommendations in terms of project design and implementation.

Drawing on both established and emerging practices across MDBs, the tools encourage consistency in VfM measurement while allowing room for adjustment and innovation.

# VII. MOVING FORWARD

**This framework underscores the importance of achieving VfM in operational procurement financed by MDBs. In addition to offering practical tips for enhancing VfM across contracts, outputs, and projects, it includes tools to support MDB's ongoing VfM journey, and to demystify this complex but important topic.**

This assessment framework identifies itself as a recommended resource. Each MDB should determine whether to adopt or mandate it through its own policies, recognizing that the principle of VfM is already binding across MDBs.

At the very least, MDBs can institutionalize VfM practices within their organizations. This can be accomplished through measures such as updating or publishing relevant policies, strengthening capacity-building initiatives, and upgrading information systems to enable robust monitoring and evaluation. Embedding these practices ensures that VfM remains a core component of project planning, implementation, and oversight.

Furthermore, MDBs should have regular consultation with technical experts and end users to refine and validate metrics so that they reflect real-world conditions. It is essential to benchmark results against industry norms, comparable projects, and historical data to keep assessments realistic, consistent, and relevant.

VfM is a continuous journey of planning, measuring, learning, and adapting. Regularly tracking performance against core VfM drivers of cost, quality, sustainability, and time enables project teams to address gaps, make informed adjustments, and build on what works. Capturing lessons from both challenges and achievements supports capacity building and innovation, while feedback loops, performance data, and stakeholder engagement ensure that practices remain relevant and effective.

This framework is a starting point for VfM, but its impact depends on disciplined application and systematic learning from successes, challenges, and lessons in practice. To reinforce VfM as a governance tool, the approach must be anchored in ethics, anti-corruption, and transparency: clear rules and evaluation criteria should disclose financial forecasts, documented decision trails, separation of duties, robust conflict-of-interest and integrity checks, timely publication of award information and performance data, and accessible complaints and audit mechanisms. Delivering VfM is therefore about not only efficiency and results, but also safeguarding public trust through accountable, transparent, and ethical procurement that delivers better outcomes for people and communities.

# BIBLIOGRAPHY


Asian Development Bank. 2021. *Value for Money Guidance Note on Procurement*.

European Bank for Reconstruction and Development. 2024. *Guidance: Value for Money in Public Procurement*.

Flyvbjerg, B. 2014. What you should know about megaprojects and why: An overview. Project Management Journal, 45(2). https://journals.sagepub.com/doi/10.1002/pmj.21409

Flyvbjerg, B., et al. 2018. Five things you should know about cost overrun. Transportation Research Part A: Policy and Practice, 118. https://www.sciencedirect.com/science/article/abs/pii/S0965856418309157

Islamic Development Bank. 2024. *Guidance Note on Achieving Value for Money*.

M. H. Moore. 2025. Creating public value: The core idea of strategic management in government. *Journal of Sustainable Institutional Management*. 12. https://sustainableinstitutional.org/Journals/article/view/179.

Organisation for Economic Co-operation and Development. 2019. *Reforming public procurement: Progress in implementing the 2015 OECD Recommendation.* OECD Publishing. https://www.oecd.org/content/dam/oecd/en/publications/reports/2019/10/reforming-public-procurement_4846551d/1de41738-en.pdf

Office of Management and Budget. 2023. Circular A-94: Guidelines and discount rates for benefit–cost analysis of federal programs (revised ed.). Executive Office of the President. https://www.whitehouse.gov/wp-content/uploads/2023/11/CircularA-94.pdf

Saaty, T. L. and L. Vargas. 2012. The Seven Pillars of the Analytic Hierarchy Process. In T.L. Saaty and L. Vargas. *Models, Methods, Concepts and Applications of the Analytic Hierarchy Process*. Springer. pp. 23–40.

Teo, P., A. Bridge, and P. E. D. Love. 2015. *Deriving optimal competition in infrastructure procurement*. Paper prepared for the International Conference on Construction and Real Estate Management. 11–12 August.

Watermeyer, R. 2013. *Value for Money in the Delivery of Public Infrastructure*. Paper prepared for the West Africa Built Environment Research Conference. 12–14 August.

