

Appendix 2: CSC Intervention Summary/Business Case

Intervention Summary

Commonwealth Scholarships and Fellowships Programme 2011/12-2014/15

What support will the UK provide?

DFID will provide up to £82m of new funding over a period of 4 years to the Commonwealth Scholarships Commission (CSC), to provide for a range of post-graduate scholarships and fellowships in development-related fields for highly-qualified people from the developing countries of the Commonwealth.

The funding will support some 700 to 800 new awards per year under the Commonwealth Scholarships and Fellowships Plan (CSFP), with the aim of increasing the numbers of well-qualified post-graduates and other skilled personnel working in development-related fields in participating Commonwealth developing countries. Awards range from short academic and professional fellowships of 3-6 months, through resident and distance-learning Masters' degrees, to PhD courses and research.

Additional funding for the CSC will be provided by the Foreign and Commonwealth Office (FCO), the Department for Business, Innovation and Skills (BIS) and the Scottish Government. This will be targeted on scholars from developed Commonwealth countries.

Why is UK support required?

The poorer developing countries of the Commonwealth have deficiencies in the availability of highly-educated and highly-skilled people, which their own higher education systems are not yet able to supply in sufficient numbers; and in top-quality research into effective solutions to their main development problems. Studies indicate that these deficiencies are a significant constraint on these countries' own efforts to achieve economic growth and poverty reduction, and on the success of donor led initiatives, including those of DFID.

The UK is committed to support the CSFP, which was set up in 1959 to share Commonwealth knowledge resources between the richer and poorer members. The UK has always been the main contributor to the Plan, a commitment which it has reinforced at successive meetings of Commonwealth Education Ministers.

The CSC was established by legislation specifically to manage this programme. The Commission has proved itself over many years to be an efficient, reliable and cost-effective agency and has adapted the programme to meet new demands, take advantage of technological opportunities, and reduce unit costs.

The proposed support is consistent with DFID policy of support to higher education and research capacity-building. It also contributes to the UK Government's policy of strengthening and deepening relations with the Commonwealth, and providing support for effective Commonwealth development programmes.

What are the expected results?

Over the four year period, the programme will support approximately 4,000 individuals in pursuit of high level qualifications or experience. Almost 3,000 of these will be new awards, including the following:

- 480 people from poorer Commonwealth developing countries undertaking PhD studies;
- 1850 undertaking Masters level studies;
- 650 undertaking professional or academic fellowships.

The outcome is expected to be an increase in the numbers of well-qualified post-graduates and professionals working in development-related fields in Commonwealth developing countries. This will be measured using a series of indicators including:

- The proportion of known alumni completing awards working in developing countries, or in development organisations. This is expected to rise from a figure to date of 88% (based on past surveys) to at least 90% for those completing awards over the next 4 years;
- The number of alumni reporting a personal contribution to government policies, or to a wider socio-economic impact, in key development fields. At least 1350 individual cases are expected to be identified during the 4 year period.

Particular attention will be given to gender balance, with the proportion of awards to women expected to rise from 41% to over 45% during the 4 year period. This will continue significant moves by the Commission to ensure greater access to its programmes from previously disadvantaged groups in recent years.

Business Case

Commonwealth Scholarships and Fellowships Programme 2011/12-2014/15

1. Strategic Case

A. Context and need for DFID intervention

1.1 The developing countries of the Commonwealth¹ have well documented shortages of highly educated and highly skilled personnel.² This is widely recognised as a major constraint on these countries' ability to pursue effective development strategies – for example the Commission for Africa stated in 2005 that “skilled professionals are key to building improvements in the administration and technical ability which Africa so gravely lacks”.³ Whilst there is a lack of detailed studies on the precise relationship between higher education and growth, a 2006 report for the World Bank concluded that “a one year increase in Africa’s total higher education stock... could boost incomes by 3% over five years, and eventually by 12%”.⁴ It is reasonable to assume that an intervention which effectively addresses these skills shortages will contribute to poverty reduction in the target countries in the medium to long term.

1.2 In the longer term it may be possible to address the skills gap by directly supporting universities and scholarship award bodies in the target countries. However the growth of such systems was severely interrupted by lack of domestic and international investment in higher education during the 1980’s and 1990’s – the global focus in those years was on the provision of primary education. In recent years the importance of higher education in meeting development needs has been increasingly recognised by international donors⁵ and the developing countries themselves⁶. But many states face difficulties in developing the expertise necessary to support the expansion of higher education - domestic systems do not at present have sufficient capacity to deal with the rapidly increasing demand from qualified applicants of the past decade. A 2011 study of eight African Universities⁷ found that “research production is not strong enough to enable them to build on their traditional undergraduate teaching roles and make a sustained contribution to development via new knowledge”.

1.3 Although many of the target countries have increased the supply of higher education places, this remains well below the existing demand. Many have specifically identified the lack of suitably qualified staff as a key constraint in this regard. A 2010 analysis of academic faculties in 15 African countries⁸ noted high and increasing student-staff ratios, coupled with low numbers holding doctorates (28% in Ghana, 15% in Mozambique and 12% in Uganda). International support for

¹ For the purpose of this business case, defined as all Commonwealth countries except UK, Australia, Canada, New Zealand, Singapore, Malta, Brunei, Cyprus and Bahamas.

² UNESCO Institute for Statistics (2010) *Global Education Digest 2010: Comparing Education Statistics Across the World*, p.170 www.uis.unesco.org/template/pdf/ged/2010/GED_2010_EN.pdf

³ *Our Common Interest – Report of the Commission for Africa. March 2005.*

⁴ Bloom, D., Canning, D., and Chan, K. (2006) Higher Education and Economic Development in Africa. (World Bank Human Development Sector Africa Region)

⁵ Salmi, J. (2010) ‘Transforming Tertiary Education in Developing Countries: The Role of the World Bank’ in *A World of Reports? A Critical Review of Global Development Reports with an Angle on Education and Training. NORRAG News* 43.

⁶ Opat, C.P. (2011) ‘A study of PhD training programmes in Kenyan universities: the case of Moi University’; Masanja, V.G. (2011) ‘A scoping study of PhD training programmes in Rwanda’; Mwinyiwiwa, B.M.M (2011) ‘Report on Scoping Study on Ph.D. Training Programmes in Tanzania’ - all papers prepared for 10th OSSREA Congress on Supporting Universities for PhD Training in Eastern and Southern Africa, 28 February – 4 March 2011, Kunduchi Beach Resort, Dar es Salaam.

⁷ Cloete, N., Bailey, T., Pillay, P., Bunting, I. and Maassen, P Universities and economic development in Africa

⁸ Tettey, W. (2010). Challenges of developing and retaining the next generation of academics: Deficits in academic staff capacity at African universities

postgraduate training and professional development through external institutions remains necessary to provide both the quality and quantity of skills required. A 2011 study⁹ suggests that the UK contributes significantly less than other developed countries in this regard.

1.4 The intervention will also address the need for enhanced capacity for high-quality research within developing Commonwealth countries' domestic institutions. The link between numbers of qualified PhD's and research quality (and the ability to develop future generations of researchers) is accepted by most developing countries. DFID's research strategy also identifies the development of researchers through scholarships and training as one of the primary ways of capacity-building¹⁰.

1.5 DFID's priority in education remains the access of all children to a good basic education, in line with the international evidence and the MDGs, and this currently absorbs the majority of resources that it devotes to the sector. Nonetheless it has, together with other donors, increasingly recognised the importance of higher education and research, not least because a vibrant higher education sector is essential for the development of quality teaching in schools, and spends around 10 per cent of its education budget on higher education programmes.

1.6 The United Kingdom has a long standing commitment to support the Commonwealth Scholarship and Fellowship Plan (CSFP). The CSFP was established by Commonwealth Education Ministers at their first meeting in 1959. It provides a framework for Commonwealth countries to share educational knowledge and resources with each other. It is for each country to determine the extent of its own contribution. The UK undertook, from the outset, to be the largest contributor, and has fulfilled this commitment ever since. The contribution to the CSFP will complement DFID's other higher education support.

1.7 DFID project reviews in 2007¹¹ and 2010¹² have confirmed the continuing effectiveness of this investment – the 2010 review found that the Programme stands out well against its international comparators, such as the UNESCO scholarships programme and the German bilateral scheme, as an efficient and well-run scheme.

1.8 The Commonwealth Scholarship Commission in the United Kingdom (CSC) is the Non-Departmental Public Body (NDPB) established by Parliament specifically to manage UK participation in the CSFP. The CSC adopted a new Strategic Plan in December 2010, which reflects the findings of the DFID reviews. It has in recent years taken the initiative in developing links with the DELPHE, PASGR and wider DFID research programmes¹³. The recent Government review of NDPBs confirmed that the CSC should continue its role on the grounds that it provided independent expertise necessary to the CSFP's effectiveness that would not otherwise be available. No other organisation exists to fill the gap that would be left should the CSC be discontinued.

1.9 In recent years the CSC has engaged in significant evaluation activity to establish the extent to

⁹ Varghese, N.V. (2011) 'Where Does Higher Education Aid Go?', in *The Geopolitics of Overseas Scholarships and Awards. Old and New Providers, East & West, North & South. NORRAG News 45*, April

¹⁰ Research Strategy 2008-2013 - Working Paper Series: Capacity Building

¹¹ John Fielde, Terry Allsop. (2007). Review of the DFID Funded Commonwealth Scholarship Schemes. CHEMS Consulting.

¹² Peter Landymore (2010), UK Commonwealth Scholarship and Fellowship Plan Review. United Nations and Commonwealth department. DFID

¹³ A range of links already exist between the CSC and other DFID programmes in higher education. Partnerships funded under DFID research programmes and Development Partnerships in Higher Education (DELPHE) scheme are invited to nominate candidates for doctoral study. CSC alumni have also provided the channel of local proposal assessment for DELPHE in Asia, and the scheme has recently been asked to identify alumni to undertake in-country assessment of DELPHE in Tanzania, Nigeria, Pakistan and Ghana. The CSC has participated in early discussions regarding the new PASGR programme in Africa, and has proposed that its existing split-site doctoral scholarships would be an obvious focus for collaboration once the PASGR programme reaches this stage.

which impact has been achieved, and to compare its work with that of similar bodies internationally. The results of this have been considered by the two reviews referred to above. Both recommended that the real value of DFID support for the Commission, which declined from the early 1990s to the early part of the 2000s, due largely to the move by development agencies away from higher education, should be restored. The funding proposed will go a significant way towards meeting these recommendations.

1.10 The intervention is part of a multi-faceted package of support which DFID plans to provide to Commonwealth development programmes over the next 4 years, consistent with the UK Government's goal of strengthening and deepening relations with the Commonwealth. This package encompasses intergovernmental cooperation through the Commonwealth Fund for Technical Cooperation and the Commonwealth Youth Programme; local government capacity-building through the Commonwealth Local Government Forum; civil society strengthening through the Commonwealth Foundation; and the promotion of open and distance learning for development through the Commonwealth of Learning. This broad approach has been endorsed in principle by Ministers and DFID senior management.

1.11 While the programme's main purpose remains that of international development, it also contributes significantly to other HMG goals. The results of recent evaluations show that Commonwealth Scholarships contribute significantly to the public diplomacy activities of FCO. The Department for Business, Innovation and Skills (BIS) and UK universities also value the role of Commonwealth Scholarships in bringing international students of the highest quality to the UK, thereby strengthening academic standards and reputation, and the spin-off effects that this has on promoting UK research and teaching and developing international networks. The Scottish Government regards the programme as an important means to promote Scottish research and education. The value these different parts of government place in the CSFP is demonstrated by the support they are providing for scholars from developed Commonwealth countries, which complements the support provided by DFID and is important in maintaining its role as a Commonwealth-wide scheme.

B. Impact and Outcome

1.12 The intervention will offer a path to high quality education and professional development for around 4,000 individuals (including some 3,000 new recipients) who could not otherwise access this, and who are committed to contributing to the development of their own countries on completion. Through the provision of a range of higher education awards for study in the UK or through UK institutions, it will lead to a significant increase in the numbers of well-qualified post-graduates and professionals working in development-relevant fields in the Commonwealth's developing countries. This should in turn enhance the technical capacity of those countries in key development-related fields, and strengthen research into the medical, public health, agricultural, engineering and other challenges specific to developing countries.

1.13 Specific output targets for the 4 years of funding include:

- Some 480 people from Commonwealth developing countries taking up new awards at PhD level;
- Some 1850 taking up new awards at Masters level;
- Some 650 taking up professional or academic fellowships.

A further 50 PhDs for candidates from developed countries will be supported through the funding provided by FCO, BIS and the Scottish Government.

1.14 Key outcome indicators will include:

- The proportion of ‘known’ alumni¹⁴ completing awards and then working in developing countries, or in development organisations (excluding those who enter further study¹⁵). This is expected to rise from 88% to date (based on past surveys) to at least 90% for those completing awards over the next 4 years. The emphasis is on the impact of alumni on wider societal and development goals, rather than personal gains.
- The number of alumni reporting a personal contribution to government policies, an ability to introduce change and innovation or a wider socio-economic impact in key development fields. At least 1350 individual cases are expected to be identified from existing and new alumni studies during the 4 year period. It should be noted that these studies are not confined to simple ‘tick box’ answers. Where respondents claim an impact in specific areas, they are invited to say what this constituted – and most do so. CSC aim to dig much further into the data as part of the enhanced evaluation programme envisaged for the next funding period.

1.15 Particular attention will continue to be given to social equity amongst participants, including the introduction of a new target for gender equity. During recent years the Commission has promoted greater accessibility through the introduction of new learning methods such as distance learning, short fellowships and split-site awards, which require recipients to spend less (or no) time away from home; by seeking nominations from organisations specifically concerned with disadvantage and by requiring recipients of some programmes to demonstrate that they would not otherwise have the resources to undertake these. The new gender target will be measured by the proportion of female award selections, which is expected to rise from 41% to over 45% during the 4 year period. This figure compares favourably with the proportion of women nominated to the Commission, those currently engaged in higher education in many target countries and those participating in other programmes¹⁶.

1.16 In recent years CSC has taken the lead in evaluation activity to establish the extent to which impact has been achieved (see Management Case for details). The Commission has made contact with a significant proportion of alumni, conducted well supported surveys and compiled a substantial database of evidence of individual achievements. Whilst commending this activity, the 2010 DFID project review recommended that additional resources be put into measuring the impact of the programmes. Earmarked funding (provisionally 1% of the DFID contribution, but with the flexibility to increase should the need arise) proposed as part of the new phase of support will enable CSC to devise and pilot more sophisticated methodology to produce better evidence of the value added by the programme in specific sectors, modes of study and regions – if the evidence is positive, this should encourage other Commonwealth countries to support the CFSP.

¹⁴ those with whom CSC has continuing contact - about 6,800 of some 17,000 who have studied in the UK over the past 50 years

¹⁵ Those entering further study are excluded because it is too early to predict their role in the labour market

¹⁶ An uneven picture exists with regards to gender participation in higher education. In some regions, notably the Caribbean, female enrolments outnumber male ones. Other countries, such as Ghana, have made good progress, reporting a 41% enrolment rate at undergraduate level. However UNESCO (2009) reported that ‘a closer look at the data (through the gender parity index) shows that nearly every country in the world is facing gender disparities. Women remain excluded from this level of education in many countries with very low rates of tertiary participation’.

2. Appraisal Case

A. Overview

2.1 The appraisal that follows examines the different ways in which DFID might help to address capacity gaps in the Commonwealth's developing countries, as outlined in the Strategic Case above.

2.2 The current Government have strongly reaffirmed the UK's commitment to the Commonwealth - the Coalition Agreement's stated vision is "to strengthen the Commonwealth as a focus for promoting democratic values and development".¹⁷ Both the present Secretary of State for International Development and the Foreign Secretary have announced that the Commonwealth will henceforth represent a larger share of UK activity, the latter in the specific context of scholarships.¹⁸

2.3 As already noted, the UK Government formally committed to supporting the CSFP on its inauguration in 1959. That commitment has been re-affirmed at successive meetings of Commonwealth Education Ministers, most recently at their last meeting in 2009. The CSFP is based on the premise that member states support awards or tuition from their own countries. As currently formulated, the UK Government's commitment to the CSFP entails providing access to British institutions and qualifications for scholars and other awardees from the other nations of the Commonwealth.

2.4 It should be recognised that, given the nature of the UK commitment to the CSFP, the complexity of the administration arrangements and the lead times for new awards, it would be highly disruptive to change the existing arrangements in a short timeframe, and there could be reputational damage to DFID and HMG were we to do so without due consultation and notice. However, within the proposed 4 year funding period it would be possible to either change the nature of the UK contribution to the CSFP, eg to support more directly capacity-building activities in the developing countries themselves, or to give greater responsibility for the administration of the UK's CSFP awards to country level institutions or to UK universities and other bodies. These options are examined further in section B below.

B. Feasible options

2.5 Possible options which might be considered to increase the numbers of well-qualified post-graduates, academics and professionals working in development-relevant fields in Commonwealth developing countries include:

1. Continuing to use the CSC to oversee and support a range of awards based in UK institutions

CSC's existing schemes offer a diversified portfolio of academic and professional awards. The portfolio includes doctoral and Masters level training in UK universities; distance learning qualifications at UK institutions; short fellowships that allow those in development-related occupations to spend short but focussed periods with a UK host organisation; split-site doctoral scholarships, to enable those undertaking doctoral work at developing country universities to spend a period of up to one year at a UK university; and a Shared Scholarship Scheme, which supports development related Masters scholarships in financial partnership with UK universities.