Watermeyer, R. 2014. *Realising Value for Money Through Procurement Strategy in the Delivery of Public Infrastructure*. Paper prepared for the 8th CIDB Postgraduate Conference. 10–11 February.

Watermeyer, R. 2015. *Design and Adoption of Innovative Procurement Systems in Infrastructure Delivery*. Paper for the West Africa Built Environment Research Conference. 12–14 August.

Watermeyer, R. 2018. *Client guide for improving infrastructure project outcomes*. School of Construction Economics and Management, University of the Witwatersrand, Johannesburg; and Engineers Against Poverty.

Watermeyer, R. 2019. *The critical role played by the client in delivering infrastructure project outcome*. *Civil Engineering*. January/February. pp. 32–38.

Watermeyer, R. 2022. Procurement and delivery management. In G. Ofori, ed. *Research Companion to Construction Economics.* Edward Elgar Publishing. pp. 371–395.

World Bank. 2023, November. *Procurement Guidance: Value for Money Achieving VfM in Investment Projects Financed by the World Bank*.

# APPENDIX 1

# STRATEGIES TO INTEGRATE VALUE FOR MONEY ACROSS THE PROJECT CYCLE

## Table A1: Strategies to Integrate Value for Money Across the Project Cycle

| Stage | Key Question | Purpose | Implication |
|---|---|---|---|
|  **Country Strategy** | Is value for money (VfM) explicitly or implicitly integrated into relevant sections of the country strategy? | To ensure strategic alignment of VfM at the highest level | Promotes early buy-in, shaping project design and expectations |
| | Are key stakeholders aligned on the role of VfM in shaping project priorities? | To build shared understanding and commitment to VfM principles | Enhances coherence and support across sectors and institutions |
| | Is prioritizing VfM addressed in the country agency sector procurement risk assessment? | To identify VfM-related risks that may affect procurement performance | Informs mitigation strategies and capacity-building plans |
| | Are country diagnostics or assessments conducted to evaluate existing procurement capacity and VfM-related risks? | To assess systemic strengths and gaps affecting VfM delivery | Provides an evidence base for prioritization and investment in reforms |
| | Has VfM mapping been conducted to identify entry points across the project pipeline? | To proactively embed VfM throughout project stages | Supports systematic planning and enhanced pipeline quality |
|  **Project Concept** | Are explicit VfM objectives and anticipated benefits included in the concept note (e.g., balancing cost, quality, sustainability, and delivery time)? | To ensure VfM is clearly prioritized early in project design | Guides balanced decision-making across key project dimensions |
| | Are these objectives reflected at both the project and procurement levels? | To maintain consistency in VfM goals throughout the project | Aligns strategic and operational approaches to maximize VfM |
| | Does the preliminary procurement approach support VfM (e.g., the mitigation of inherent risks, innovation, efficient delivery)? | To promote procurement practices and contractual arrangements that enhance VfM outcomes | Encourages innovative, cost-effective, and timely procurement |
| | Has implementing agency procurement capacity and capability been reviewed (e.g., needs for capacity building flagged)? | To assess readiness to deliver VfM outcomes effectively | Identifies gaps and informs support to strengthen procurement outcomes |
| | Has a preliminary procurement risk assessment identified early risks to VfM? | To proactively manage potential VfM-related challenges | Supports early mitigation of risks, improving project resilience |
|  **Project Preparation** | Are project-level VfM drivers and anticipated project benefits clearly articulated in the strategic procurement plan and VfM statement? | To establish clear VfM priorities guiding procurement strategy and sequencing of contracts within a project | Ensures procurement decisions align with overall project goals and benefits are progressively realized |
| | Has market analysis or supplier engagement assessed capacity, capability, and risk? | To understand market dynamics and identify opportunities and risks | Informs procurement approach and contractual arrangements to maximize VfM |
| | Have procurement-related VfM risks been identified and mitigated? | To proactively manage risks that threaten VfM outcomes | Reduces likelihood of disruptions and inefficiencies |
| | Are VfM objectives translated into measurable procurement targets? | To operationalize VfM in procurement execution and monitoring | Enables objective assessment and accountability for VfM delivery |
| | Are procurement methods and packaging strategies optimized for VfM? | To apply procurement techniques that drive VfM | Enhances cost-effectiveness, quality, and innovation |

*continued on next page*

Table A1 *continued*

| Stage | Key Question | Purpose | Implication |
|---|---|---|---|
|  **Project Approval** | Are VfM objectives linked with project outcomes in approval documents? | To ensure VfM goals are clearly communicated and approved | Supports accountability and alignment with VfM priorities |
| | Are procurement strategies finalized to support VfM throughout the project cycle? | To confirm that procurement plans effectively deliver VfM outcomes | Reduces risk of misalignment and supports implementation readiness |
| | Are procurement-related risks and mitigation strategies reflected in final documents? | To embed risk management at the point of project approval | Improves preparedness and reduces delays and cost overruns |
| | Is the procurement approach aligned with project needs and market realities? | To ensure realistic and strategic procurement execution | Ensures effective market engagement and delivery |
| | Are procurement timelines defined to support sequencing and readiness? | To prevent delays and implementation bottlenecks | Ensures contracts are timely and coordinated |
|  **Project Implementation** | Are performance indicators and project benefits actively monitored during contract implementation? | To ensure accountability and maintain VfM during execution | Enables timely corrective actions, continuous improvement and project benefits to be progressively realized |
| | Have specific, measurable, achievable, relevant, and time-bound (SMART) performance indicators been defined with targets outcomes? | To provide a clear and measurable basis for contract performance | Supports effective oversight and outcome-based management |
| | Are contract amendments or change orders evaluated for VfM impact? | To prevent unnecessary changes and preserve VfM | Ensures that changes support rather than undermine project objectives and benefits |
| | Are VfM-related outcomes tracked | To focus on long-term impact rather than just delivery | Encourages outcome-based implementation and learning |
| | Are lessons and good practices from implementation documented? | To institutionalize learning and inform future projects | Improves procurement practice and builds organizational capacity |
|  **Project Completion** | Were VfM objectives met in all areas and reflected in the completion report? | To verify delivery against stated VfM goals | Demonstrates accountability and effectiveness of procurement |
| | Was the total cost of ownership or life-cycle value realized, and were long-term needs addressed? | To assess whether full VfM was achieved over the asset life cycle | Supports learning and planning for sustainable project delivery |
| | Did the procurement strategy deliver intended outcomes (e.g., innovation, performance)? | To evaluate procurement effectiveness | Informs refinement of future procurement strategy |
| | Were contract performance indicators tracked, and results documented? | To ensure data-backed VfM evaluation | Strengthens evidence base for reporting and continuous improvement |
| | Were lessons on procurement risks, management challenges, and VfM trade-offs captured? | To capture institutional learning for future use | Improves design and risk mitigation in future projects |

# APPENDIX 2
# SAMPLE INDICATOR MENU

### Table A2: Sample Value for Money Indicator Menu

| # | Indicator Group | Indicator Subgroup | Sample Indicator | Unit of Measure | Level | Data Source | Sample Measurement |
|---|---|---|---|---|---|---|---|
| 1 | Cost | | Contract estimate versus award | Amount ($) | Contract | Package cost estimate | Actual contract cost in relation to estimated cost pre-procurement |
| 2 | Cost | | Contract award versus outturn cost | Amount ($) | Contract | Contract completion report | Actual cost of activity at completion (including any contractual claim, once resolved) in relation to activity cost at contract signing plus contingency |
| 3 | Cost | | Life-cycle cost/total cost of ownership | Amount ($) | Contract | Project completion report | Achieved outcome in relation to the target |
| 4 | Quality | | Infrastructure performance/ quality against contract targets | Percentage (%) | Contract | Project completion report | Water treatment plant can treat x cubic meters ($m^3$) of water per day: measurement of actual capacity versus expected target capacity |
| 5 | Quality | | Contractor (or consultant) performance against set key performance indicators (KPIs) | Figure (no.) | Contract | Contract management plan/report | Bespoke KPIs set at contract stage and tracked through contract implementation |
| 6 | Time | | End-to-end procurement time | Days (d) | Contract | Planned procurement schedule | Actual end-to-end procurement time in relation to the planned time of x days |
| 7 | Time | | Contract implementation (e.g., construction) | Days (d) | Contract | Contract completion report | Actual contract duration (days/wks/mths) in relation to contract duration agreed at outset |
| 8 | Time | | Completion to full use of delivered asset | Days (d) | Contract | Project completion report | Actual date of operational usage in relation to target date established at contract signing |
| 9 | Sustainability | Economic | Local participation of communities | Figure (no.) | Project | Contract completion report | Number of locals directly employed on the project in relation to established target |
| 10 | Sustainability | Economic | Inclusion of traineeships for local communities, college graduates | Figure (no.) | Project | Contract completion report | Number of traineeships provided in relation to target established at project outset |
| 11 | Sustainability | Economic | Use of small and medium-sized enterprises (SMEs) | Figure (no.) | Project | Project completion report | % or no. of contracts awarded to SMEs |