2. Using the present administrative structures to support awards that are primarily based in developing countries themselves

¹⁷ Cabinet Office (2010) The Coalition: our programme for government. London: HMG

¹⁸ Rt. Hon. William Hague, The Commonwealth in a Networked World. Speech to the Lowy Institute for Foreign Policy, Canberra, 19 January 2011.

Under this option CSC would collect nominations and make awards for scholarships and fellowships using their existing systems, but the awards would be for study and professional development at or with developing country higher education institutions and other bodies.

3. Providing support directly to developing country institutions

This option would involve a less centralised approach, in which developing country institutions were provided with funding to build their capacity and improve their provision of higher education and training opportunities. Selection of individual recipients and their avenues for study and professional development would be at the discretion of the benefitting institutions.

4. Providing country level scholarship schemes, administered locally, that nominate recipients to attend UK universities

Under this option, national governments and developing country universities would administer the nomination procedure themselves, and would submit nominations direct to UK universities and other institutions. The national governments and developing country universities would take the lead in reviewing effectiveness.

5. Offering scholarships directly to UK universities

In this case funding would be provided to selected UK universities and other institutions, which would then have the responsibility to identify and select suitable candidates for study/professional development, and to administer the awards.

For the purpose of determining the value for money of the intervention, any of these options might be compared with the counterfactual option of scaling down or terminating UK development support for scholarships to Commonwealth countries altogether.

2.6 Each of the alternative options set out above would be feasible in principle. However options 2, 3 and 4 would require an international renegotiation of the terms of the CSFP, which provides that donors are responsible for awards with institutions *in their own countries*. Options 3 to 5 would require the introduction of new administrative and monitoring structures, and would sit uneasily with the recent decision to retain the CSC. Any new arrangements would take time to put in place, and would need to be endorsed by a Conference of Commonwealth Education Ministers, being the body which oversees the CSFP.

2.7 Other options suggested have included providing scholarships and fellowships at establishments in other developed Commonwealth countries, or at institutions outside the Commonwealth. As well as requiring a renegotiation of the CFSP, provision of scholarships/fellowships in countries such as Australia, Canada or New Zealand could cut across the existing contributions of these countries, and efforts to get them to increase these. Provision of scholarships/ fellowships in non-Commonwealth institutions would run counter to the fundamental CSFP objective of strengthening cooperation and linkages within the Commonwealth. Given HMG's commitment to the Commonwealth and to the CSFP, these options are therefore not further considered.

Evidence Base and Environmental Impact

2.8 In the table below:

- the quality of evidence for each feasible option is rated either Strong, Medium or Limited.
- the likely impact on climate change and environment is categorised as A, high potential risk/opportunity; B, medium/manageable potential risk/opportunity; C, low/no

risk/opportunity; or D, core contribution to a multilateral organisation.

<i>Option</i>	<i>Evidence rating</i>	<i>Climate change and environment category (A, B, C, D)</i>
1	<i>Medium</i>	<i>C</i>
2	<i>Limited</i>	<i>C</i>
3	<i>Limited</i>	<i>C</i>
4	<i>Limited</i>	<i>C</i>
5	<i>Limited</i>	<i>C</i>

2.9 As noted above (para 1.16), the work of the Commission in establishing alumni and evaluation programmes in recent years provides some evidence of impact for option 1. Some studies have been undertaken about the capacity of higher education in developing countries to provide postgraduate education in the quantity and quality required, which can inform analysis of options 2, 3 and 4. However there is relatively little data on scholarship schemes internationally, and particularly on those in developing country institutions.¹⁹ The planned evaluation programme detailed in the Management case below has been designed to develop these comparisons further during the period of the new programme, and in particular to develop more formal benchmarking with other international programmes, allowing more detailed comparisons to be made of the impact, and hence the value for money, of scholarship programmes.

2.10 All the feasible options are assessed as likely to have a low impact on climate change and the environment. But there are risks and opportunities which vary between the options. The main risk identified is that implementing organisations or their service providers may not have a commitment to sustainable operations, procedures and standards for minimising environmental risks. On the other hand the programme offers potential opportunities to build developing country capacity on climate change, environment, biodiversity and green growth through scholarships and fellowships awarded in these areas. Another factor which needs to be taken into account in appraising the different option is the carbon costs incurred, primarily through awardees' air travel.

C. Theory of Change

2.11 The poorer developing countries of the Commonwealth experience shortages of highly-educated and highly-skilled people, which their own higher education systems are not yet able to supply in sufficient numbers. There are not enough skilled professionals in key areas of Government and other institutions which drive development, and there is insufficient capacity in higher education establishments to undertake top-quality research into effective solutions to development problems. They are also insufficiently exposed to international networks in their areas of knowledge²⁰.

2.12 The limited pool of skilled professionals that does exist has a male bias which hampers many countries' commitment to greater gender balance in the work force, and constrains their ability to devise and implement gender-inclusive policies. Historically, equity has also been undermined by the limited access of certain groups to international higher education and the scholarships within it.

¹⁹ A substantial AUSAID study (Gosling, 2008), which covered over thirty programmes, concluded that 'while many programmes report on numbers of awards and successful graduates, efforts to evaluate the long-term impact of scholarship programs have been limited'. A study for NUFFIC (Boren, 2008) found that 'most respondents (to their survey) agree on the importance of alumni activities, but few actually undertake them'. There was also 'little information on the cost-effectiveness of these, partly because the programs had only recently begun and their impact had not yet been evaluated'. A seminar convened to evaluate the impact of the UK Chevening Scholarships programme (2011) noted that 'the lack of comprehensive research impairs conclusions on impact'.

²⁰ See for example Frenken, K., J. Hoekman, S. Hardeman (2010) 'The globalization of research collaboration' in UNESCO/ISSC *World Social Science Report: Knowledge Divides*. Paris: UNESCO/ISSC

How the Intervention should work

2.13 All of the options identified above are assumed to follow the same theory of change. In each case, the following key steps need to be achieved:

- (a) an appropriate range of suitably qualified candidates, the majority of whom have a binding funding constraint, receive awards;
- (b) a sufficient proportion of these awardees successfully complete their scholarships and fellowships;
- (c) a strong majority of awardees return to their home countries, or to other Commonwealth developing countries;
- (d) the skills of these awardees are effectively deployed in home labour markets in development-related areas;
- (e) an improved gender balance is achieved at each of the preceding stages;
- (f) national capacity targets are met in key technical and academic areas.

2.14 As a result of the intervention, it is anticipated that a large proportion of successful awardees will enhance their skills and knowledge; will be employed and will remain in development-relevant Governmental and non-Governmental bodies, and in academic institutions; and will be motivated to contribute to participating countries' development efforts. This will help these countries to meet their skilled labour force requirements, and thereby enhance their ability to progress national development plans; address medical, public health, agricultural, engineering and other development challenges. A further catalytic effect will be in building domestic institutional capacity for high level teaching and research; attracting international contracts; and engaging effectively in international processes. The proportion of women playing key roles in countries' development efforts will also be increased.

2.15 At the output level, progress will be measured by indicators including the number of scholars and fellows taking up awards and securing qualifications, disaggregated by gender. Progress at the outcome level will be measured by the number of alumni working in key development-related positions, and the number of alumni actively demonstrating a personal contribution to the formulation of government policies. Progress at the impact level will be measured by achievement of capacity development targets in selected sectors and higher education establishments in the main participating countries.

Assumptions

2.16 The main assumptions underpinning the proposed intervention are:

Output to Outcome

- That high quality recipients are attracted and selected through a fair and merit-based process (selecting candidates against specific criteria, including their potential to contribute to development impact in a participating country);
- That for the strong majority of award holders, without their award there would have been a sufficiently large funding constraint to have rendered comparable post-graduate study impossible;
- That there is a good gender balance in applications and country-level nominations, and in particular that the opportunities offered will prove accessible to women;
- That the higher education and other institutions which participants attend are of high quality, offering a high level of technical excellence;
- That the training and experience provided by these institutions effectively addresses the needs of the individuals;
- That these institutions provide the opportunity to network internationally, thus further adding value to participants professionally and consequently to the national development effort;
- That the individuals selected successfully complete their studies.

- That awardees are sufficiently incentivised to return to their home countries or other Commonwealth developing countries on completion of their studies/placements;
- That they are motivated to apply their skills in long term employment in development-related fields.

Outcome to Impact

- That the selection process takes account of the actual and perceived development and workforce needs of the target countries;
- That the relevant institutions in the target countries are able to absorb, retain and make good use of the upskilled individuals after their return.
- That PHD awardees will, following their training, be enabled to support the development of academic institutions in their home countries;
- That the higher proportion of women completing scholarships and fellowships will result in better gender balance in higher levels of management in country and consequently a more gender-aware view in matters of national development impact.