*continued on next page*

Table A2 *continued*

| # | Indicator Group | Indicator Subgroup | Sample Indicator | Unit of Measure | Level | Data Source | Sample Measurement |
|---|---|---|---|---|---|---|---|
| 12 | Sustainability | Environmental | Carbon dioxide ($CO_2$) reduction against baseline | Ton (t) | Contract | Contract completion report | % $CO_2$ reduction in relation to baseline |
| 13 | Sustainability | Environmental | Efficient use of energy and resources | Percentage (%) | Contract | Project completion report | % use of energy/resources in relation to baseline measurement |
| 14 | Sustainability | Environmental | Proportion of recycled materials used | Percentage (%) | Contract | Project completion report | Contract target for the proportion of materials that will be recycled into the delivery of the asset |
| 15 | Sustainability | Social | Inclusion of disadvantaged groups (e.g., women, disabled, Indigenous Peoples) | Figure (no.) | Contract | Contract completion report | Share of contracts awarded to disadvantaged groups |
| 16 | Sustainability | Social | Human rights, labor, health and safety issues | Percentage (%) | Contract | Project completion report | Maximum permitted levels of compliance with measurement based on proximity to the established best practice score |

# APPENDIX 3
# SAMPLE VALUE FOR MONEY ASSESSMENT TOOL

This appendix provides guidance on how to effectively use a basic value for money (VfM) assessment tool such as Table A3.

1. Begin by entering the *Project Details* and identifying the key procurement contracts to be assessed.
2. Input the *VfM Statement* that outlines the project's VfM objectives. Then, select the relevant *Indicator Group* and corresponding *Indicator* from the dropdown menu, aligning with the *VfM Statement*.
3. Select a *Unit of Measure* that corresponds to the chosen *Indicator* to ensure accurate comparison between *Target Outcomes* and *Achieved Outcomes*.
4. *Target Outcome* should be set at the project preparation stage and *Achieved Outcome* will be entered as data becomes available during implementation or after project completion.
5. Calculate the *Gap*—the difference between the *Target Outcome* and *Achieved Outcome*—to indicate overperformance or underperformance.
6. Enter *Weights* (on a scale of x/10 for instance) for each *Indicator* to reflect its relative importance. Once weights are assigned, calculate *Score* and *Level of Achievement* at the *Contract* level. Weights for multiple *Contracts* can be inserted to assess VfM at the *Output* or *Asset* level, and similarly, across *Outputs* or *Assets* to assess VfM at the Project level.

## Table A3: Sample Value for Money Assessment Tool

| VALUE FOR MONEY (VfM) ASSESSMENT SUMMARY TOOL | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Project Details | | | | | Outcome | | | | | VfM Achievement Results | | | | | | | | | | | | | |
| | | | | | | | | | | Indicator | | | Contract | | | Output/Asset | | | Project | | | |
| Title and Value | Objectives | VfM Statement | Output/ Asset | Main Contract | Indicator Group | Indicator | Unit of Measure | Target Outcome (A) | Achieved Outcome (B) | Gap (B-A) | Score (%) | Weight (/10) | Score (%) | Level | Weight (/10) | Score (%) | Level | Weight (/10) | Score (%) | Level | Conclusion |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |

| VfM Achievement Scoring Chart | |
|---|---|
| Score (%) | Level |
| 75–100+ | High |
| 50–74 | Substantial |
| 25–49 | Moderate |
| 0–24 | Low |

# APPENDIX 4
# PRACTICAL APPLICATION OF SENSITIVITY AND VARIANCE ANALYSIS

**The following techniques can be used to understand how changes in a single variable may affect target outcomes under a project, and how best to adapt to such changes when assessing VfM achievement.**

Rather than accepting assumptions at face value, sensitivity analysis explores how variations in individual variables influence results, and highlights which assumptions have the greatest impact. It can be combined with scenario analysis, which examines the effects of simultaneous changes across multiple variables to explore possible future conditions or risks by considering best-case, worst-case, and most likely scenarios.

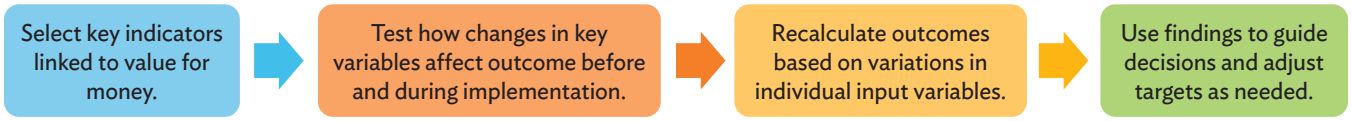
Example: **If a solar farm assumes 80% efficiency in reducing fossil fuel use, test what happens at 85%, 70%, or even 50%.**

85% efficiency → Lower cost/megawatt-hour (MWh) → Strong VfM
50% efficiency → Higher cost/MWh → Poor VfM
70% efficiency → Moderate cost increase → Acceptable VfM

- **Impact:** The cost per MWh is sensitive to efficiency levels. A decrease below 60% may result in VfM thresholds not being met.
- **Recommendation:** Invest in better tech or risk mitigation.

Use these insights to guide decisions, refine targets, and stay ahead of potential pitfalls (Figure A1).

### Figure A1: Key Considerations for Applying Sensitivity Analysis



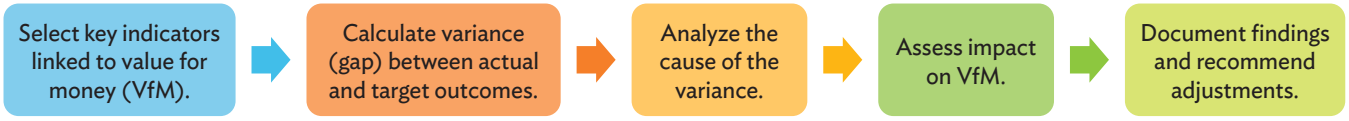

Don't just track outputs; compare them to what was promised. Variance analysis highlights gaps between target and achieved outcomes, helping to identify cost overruns or delivery shortfalls before they derail VfM.

Example: **Planned 100 kilometers of road for $50 million but delivered 80 kilometers for $55 million.**

- **Target:** 100 kilometers of road for $50 million
- **Actual:** 80 kilometers for $55 million
- **Variance:**
  - Cost: +10% over budget
  - Quantity: –20% shortfall
- **Cause:** Material cost increases and contractor delays
- **Impact:** Reduced VfM because of higher costs and lower delivery
- **Recommendation:** Strengthen supplier contracts and cost controls to avoid more severe impacts.

Evaluate VfM by selecting key indicators, measuring outcome variances, analyzing root causes, assessing impact, and recommending informed adjustments (Figure A2). Identify key indicators, calculate variances, trace causes, and act to prevent repeat issues. Then document what has been learned to improve the next project.

### Figure A2: Key Considerations for Applying Variance Analysis




It is preferable to express variances as percentages rather than absolute amounts to deepen insight and enable meaningful comparisons of project performance.

# APPENDIX 5
# VALUE FOR MONEY EXAMPLES

This appendix presents two examples that illustrate the practical and effective application of this framework and its associated tools.

## Box A5.1

### Example 1: Agriculture and Fisheries Development Programme in Tanzania

This example examines the application of value for money (VfM) to evaluate cost-effectiveness, quality, sustainability, and timeliness of completed project activities. The assessment focused on two key activities:

(i) **Irrigation system (15 hectares).** This component achieved an exemplary VfM score of 100%, meeting all targets on time and within budget.