D. Determining Critical Success Criteria (CrSC)

2.17 From the analysis above, the following appear to be the most critical success criteria:

<i>CrSC</i>	<i>Description</i>	<i>Weighting (1-5)</i>
1	<i>High quality education appropriate to the development needs of recipient countries is provided</i>	5
2	<i>High quality recipients are attracted and selected</i>	5
3	<i>Recipients apply their skills to the benefit of their home (or other developing) countries</i>	5
4	<i>Awards are widely accessible to people in target countries, with a good gender balance</i>	3
5	<i>Awards maximise the possibility of further impact through ongoing partnerships and transfer of expertise between host universities and developing countries,</i>	2
6	<i>Administration arrangements allow the maximum proportion of expenditure to be devoted to awards while ensuring adequate support is provided to awardees</i>	2

2.18 The first three elements are fundamental to the intervention’s success. Unless the awards provided are of high quality, the recipients are capable of benefiting from them and motivated to apply the skills learnt to the benefit of their home countries, then the investment will fail. Accessibility and access to target groups are also important but failure to achieve these would not prevent the development and other objectives of the scheme being met to the extent that the first three CrSC’s would.

E. Appraisal of options

2.19 The extent to which each of the suggested options is likely to meet the defined CrSCs is analysed briefly below, in so far as the limited evidence (see above) allows. The environmental issues identified in para 2.10 above are also commented upon.

Option 1 – Continuing to use the CSC to oversee and support a range of awards based in UK institutions

2.20 CSC’s existing schemes offer a diversified portfolio of academic and professional awards. In

recent years the Commission has demonstrated its flexibility and willingness to meet changing development needs and technological opportunities by introducing new programmes, and the portfolio now includes doctoral and Master's level training in UK universities; distance learning qualifications at UK institutions; short fellowships that allow those in development-related occupations to spend short but focussed periods with a UK host organisation; split-site doctoral scholarships, to enable those undertaking doctoral work at developing country universities to spend a period of up to one year at a UK university; and a Shared Scholarship Scheme, which supports development related Master's scholarships in financial partnership with UK universities.

2.21 The reviews by Fielden and Landymore referenced above confirm that relevance to development needs represents a critical element in the CSC selection process. Selectors award up to 5 points for academic merit, 5 for development and 2 for the quality of the application. In practice, this places huge importance on development, since the vast majority of candidates score three or more points on the academic merit criteria – having come through rigorous nomination routes.

2.22 CSC operate a robust selection process involving some 200 independent academic experts. There is evidence of high standards in the selectors' assessments of applications, in feedback which is routinely sought from academic supervisors, in the willingness of universities to provide supporting funding and in the completion rates of scholars.²¹

2.23 From CSC's own surveys, it is clear that the overwhelming majority of alumni live or work in their home country. Alumni have a strong record both of working in development related fields and of reaching positions of leadership. As reported in CSC Evaluation surveys, 77% indicated that they used the skills and knowledge generated during their award 'significantly' during their work, a further 20% 'to some extent', whilst 90% (46% significantly) indicated that they had been able to introduce specific new practices or innovations in their organisations as a result of skills or innovations obtained during the award. Some 45% were able to cite ways in which they had influenced policy in their own countries; 25% had held public office of some description. The overwhelming majority also reported that they had maintained contact with the UK in some form.

2.24 CSC seek to attract applications from traditionally under- represented groups by developing a diverse portfolio of awards including distance learning opportunities, designed to offer opportunities to suitably qualified applicants from all backgrounds. They also seek to advertise the awards through a mix of governmental and non-governmental channels so as to maximise the number of applications. The Commission has adopted specific targets for gender equity in its new strategic plan, notably an increase in the number of women selected for awards to rise from 41% to at least 45% of the total. Although gender parity is difficult to achieve in some countries and for some types of awards (eg mid-career fellowships) because of the high proportion of men in the target (mainly postgraduate) groups, the proportion of women nominees and awardees has grown in recent years.²²

2.25 CSC has established strong relationships with key stakeholders – including developing country governments, developing country and UK universities and NGOs. The Commission maintained its specific support for higher education throughout the period when such support was unfashionable, by allocating a portion of its scholarships to young staff of developing country universities, and operating

²¹ CSC records show that some 96% of award-holders coming to study Masters level courses successfully complete these, as do about 85% of those coming to undertake full time doctoral studies. Comparisons with the UK Research Councils - traditionally considered to support the highest quality UK postgraduates - confirm that these figures are comparable, although CSC doctoral students in some disciplines may take slightly longer to complete, perhaps due to integration issues and the longer period of full time support available through the Research Councils. Around 70% of those undertaking split site doctoral studies are known to complete - these are students who undertake the majority of their studies in the home university, often working in full or part time employment alongside their study. About 65% of distance learners graduate with a qualification - since motivation for distance learners may have been to improve their knowledge of new topics, rather than to complete a full degree, graduation rates should not be regarded as the sole indicator of success.

²² See footnote 17

a programme of mid-career fellowships for academic staff, both of which continue. As a result, it is able to draw on a strong base of alumni, goodwill and contacts throughout the sector. It has developed a strong alumni programme in recent years – it now maintains contact with almost 40% of those to have held its awards over the past fifty years, and this proportion is growing.

2.26 The cost effectiveness of the Commission – which restricts administration costs to under 10% of total budget – was commented on favourably in the Fielden and Landymore reviews referred to above. Its administration fees are significantly lower (as a percentage of the total value of the programme) than for the Chevening scholarships, the UK's other major international scholarship programme. The present system benefits from 'in-kind' contributions from UK universities and nominating agencies, which contribute more than twice the value of the administrative costs into the programme. With the exception of the Commission Chair, and honoraria paid to selection committee members (currently £250 for approximately four days work), all the 15 Commission members and the almost 200 specialist academic advisers who assist in the assessment of individual applications give their services without charge.

2.27 The carbon costs of this option are relatively high, as a large proportion of the awardees travel long distances to the UK to take up their awards. However these costs are reduced by the fact that all award-holders travel economy class and only a very limited number of journeys are paid for – a 3 year PhD awardee for example normally has only one funded journey home during his/her studies, and none if accompanied by spouse and family. Additionally, an increasing proportion of awards (140 of 747 new awards in 2009-10) are for distance learning, where there is no travel involved. Environmental impact is further mitigated through CSC's choice of service providers - their main service provider, the British Council, has a well-established environmental policy which aims to minimise the negative environmental impact of its activities in the UK and overseas.

2.28 The programme does contribute to building developing country capacity in environment-related fields. Although comprehensive figures are not readily available, and no quotas are operated for particular fields of study, available evidence (eg the recently-published review of the programme's impact in Asia-Pacific countries) indicates that a significant number of awards are for study in environment-related subjects.

Option 2 - Using the present administrative structures to support awards that are primarily based in developing countries themselves

2.29 The quality of university provision in Commonwealth developing countries varies considerably. Higher education opportunities are increasing rapidly in many, as defined by the number of universities and study places available. However the expansion is mainly at undergraduate level and significant doubts have been expressed about the quality of tuition available.²³ Whilst many now provide Master's degrees, scoping studies for the DFID supported PASGR initiative have questioned the quality and relevance of these, whilst specialist training at doctoral level is limited in both quality and quantity²⁴.

2.30 It is also doubtful whether a scheme based entirely on awards in the developing countries would attract candidates of the highest quality, given evidence that these still value international qualifications and expertise. The very strong demand from Commonwealth countries for the awards

²³ World Bank (2008) *Accelerating Catch-up: Tertiary Education for Growth in Sub-Saharan Africa*, p.52; University Grants Commission (2011) *Higher Education in India: strategies and schemes during Eleventh Plan Period (2007-2012) for universities and colleges*; World Bank (2009) *The Towers of Learning Performance, Peril and Promise of Higher Education in Sri Lanka*

²⁴ Harle, J. (2010) Scoping study of graduate teaching provision in the social sciences, governance and public policy. Harle J. and Falk, E. (2010) Scoping study of capacity building. Grants, scholarships, fellowships, and training. Undertaken on behalf of the Partnership for African Social and Governance Research (PASGR). Nairobi: PASGR

offered by the CSC (it is estimated that only about 1.5% of those applying to their local agencies ultimately receive CSC awards), is in part due to the fact that UK universities are seen as providing something that their own institutions cannot yet provide. This is reinforced by CSC alumni surveys, in which 69% said that their award had enabled them to ‘significantly’ access equipment and expertise not available in their own country; and a further 23% said that this was true to some extent.

2.31 This option scores well on criteria 3, given the expectation that students who do not leave their home country will remain to utilise their skills there. However, the advantage compared to option 1 might in practice be limited. There has already been a significant trend within the UK programme in recent years towards more study taking place in the country of the recipient – most notably through distance learning, split-site scholarships and increased fieldwork in developing countries. Nor does Option Three provide a complete guarantee that graduates would remain in their own country, since many locally trained people from developing countries already travel to work abroad on graduation, whereas the current CSC scheme requires them to work in their home countries after receipt of the qualification.