(ii) **Residential housing renovation.** Despite some delays and a slight miss on the sustainability target, the renovation still received a respectable 70% score.

The overall project earned a high VfM rating of 88%, demonstrating the value of structured methodologies even with partial data. The case also reinforces the importance of integrating sustainability indicators in VfM assessments to enhance future project design and implementation.

#### Background

This example focuses on two completed activities, each with a completed contract.

#### Assessment Indicators

In this case, four quantitative indicators were applied:

- **Cost.** Contract award versus outturn cost.
- **Time.** Contract implementation (e.g., adherence to planned timelines).
- **Sustainability.** Inclusion of disadvantaged groups (e.g., youth, women).
- **Quality.** Infrastructure performance against contract targets.

Each indicator selected was specific, measurable, achievable, relevant, and time bound (SMART) with defined targets and outcomes. Indicators were weighted based on their relevance to project objectives. For example, cost was assigned a weight of 4 out of 10, reflecting its priority, while time and quality carried proportionally lower weights.

Activity 1:
**Irrigation infrastructure**

**Contract Type:** Works contract for a 15-hectare irrigation system

**VfM Score:** High (100%)

| | Target | Actual | Result |
|---|---|---|---|
| Cost | $90,426 | $90,426 | DELIVERED ON BUDGET |
| Time | 4 months | 4 months | DELIVERED ON TIME |
| Quality | 15 hectares | 15 hectares | TARGET FULLY MET |

Activity 2:
**Renovation of residential housing**

**Contract Type:** Civil works—building renovation

**VfM Score:** Substantial (70%)

| | Target | Actual | Result |
|---|---|---|---|
| Cost | $74,369 | $74,369 | DELIVERED ON BUDGET |
| Time | 4 months | 10 months | SIGNIFICANT DELAY |
| Sustainability | 50% women | 49% women | TARGET NEARLY MET |

These examples demonstrate that, when applied thoughtfully, the framework and its tools can provide meaningful, context-specific insights that enhance accountability across diverse development settings.

## Overall Project VfM Score

By applying a weighted average based on each activity's significance to the overall project, an aggregate VfM score of 88% was calculated. This corresponds to a **high** level of VfM achievement within the project.

**SAMPLE VALUE FOR MONEY ASSESSMENT TOOL**

| Project Details | | | | | Outcome | | | | | VfM Achievement Results | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | Indicator | | | Contract | | | Output/Asset | | | Project | | |
| Title and Value | Objectives | VfM Statement | Output/ Asset | Main Contract | Indicator Group | Indicator | Unit of Measure | Target Outcome (A) | Achieved Outcome (B) | Gap (B-A) | Score (%) | Weight (/10) | Score (%) | Level | Weight (/10) | Score (%) | Level | Weight (/10) | Score (%) | Level | Conclusion |
| Agriculture and Fisheries Development Programme (AFDP) | To provide irrigation infrastructure for 15 hectares of farmland and the renovation of a residential house at Msimba seed farm | VfM will be achieved if the AFDP provides the 15-hectare irrigation system and the renovation of the residential house on time and on budget incorporating key sustainability targets | 15-hectare irrigation system | Works Contract for 15-hectare irrigation system | Cost | Contract award v out-turn cost | Amount ($) | 90,426 | 90,426 | 0 | 100% | 4 | 100% | High | 10 | 100% | High | 6 | 88% | High | The first output had a High score, as the indicators had no gaps. However, the second output had a delay in the implementation of one contract, which lowered the score, to Substantial. |
| | | | | | Time | Contract implementation (e.g. construction) | Months (mths) | 4 | 4 | 0 | 100% | 3 | | | | | | | | | |
| | | | | | Quality | Infrastructure performance / quality against contract targets | Percentage (%) | 100 | 100 | 0 | 100% | 3 | | | | | | | | | |
| | | | Residential house | Works contract for renovation of residential house at Msimba seed farm | Cost | Contract award v out-turn cost | Amount ($) | 74,369 | 74,369 | 0 | 100% | 4 | 70% | High | 10 | 70% | Substantial | 4 | | | |
| | | | | | Time | Contract implementation (e.g. construction) | Months (mths) | 4 | 10 | 6 | 0% | 3 | | | | | | | | | |
| | | | | | Sustainability | Inclusion of disadvantaged groups (women, disabled, indigenous people etc.) | Percentage (%) | 50 | 49 | (1) | 100% | 3 | | | | | | | | | |