2.32 Use of existing administrative structures to attract and select candidates should help to retain good accessibility and gender balance. But this option would score less well on maximising impact through ongoing partnerships. Although still administered by CSC, there would probably be less contact with individual students during their awards, making it less likely they would play an active role in alumni networks.

2.33 Use of the existing arrangements would also help to ensure cost-effectiveness. It is likely that more individual awards could be made under this option, due to higher living costs in the UK. But it is by no means certain that developing country institutions would be able to provide the same level of in-kind contributions as UK universities.

2.34 This option would significantly reduce carbon costs, as long distance travel would be virtually eliminated (though NB the caveats in para 2.28 above). Use of present administrative structures would also help to ensure that environmentally-aware service providers were used, and that opportunities to build capacity in environmental fields were taken.

Option 3 - Providing support directly to target developing country higher education institutions

2.35 In the short to medium term, it is likely that a significant portion of any funding provided in this way would have to be devoted to staff development in the targeted institutions, since recent studies suggest that a shortage of highly qualified staff remains one of the most critical needs of the expanding system.²⁵ Given the evidence of preference for overseas qualifications reported above, and the perception that high level academic and professional development is usually more effective if conducted outside an individual’s normal working environment, it is likely that option 3, like option 1, would probably meet skill shortages mainly through external scholarships, usually in institutions outside the recipients’ country of origin. The high quality education required would, at least initially, be provided in much the same way as in option 1, but without the cross-institutional competition and quality control afforded by that option.

2.36 Similarly, the identification and selection of beneficiaries of any scholarships and fellowships would be delegated to the targeted institutions, and standards would be likely to vary. If well used, this option could benefit more individuals than option 1, although the benefit to each individual might be less. The greater concentration on some institutions would naturally exclude others, thus undermining the pan-Commonwealth impact of the scheme.

2.37 While there might be some administration cost savings in working through developing country institutions, the more hands-off nature of this option would require development of new monitoring

²⁵See footnote 8

and evaluation mechanisms, and a new management process for selecting the target institutions and providing the funding. Fiduciary risk would need to be assessed and managed institution by institution, adding a significant management burden.

2.38 For the reasons given in para 2.35 above, this option would probably not produce much saving in carbon costs over option 1. There would be a risk that service providers might be less environmentally-aware than under the current arrangements, and it is uncertain what priority might be given to environmental studies and placements.

Option 4 - Providing country level scholarship schemes, administered locally, that nominate recipients to attend UK universities

2.39 This option has several of the advantages and disadvantages of Option 1. It could deliver well on provision of high quality, development-relevant education, given the insight provided by local administration, although the more devolved procedures would make this more difficult to ensure. On selecting high quality recipients, this option would retain the risks already noted in Option One regarding delegation to local agencies, but without the corresponding transparency and independence of the UK based selection process. CSC's experience has been that the performance of country-level agencies, although improving in recent years, still produces a lower proportion of female nominations than that selected by the Commission itself. And decentralised arrangements of this kind would be unlikely to result in the strong alumni networks and continuing ties of the current system; universities would be more likely to incorporate alumni into their existing associations.

2.40 A possible advantage of this option is the capacity building opportunities and lower costs provided by local administration. However this should not be exaggerated - the current arrangements (option 1) enjoy many of these benefits. For example, national governments and developing country universities already administer large elements of the nomination procedure, and have an important role in reviewing effectiveness (see for example, Reports on the Commonwealth Scholarship and Fellowship Plan to the 2003, 2006 and 2009 Conferences of Commonwealth Education Ministers).

2.41 As with Option 3, this Option would also require the development of new management and fiduciary arrangements, which would have to be developed for each national context.

2.42 This option would, like option 1, incur relatively high carbon costs. And the mitigating factors which apply through CSC management and British Council service provision would not necessarily apply to the same extent in a more devolved arrangement. As with other devolved options it is unclear to what extent the opportunity to build local capacity in environmental areas would be realised.

Option 5 - Offering scholarships directly to UK universities

2.43 Whilst the overall quality of provision should be maintained by a system that contracts directly with UK universities, this would be unlikely to retain the independence and transparency of the CSC scheme. It is uncertain whether individual universities would have the development expertise to select candidates according to their development potential, which is a central element of the CSC arrangements - UK universities are more likely to focus on academic merit in their criteria.

2.44 This option would be less likely to deliver on the criterion of awardees applying their skills to the benefit of their home or other developing countries. Experience under the current arrangements suggests that UK universities, given increasing independence, might seek to retain high quality talent. It is by no means clear that they would impose the same requirements as the current CSC scheme, which requires awardees to work in their home countries after receipt of their qualification.

2.45 UK universities would be expected to operate free from any gender bias in their selection processes, but may not have the range of publicity routes to attract as wide a range of candidates as

the current arrangements. They would similarly only be able to maintain more limited networks of alumni contacts after completion of awards.

2.46 This option might produce slightly lower administrative costs, providing that individual universities were prepared to undertake functions such as stipend payments directly and without levying an administrative fee. However Option One has already been able to incorporate some of these benefits, through delegation of finance and welfare provision. It is unclear what impact there might be on the in-kind contributions currently made by universities and individual academics. There would be a need to set up alternative administrative arrangements to replace the work currently undertaken by CSC - these needs would reduce any cost savings.

2.47 This option would incur relatively high carbon costs. UK universities are generally aware of the need to minimise environmental impact, so the mitigating factors detailed for option 1 might well apply, though this could not be guaranteed. For the reasons in paras 2.43 and 44 above, this option might not result in as much local capacity-building in environmental fields as the current arrangements.

F. Comparison of options

2.48 In the table below, the five options have been scored against the critical success criteria identified in section D above, reflecting the analysis in the previous section.

Analysis of options against Critical Success Criteria											
CrSC	Wt (1-5)	Option 1		Option 2		Option 3		Option 4		Option 5	
		Sc	Wtd Sc	Sc	Wtd Sc	Sc	Wtd Sc	Sc	Wtd Sc	Sc	Wtd Sc
1	5	5	25	3	15	3	15	3	15	5	25
2	5	5	25	5	25	5	25	4	20	3	15
3	5	5	25	5	25	4	20	4	20	5	25
4	3	2	6	2	6	2	6	1	3	1	3
5	2	3	6	1	2	1	2	0	0	2	4
6	2	3	6	2	4	1	2	2	4	2	4
<i>Totals</i>			93		77		70		62		76

2.49 The above analysis shows that the proposal to maintain the current arrangements operated by CSC (option 1) scores most highly against each of the Critical Success Criteria (in some cases jointly), and obtains the highest mark overall by a considerable margin. The preceding narrative appraisal shows that the Commission is innovative and makes good use of the flexibility afforded under the CSFP as currently constituted. The significantly increased evaluation programme proposed, together with new flows of information from recently introduced programmes, will allow for more rigorous analysis of the alternative options compared with more traditional forms of scholarship, than has hitherto been possible. It is likely that the existing arrangements would have sufficient flexibility to shift the balance of provision towards eg more study in developing countries, should the evaluation evidence justify this.

2.50 The current arrangements come with a relatively high carbon cost, although measures have been taken to keep this under control. This factor is likely to grow in importance in future years, and needs to be fully taken into account in future decisions on the shape of the programme.

2.51 In these circumstances, the cost/benefit analysis which follows is confined to comparing support for the current arrangements with the counterfactual of ceasing funding.

G. Extended appraisal of selected option

Aim

2.52 This appraisal seeks to explore whether a net benefit (also expressed as a positive rate of return) is likely to arise from providing support to the Commonwealth Scholarships Commission relative to the counterfactual – complete withdrawal of the funds available for scholarships.

Background

2.53 A cost-benefit framework can be usefully employed for this purpose. This can be supplemented by a partial break-even analysis which aims to demonstrate the level of benefits that would need to be realised in order to overcome the costs. In articulating a cost-benefit narrative, both private and social positions are explored. The private dimension covers the return to all scholarship award-holders while social encompasses the return to society as a whole (including the private return). A full cost-benefit analysis of the CSC intervention is not carried out because of a lack of quantifiable information around the benefits; rather it is believed that quantification of costs with a broad articulation of benefits based upon the existing academic literature, combined with break-even analysis, is sufficiently robust.

Costs and benefits associated with programme

Costs

2.54 Costs are presented in both accounting and economic terms. Presenting costs in accounting terms provides an indicative burden to the UK taxpayer (note that there will also be an accounting cost incurred by scholarship agencies in host countries, but it is not practical to list this). Economic costs meanwhile reflect opportunity costs and so provide a more comprehensive position for assessing the Value for Money position. Economic costs are presented in terms of cost per student per year. This allows a break-even analysis to be conducted – that is, a calculation of the benefit per student per year that would need to be realised in order to overcome cost. Due to data limitations it is not feasible to list all costs. The most significant omission is the opportunity cost of students' time; here, the opportunity cost is assumed to be zero given a complete lack of data on students' pre-award earnings. To reflect this uncertainty, a sensitivity analysis is carried out to show explicitly the marginal effect of a non-zero opportunity cost. Furthermore, concern over this omission is mitigated by the fact that students studying at UK institutions receive stipends during their period of studies (these stipends are included within the cost per student per year figures). To a large extent, these stipends will offset earnings foregone.