## Challenges and Lessons Learned

Even with partial data availability, structured application of VfM principles can yield valuable insights to improve procurement and project management. Teams working in similar contexts are encouraged to adapt the assessment and incorporate sustainability, quality, and equity-focused indicators wherever feasible.

| VfM Achievement Scoring Chart | |
|---|---|
| **Score (%)** | **Level** |
| 75–100+ | High |
| 50–74 | Substantial |
| 25–49 | Moderate |
| 0–24 | Low |

**Box A5.2**

## Example 2: Airport Expansion and Road Improvement in the Pacific

This example focuses on a project involving airport and road improvements. Four activities were assessed using a structured framework based on cost, quality, sustainability, and time indicators:

(i) **Airport terminal design and construction.** This activity achieved a strong VfM score of 92%, coming in slightly under budget and with minimal delays while meeting sustainability goals through local contractor engagement.

(ii) **Runway, taxiway, and apron resurfacing.** A perfect VfM score of 100% was awarded, thanks to cost efficiency and zero waste achieved using prefabricated materials.

(iii) **Design and supervision services.** This activity scored 100%, as it was delivered on time and within budget.

(iv) **Bridge replacement.** Despite unavoidable delays related to the coronavirus disease (COVID-19) outbreak and extreme weather, this activity received a VfM rating of 64%.

The project achieved a strong overall VfM rating of 81%. During project implementation, it became clear that retrospective completion of contract data is challenging, highlighting the value of considering VfM and identifying key data from the outset. This case underscores the importance of integrating VfM principles early in project planning and adapting tools to account for contextual factors and sustainability outcomes.

### Background

This example focuses on four completed contracts.

### Assessment Indicators

Four quantitative indicators were applied:

**Cost.** Contract award versus outturn cost.

**Time.** Contract implementation (e.g., adherence to planned timelines).

**Sustainability.** Inclusion of disadvantaged groups (e.g., youth, women).

**Quality.** Infrastructure performance against contract targets.

Indicators were weighted based on their relevance to project objectives. For example, time was assigned a weight of 5 out of 10 for the airport terminal design and build, as it was a priority to make the airport fit for international flights as soon as possible.

Activity 1:
**Airport terminal design and build**

**Contract Type:** Design and build contract for a new airport terminal
**VfM Score:** High (94%)

| | Target | Actual | Result |
|---|---|---|---|
| Cost | $7.5 million | $7.01 million | DELIVERED BELOW BUDGET |
| Time | 18 months | 21 months | MINOR DELAYS |
| Sustainability | 23% | 23% | TARGET FULLY MET |

Of the contract sum, 23% was for local registered subcontractors and tradespeople.

Activity 2:
**Runway, taxiway, and apron resurfacing**

**Contract Type:** Civil works
**VfM Score:** High (100%)

| | Target | Actual | Result |
|---|---|---|---|
| Cost | $15.5 million | $15.1 million | DELIVERED BELOW BUDGET |
| Sustainability | 24% | 24% | TARGET FULLY MET |

Of the contract value, 24% was allocated to the use of prefabricated materials resulting in zero waste.

Activity 3:
**Design and supervision**

**Contract Type:** Consultancy contract
**VfM Score:** High (100%)

| | Target | Actual | Result |
|---|---|---|---|
| Cost | $1.5 million | $1.5 million | DELIVERED ON BUDGET |
| Time | 9 months | 9 months | DELIVERED ON TIME |

These examples illustrate the application of VfM assessments in two development projects—one in Tanzania and the other in the Pacific islands. They provide a brief background, VfM assessment indicators, results from selected activities, overall VfM scores, and key challenges and lessons learned.