Accounting costs

2.55 Contributions will be paid over the four year duration by three UK government departments – the Department for International Development (DFID), the Department for Business, Innovation and Skills (BIS) and the Foreign and Commonwealth Office (FCO) – and by the Scottish Government. DFID funding will form the lead UK share, accounting for £82 million (which includes an initial allocation of up to £880,000 for evaluation work). This and other government contributions are shown in Table 1 below

Table 1 – UK government and Scottish government contributions to CSC programme

Government body	Contribution	Purpose
Department for International Development	£82 million	Support students from poorer, developing nations of the Commonwealth.

Department for Business, Innovation and Skills	£1.6 million	Support students from developed nations of the Commonwealth and promote public diplomacy interest.
Foreign and Commonwealth Office	£0.2 million (year one)	Support students from developed nations of the Commonwealth and enhance UK higher education.
Scottish Government	£0.05 million (year one, further contributions being considered as part of current spending review)	Support students from developed nations of the Commonwealth and promote Scottish higher education.
Total UK government contribution	£83.85 million	<i>All of the above.</i>

Economic costs

2.56 As noted above, presentation of economic costs takes into account opportunity costs and so provides the basis for a fuller analysis of the value of the scheme. To allow for an intuitive comparison against (unknown and therefore unquantified) benefits, a break-even analysis is employed on the basis of *cost per head per year*. Economic costs are divided into the following categories:

- Costs to UK taxpayers;
- Costs to students;
- Costs to host country taxpayers.

The costs to UK taxpayers are disaggregated from departmental level to their constituent parts (university fees & contribution to subsistence, CSC running cost etc). Cost categories included are listed below.

Costs to UK taxpayers

Aggregate direct student cost of providing awards in terms of university fees and contribution to subsistence of students

2.57 Unit costs per year incurred of providing the seven categories of awards have been calculated by CSC and are available for the 2009/10 financial year. It should be recognised that in most cases these costs are not borne entirely by sponsoring government departments; they are partly offset by contributions from host universities, with co-contributions varying from £2,000 - £10,000. However for current purposes the full cost is included on the assumption that UK universities are costs to taxpayers (although this is not strictly true as universities also rely on private funding sources). The highest annual cost incurred is for a student studying full-time in the UK; CSC calculates this annual cost to be invariable between PhD and Masters qualifications, although the former study is for three years and the latter is for one year.

2.58 This annual per student cost for 2009/10 amounted to £24,103. Uprating this on the basis of the CPI inflation and Budget figures²⁶ only yields a cost for 2011/12 of **£26,045**.

2.59 It is important to emphasise that this is the upper limit of per year student costs. Residential

²⁶ See *Consumer Price Indices Statistical Bulletin – July 2011*; <http://www.statistics.gov.uk/statbase/Product.asp?vlnk=868>

See *Budget 2011* Table 1.2 Summary of OBR's central economic forecast.

Annual figures of 4.0 per cent (CPI March 2011) and 3.9 per cent (forecast CPI for 2011) have been utilised.

Masters awards represent the same annual amount as PhDs (although crucially over just one year rather than three) but other awards are markedly less expensive. Notably, the annual cost of a Masters taught by distance learning is approximately 40 per cent of the cost of a PhD/ residential Masters. In 2009/10 165 distance learning Masters were awarded – almost 20 per cent of total awards. The distance learning Masters student cost for 2011/12 is calculated to be **£10,596** (uplifted, using the previous inflation figures, from £9,806 in 2009/10). Both PhD and distance learning Masters figures are used to inform the break-even analysis at section 4.

CSC running costs

2.60 Costs incurred by the CSC in administering the programme over the 2009/10 financial year are available. These costs amounted to £1,969,037. Costs include expenses incurred in running the Commission, honoraria payments to Commission members, administration (including the electronic application system), communications and evaluation. With 883 awards in that year, the per student running cost equalled £2,230. Uprating this cost on the same, CPI basis as the direct student cost yields **£2,410** for 2011/12.

Civil service programme management cost

2.61 Government departments will be required to devote staff time to monitoring the programme. An estimate of the cumulative staffing cost associated with programme management is based on DFID unit costs for an A2 grade; this stands at £69,373 for 2011/12²⁷. Assuming that programme management time accounts for a full-time equivalent A2 across all government departments – an estimate likely to be at the upper limit - and translating to a cost per student (based on 883 awards) yields a cost of **£79** for 2011/12.

Opportunity cost of independent assessors' time

2.62 200 independent assessors per year are involved in assisting the CSC with assessing students' applications. Although the assessors do not charge for their time, there is an opportunity cost in terms of lost teaching time. According to the Annual Survey of Hours and Earnings (ASHE) 2010, higher education teaching professionals typically earn £41,136 per year. Uplifting this by the 2011 CPI Budget forecast of 3.9 per cent brings this figure to £42,741. A 20 per cent premium is estimated to account for the fact that the assessors tend to be senior academics. This brings the annual figure to £51,289. This corresponds to a daily rate of £140. On the assumption that each assessment takes half a day this cost reduces to **£70**.

Costs to students

Opportunity cost of students (based on assumption of otherwise being employed in their home countries)

2.63 Evaluation data from CSC support the belief that some students would be in full-time employment if they were not award-holders, albeit in relative junior posts on account of their age. However given the vast difference in labour market structures across economies and lack of data, computing an 'average' opportunity cost cannot be done credibly. Further, some categories of award – Masters taught by distance learning and in some cases PhD – do allow students to be retained as paid employees of their institutions during their studies. In these circumstances the period of study is regarded by the award-holders' employers as a period of learning and development rather than inactivity. Finally, as mentioned previously stipends will to a certain degree offset the earnings foregone. Given these reasons, the opportunity cost of students' time is taken to be **£0**. Nonetheless, analysis is done to show the effect on the break-even position if the additional (to the stipend) annual

²⁷ Figure contained within Unit Pay Costs document owned by DFID's Performance and Resource Management Team.

wage given up is taken to be **£4,000**.

Contribution to subsistence

2.64 Students' subsistence costs can be fully met by stipends, the cost of which are incorporated within the aggregate direct student cost (first heading under the category of cost to UK taxpayers). These stipends are set by the UK government at a level that is broadly commensurate with the cost of living. This is a crucial principle – if stipends were lower students would need to top up through private means in order for the UK Border Agency to allow them admission to the UK.

2.65 This of course does not preclude the notion that students bear costs beyond the stipend level. However, with stipends set at a sufficient level it is difficult to assert that students would pay anymore than what they would in their home countries²⁸. Thus, the contribution to subsistence is taken to be **£0**.

Costs to host country taxpayers

Opportunity cost of host country administrators' time involved in processing applications (assuming that the administrators would have been employed elsewhere in their host country).

2.66 As with students' earnings data it is judged infeasible to calculate a representative cost for the opportunity cost of host country administrators and so a cost of **£0** is assumed.

Total annual per student costs

2.67 Summing the quantifiable costs – direct PhD student cost, CSC running cost, civil service programme management cost and opportunity cost of assessors' time – yields a total per year cost of **£28,603**. Summing on the same basis for a distance learning Masters yields a per year cost of **£13,154**.

Benefits

2.68 The evidence available to assess the benefits of the programme is limited (e.g. to CSC's own evaluations). This is particularly so because the benefits are shared by 54 nations with diverse economies and differing labour market needs. For this reason, the benefits are not quantified. Instead a three-track approach is followed:

- Expected returns to tertiary education are explained, based on academic literature generally and specific studies of the CSC programme.
- The counter-factual position of zero funding for the CSC programme, with the result that all CSC funded scholarships are withdrawn, is explored.
- A simple break-even analysis, on the basis of typical unit costs shown above, is provided to demonstrate the scale of benefit that would need to be realised for the programme to deliver benefits equal to its costs.

Returns to education - private

2.69 The private benefits to investing in tertiary education are straightforward to conceptualise. The logic is that well-qualified individuals earn a labour market premium by gaining relatively well-paid jobs.

²⁸ There may in fact be an argument for incorporating some of the stipend as a benefit, since items such as textbooks have an intrinsic value. However, this consideration extends into detail beyond the scope of this Business Case.