Activity 4:
**Replacement of three bridges**

**Contract Type:** Civil works—bridge replacement
**VfM Score:** Substantial (64%)

| | Target | Actual | Result |
|---|---|---|---|
| Time | 18 months | 28 months | SIGNIFICANT DELAYS |

Many of these delays were unavoidable e.g., because of the coronavirus disease (COVID-19) outbreak and catastrophic flooding.

## Overall Project VfM Score

By applying a weighted average based on each activity's significance to the overall project, an aggregate VfM score of 81% was calculated, based on the chosen weights for the indicators, contracts and outputs, as well as the scoring chart. This corresponds to a **high** level of VfM achievement within the project.

**SAMPLE VALUE FOR MONEY ASSESSMENT TOOL**

| Project Details | | | | | Outcome | | | | | VfM Achievement Results: Indicator | | | Contract | | | Output/Asset | | | Project | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Title and Value | Objectives | VfM Statement | Output/Asset | Main Contract | Indicator Group | Indicator | Unit of Measure | Target Outcome (A) | Achieved Outcome (B) | Gap (B-A) | Score (%) | Weight (/10) | Score (%) | Level | Weight (/10) | Score (%) | Level | Weight (/10) | Score (%) | Level | Conclusion |
| Airport terminal improvement and road enhancement project | Build a terminal suitable for international flights and improve surrounding roads | VfM will be achieved if the terminal and road improvements are built on time and on budget incorporating key sustainability targets | Airport improvements | Design and build contract | Cost | Contract award v out-turn cost | Amount ($) | 7,575,000 | 7,012,000 | (563,000) | 100% | 3 | 92% | High | 4 | 97% | High | 5 | 81% | High | Despite some minor delays the airport improvements scored highly. The contract for the three bridges construction suffered significant delays leading to a Substantial score. Some of the delays were unavoidable and related to COVID-19 and extreme weather events (flooding) which were not reflected in the VfM assessment. The overall score remained High. |
| | | | | | Time | Contract implementation (e.g. construction) | Months (mths) | 18 | 21 | 3 | 84% | 5 | | | | | | | | | |
| | | | | | Sustainability | Use of small and medium-sized enterprises | Percentage (%) | 23 | 23 | 0 | 100% | 2 | | | | | | | | | |
| | | | | Runway, taxiway and apron resurfacing | Cost | Contract award v out-turn cost | Amount ($) | 15,498,700 | 15,118,000 | (380,700) | 100% | 7 | 100% | High | 2 | | | | | | |
| | | | | | Sustainability | Efficient use of energy and resources | Percentage (%) | 24 | 24 | 0 | 100% | 3 | | | | | | | | | |
| | | | | Consultancy contract—design and supervision | Cost | Contract award v out-turn cost | Amount ($) | 1,547,488 | 1,532,000 | (15,488) | 100% | 5 | 100% | High | 4 | | | | | | |
| | | | | | Time | Contract implementation (e.g. construction) | Months (mths) | 9 | 9 | 0 | 100% | 5 | | | | | | | | | |
| | | | Road and bridge improvements | Civil Works contract—bridge replacement | Time | Contract implementation (e.g. construction) | Months (mths) | 18 | 28 | 10 | 64% | 10 | 64% | Substantial | 10 | 64% | Substantial | 5 | | | |

**VfM Achievement Scoring Chart**

| Score (%) | Level |
|---|---|
| 75–100+ | High |
| 50–74 | Substantial |
| 25–49 | Moderate |
| 0–24 | Low |

## Challenges and Lessons Learned

Completing the form retrospectively is difficult. It would be much easier if VfM and the relevant data to capture was considered from the outset of a project.

## Value for Money in Procurement Financed by Multilateral Development Banks

*An Assessment Framework*

This framework supports projects financed by multilateral development banks in assessing value for money in procurement throughout the project life cycle. Grounded in considerations of economy, effectiveness, and efficiency, while promoting or contributing to equity, it offers flexible and practical procurement approaches, strategies, and techniques to integrate value for money across the project cycle. With step-by-step guidance on how to assess value for money in procurement, and a suite of sample tools, it equips project stakeholders to move from theory to practice. By institutionalizing value for money practices, the framework promotes smarter spending, stronger accountability, and better development outcomes.