2.70 In their systematic review of the evidence on returns to tertiary education, Psacharopoulos & Patrinos (2002) found that the average private rate of return to investing in higher education stood at 19.0 per cent (i.e. once all costs are taken into account, the ratio of gains to costs is 1.19:1 – for example, £1.19 of benefit for £1 of cost). Quantification of private benefits is generally restricted to the enhanced wages enjoyed; if the utility derived from studying (the benefit of consumption) and the life-long association with an overseas culture were taken into account then private benefits would conceivably be higher.

2.71 Data from CSC's own evaluation systems ('Evaluating the impact of Commonwealth Scholarships in the United Kingdom') provide limited evidence of the benefits experienced by successful award-holders. 82 per cent of alumni had obtained employment in the twelve months following their award (the majority of the remainder entered further study); 60 per cent reported obtaining a more senior position within twelve months of their award. 91 per cent said their award had helped them obtain career advancement after this period (64 per cent significantly so). Taken together, these findings imply that a majority of graduates obtain substantially higher lifetime earnings as a result. However, the available evidence does not currently allow for quantification of the earnings increase.

Returns to education - social

2.72 The social position refers to the costs and benefits to society as a whole (i.e. in addition to the private return). A social benefit, for example, might include more efficient government policies as a result of employing people in government with public policy qualifications; some of this benefit would be captured by higher wages to the individuals concerned but a substantial benefit beyond the wage premium is certainly plausible. In general though, a social analysis is much more uncertain than a private analysis because the range of costs and benefits is much wider and the costs and benefits are more difficult to conceptualise and quantify.

2.73 The social returns to tertiary education investment are usually understood to be lower than the private returns (RECOUP, 2009). A 2002 study by Psacharopoulos & Patrinos found a social rate of return of 10.8 per cent (i.e. meaning that for every £100 of cost outlay, £110.80 of benefit is produced). One reason for social returns being found to be smaller than private returns could be due to the tendency for the state to bear a higher proportion of the cost of tuition relative to the individual, with the difference not being fully recouped through higher tax revenues later on. Second is the recognition that the external benefits of investing in tertiary education are difficult to quantify. Such external benefits include a stronger research capacity, greater institutional strength (manifested by a more robust standard of governance), and improved public services (e.g. through a greater number of doctors) (Bloom et al, 2005); these benefits are additional to the private benefit captured by higher wages. Yet, traditional analysis adopts a narrower focus in measuring the added value of tertiary education and so misses capturing the full effects ('The Task Force on Higher Education and Society', 2000).

2.74 In the specific case of the CSC programme, survey figures ('Evaluating the impact of Commonwealth Scholarships in the United Kingdom'²⁹) have shown that up to 90 per cent of alumni reside in their home countries on a long-term basis. It is therefore reasonable to assume that the socio-economic benefits resulting from tertiary education are retained in home countries where development need is highest. 96 per cent of alumni report that their analytical and technical skills were measurably enhanced by their degrees; 90 per cent had introduced specific changes or innovations as a result of their award (46 per cent significantly). In terms of institutional development, 45 per cent of survey respondents cited ways in which they had influenced policy in their home countries.

²⁹ This alumni survey received 2,226 responses (out of 5,673 questionnaires). The survey results are broadly representative of the total alumni group of around 15,400.

2.75 Despite the logic underpinning the delivery of social benefits, a gap exists in terms of the literature that seeks to quantify those benefits, although there is evidence that this gap is decreasing. According to Psacharopoulos (2006), returns to higher education have increased by 1.7 percentage points over the past fifteen years, whereas the returns to primary education have decreased by two percentage points. Dutta (2006) found that returns to tertiary education in India were also increasing. Schultz (2004) found similar trends in sub-Saharan Africa.

2.76 Overall it seems sensible to revert to the evidence which points to the private returns to tertiary education outweighing the social returns. This is not of itself problematic. Whatever uncertainties exist around less tangible benefits, it is clear that tertiary education offers an opportunity for people to lift themselves from poverty. Further, in doing so the same people are able to contribute more to their nations' tax bases. The key questions from a cost-benefit analysis perspective then fall on the following issues:

- equity - would the intervention satisfy fairness concerns in terms of not distorting opportunities in award-holder countries?
- counter-factual – could people access tertiary education in the absence of UK support?

Equity issues

2.77 Compared to primary and secondary education, there is a risk that a focus on public provision of tertiary education is generally less equity improving than interventions in primary and secondary education. Where there is a significant public funding constraint at primary and secondary school levels, it is logical that the best educated - and therefore the best candidates for tertiary education – will emerge from groups who can pay privately for primary and secondary education. Given that the intervention is focused on scholarships at tertiary level, those students with a stronger primary and secondary education have a natural advantage. The parameters might then shift to a more fundamental analysis of the benefits of tertiary education interventions versus interventions at primary and secondary levels. However the clear departure point for this intervention is support *at tertiary level* (see Strategic Case) and it is therefore not valid to consider the equity question in terms of support to other education levels.

2.78 It can be argued though that tertiary education is in itself an acknowledged mechanism for promoting social mobility and hence greater equity (The Task Force on Higher Education and Society, 2000). Further, CSC's own selection criteria are acknowledged to be robust and fair: each application is assessed by an independent, specialist academic adviser. In addition, for developing countries the academic merit of the candidate together with relevance to addressing development need form the key assessment criteria.

2.79 In recent years, also, the CSC has introduced measures aimed specifically at improving access. The introduction of distance learning scholarships allows access to candidates not able to leave their own countries of study. The strand of shared scholarships absorbed from 2003 requires candidates to demonstrate that they are not able to pay for the course by any other means. New nomination routes have been added from organisations particularly concerned with disadvantage, while short professional awards target those with experience in a much wider range of occupations.

2.80 Given these arguments, it is judged that the intervention does not present problems of inequity.

Counter-factual

2.81 In addition to asserting that there is both a private and social benefit to expansion of tertiary education, a critical consideration in justifying intervention is the existence of a funding constraint. If

no funding constraint exists then the counter-factual would be simply that, in the absence of UK scholarship support, Commonwealth students' own funds provide a substitute³⁰. It would then follow that all of the social benefits derived from tertiary education provision would be realised regardless of whether the UK provides support (assuming that a similarly high proportion of graduates return to their home countries).

2.82 The CSC evaluation survey provides some evidence which suggests that there is a binding funding constraint. 61 per cent of respondents noted that they would definitely not, or would unlikely to be able, to find other means of support to pursue their studies. Additionally since 'other means' is not defined it could logically include scholarships from other donors (France, Australia and China are notable providers); in that case it is likely that there would be displacement elsewhere – meaning that the existence of the UK scholarship scheme does increase the total number of participants in higher education.

2.83 Moreover, there is significant evidence to suggest that the 61 per cent figure significantly understates the likely true percentage of students who face a binding funding constraint. For distance learning students, who are heavily under represented in the survey since the programme had only commenced in 2003 and so had relatively few alumni, the percentage of respondents indicating that there were no other means to pursue their studies was higher; 79 per cent of these respondents stated that they were reliant on scholarship support.

2.84 Further, since 2003 CSC support has included provision of a Shared scholarship scheme. This scheme, which benefits 160-200 students per year and excludes government and para-statal employees, requires applicants to confirm that they have no alternative means of funding their studies. None of these students were included in the evaluation study.

2.85 Finally, it is evident from the fee paying sector that students from developing countries value tertiary education offered by UK (and other developed country) providers relative to their own institutions. In part, this rests on prestige but it is also a reflection of a lack of tertiary education provider capacity in developing countries. Therefore, a counter-factual scenario of substitution of local provision for international scholarships does not seem credible.

2.86 To conclude, there is evidence that implies a binding funding constraint exists, meaning that the returns to tertiary education would not be realised in the absence of UK scholarship support. Nonetheless, this evidence is not systematic and there would be scope for CSC to expand the exploration of the specific funding constraint issue and the counter-factual more generally. CSC acknowledges this, and an approach to stronger evaluation is outlined in the section on Evaluation in the Management Case below.

Break even analysis

Parameters

2.87 Break-even analysis is a standard tool for estimating the monetised annual discounted benefit that would need to be realised in order for the sum of the monetised discounted benefits to be equal to the sum of the monetised discounted costs. Expressed another way, break-even analysis reveals the annual monetised benefit that yields a rate of return of 0 per cent.

2.88 Break-even positions are calculated for the following categories of awards and their associated costs:

³⁰ Equally, it could be argued that developing countries' own education funds could provide the basis for scholarships. However given the significant presence of donor partners in education generally this seems unlikely.

1. PhD (£28,603 per year for three years)
2. Masters taught in residence (£28,603 for one year)
3. Masters taught by distance learning (£13,154 for one year)

2.89 Costs and benefits are calculated over a 23 year timeframe (such that a PhD programme and 20 years of following employment are accommodated). This assumes that the years of the award are entirely comprised of costs with zero benefits. In practice, for a PhD this is not always the case – with research being carried out over the duration of the award it is likely that there will be some benefit in these years. However in view of the difficulty in quantification, these benefits are not included in the analysis.

2.90 The standard discount rate³¹ of 3.5 per cent – the rate used to appraise public investment projects in the UK – is employed.

Results and interpretation

2.91 The break-even analyses produce the following headline results for annual benefits (see Annex for the full schedule):

1. PhD	£6,251
2. Masters taught in residence	£1,886
3. Masters taught by distance learning	£867

For the PhD award, an annual benefit stream of £6,251 would need to accrue over 20 years in order for the break-even position of benefits exactly offsetting costs to be realised. At the opposite end of the scale is the Masters by distance learning award, where the break-even position is an annual benefit of £867.

2.92 The break-even position for PhD being greater than for Masters by distance learning by a factor of over 600 per cent reflects the significant per year cost differential between the two awards together with the extra two years needed to complete a PhD.

2.93 It should be emphasised that, in terms of number of award-holders in each category, there are significantly more Masters than doctoral students. In 2009-10 there were 261 PhD award-holders (including continuing students) compared to 282 conventional Masters award-holders, and 165 distance learning Masters award-holders. Added to this, the type of awards not included in the analysis - most notably Professional and Academic Fellowships - are also at the lower end of the cost spectrum. Thus, the 'typical' break-even figure lies much closer to the £867 figure than it does to the £6,251 amount. Further, if major economic gains through institution and infrastructure building can be realised through the intensity of Masters programmes then an impression of the break-even position being breached – and therefore sufficient Value for Money arising - seems very plausible.

2.94 An important factor in considering the break-even amounts is that the benefits required could be a composite of private and social benefits. This is particularly important for the PhD category, where a wage premium of £6,251 is likely to be unrealistic. Indeed what may be more likely with a PhD award is that significant social benefits associated with building the research capacity of higher education establishments could be realised.

2.95 As a caveat, it should be recalled that with the opportunity cost of students' study time not fully accounted for the break-even analysis is partial. However purely hypothetical figures for opportunity

³¹ Discounting is a standard tool of economic analysis which is employed to reduce valuations of costs and benefits at time periods in the future to 'present values', in order to reflect influences such as preference for immediate consumption.

cost can be inserted in order to show the change to the break-even point. To illustrate, if a Masters student studying at a UK institution were to give up an annual sum of £4,000 (i.e. his/ her annual wage minus yearly stipend) the break-even figure would increase from £1,886 to £2,150 (an additional £264 per year; see annex for detail). For distance learning students, there would be no such loss since these students are able to study alongside existing positions.

2.96 In summarising the break-even analysis, it is clear that a stark difference exists between the break-even positions of the Masters and PhD award categories. The Masters break-even position of £867 per year appears likely to be achieved given the likely combination of private and social benefits. However, a much less certain Value for Money conclusion can be made for the £6,251 per year PhD position. It would therefore be appropriate for a Value for Money analysis of the PhD award category to form a central question for CSC's evaluation.

Risks

2.97 There are a number of scenarios which, if realised, would adversely affect the value for money of the CSC programme. These include:

- a) A significant number of students do not honour their commitment to return to their home countries, meaning that expected development benefits are not realised;
- b) UK tuition fees rise significantly, meaning that the number of awards offered falls substantially;
- c) Other donors offer more attractive scholarship packages with the consequence that demand for UK scholarship reduces.

(a) Non-return of students

2.98 At present, it is known that between 10-15 per cent of award-holders do not return to their home countries upon completion of their studies. While the fact that a minimum of 85 per cent of award-holders do return to their home countries is regarded as a success, more can be done to ensure that this proportion is maintained. Primarily, the ethos of the programme in terms of award-holders going on to further their successful careers and contribute to development at home needs to be continually stressed. Emphasis on the responsibility of award-holders to respect the spirit of the programme would be an integral part of this. Secondly, more evaluation work needs to be undertaken in order to better understand the reasons why some students do not return and the extent to which these students still make a development contribution. The results of this work should be fed into future policy with regard to selection criteria and the requirements on alumni.

(b) Sharp rise in tuition fees reducing available awards

2.99 The possibility that international fees charged by UK institutions increase is a risk outwith the control of CSC, and there is evidence of above inflation increases in recent years. However, there is currently strong competition amongst institutions to attract international students; this is evidenced by the practice of universities typically absorbing 20 per cent or more of award-holders' tuition fees. The CSC also has a strategy in place to mitigate the impact of such increases, through the use of maximum fee caps. Therefore the risk of significantly rising fees reducing the number of awards is considered low.

(c) Other donors offering better scholarships and reducing demand for UK scholarships

2.100 This risk, if realised, would undermine the scholarship programme. However with current demand for scholarships vastly outstripping supply – it is estimated that only 1.5 per cent of applicants are successful in obtaining Commonwealth Scholarships - this risk is extremely low.

Conclusion

2.101 As noted elsewhere, there remains a lack of accepted methodologies to quantify the economic impact of scholarships. In this context, the analysis above cannot be regarded as definitive. Nonetheless, taken together with evidence from the CSC study, it would appear to confirm that at least for Masters awards positive returns to both individual recipients and (more importantly) their countries are likely to arise from the investment.

2.102 In producing the above figures, some of the assumptions made have been conservative. For example, it is highly plausible that the applicable cost-benefit timeframe extends beyond 23 years and past experience shows that benefits during the study period itself (e.g. from research) are realised. Against this, certain costs have not been quantified – such as the administrative costs to recipient countries.

2.103 On balance, it seems that a fuller analysis (beyond the scope of this appraisal) would be likely to increase, rather than decrease, the likelihood of the break-even position being overcome.

H. Measures to be used or developed to assess value for money

2.104 There are a number of actions that CSC would actively explore that are aimed at improving the programme's focus on Value for Money; some of these are discussed in the Management Case. These actions include:

- a) Conduct and follow up on regular analyses on the comparative costs and results of different study routes, in order to inform future allocation of resources between programmes. A particular priority would be a full Value for Money analysis of the PhD award category;
- b) Devolve payment functions to universities;
- c) Monitor range of student services provided and adjust service provision accordingly.

2.105 Additionally, CSC's Strategic Plan and the project logframe identify a series of specific measures to be used to assess Value for Money. These include:

- The percentage of award-holder survey respondents reporting "excellent" or "very good" assessments of support services;
- Numbers and quality of applications, as measured by grades allocated to them by assessment panels and success rates of applications by country;
- The ratio of administration to programme costs (with the former not to exceed 10% of total expenditure);
- Success rates of candidates, compared with those of other relevant bodies;
- Career paths, achievements and development contributions of alumni, as measured through the evaluation programme.

3. Commercial Case

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

3.1 The proposed funding mechanism (see Financial Case, Section C) is in accordance with Treasury guidance for funding of NDPBs. The funding provided will be used to procure services to administer the selection process and to provide financial and other support to awardees.

B. Value for money through Procurement

3.2 The proposed arrangement will involve separate agreements between DFID and the CSC, and between CSC and organisations selected to undertake the management of the programme. Evidence from the two independent reviews quoted earlier has confirmed that CSC offers continuity, expertise and cost effectiveness, involving both cost control and leveraging funding from elsewhere, in ways that might not be available to government.

3.3 The current system, under which administrative services are outsourced to the Association of Commonwealth Universities and British Council, is thought to offer a blend of experience and value for money. CSC has a strong track record in cost control, which has led to a real terms reduction in administration fees charged to DFID in each of the last two years. A separate group of Commissioners monitors the range of services provided to seek efficiencies, and this is reviewed annually by the full Commission. Amongst issues under consideration are whether targeted welfare services are still necessary, given the increasing quality of these in universities, and whether universities could take a greater responsibility for processing payments to their students. Both of these examples would lead to significant cost savings. The system provides for competition between the two existing suppliers, by allowing for the services allocated to each of them to be revised.

3.4 The Commission strategy seeks to ensure that administrative costs remain below 10% of total programme expenditure – the Landymore review noted that this compared favourably with the UNESCO scholarships programme, and schemes for higher education scholarships in France and Germany. A clear baseline, based on 2010/11 outturn figures, will be established, and savings targeted and achieved over the funding period (including those achieved through joint funding arrangements with British Universities) will be recorded in reports to the Commission's Finance Committee.

3.5 The Commission's new agreement with the service providers will ensure that both functions and fees are reviewed annually, with the opportunity for change if agreement cannot be reached. Based on the budget figures proposed, and providing HMG administrative requirements remain broadly the same as before, it is expected that this will lead to further reductions in the proportion of funding being devoted to administration over the four year period. DFID will be directly involved in this process through its membership of the Commission Finance Committee.

C. Other Means of achieving Value for Money

3.6 Efforts are being made to enhance value for money through the introduction of new types of award. In recent years, the Commission has actively promoted new teaching mechanisms aimed at delivering high quality qualifications at lower cost. Reports to the CSC Finance Committee indicate that distance learning programmes typically deliver Masters qualifications at about a third of the cost of bringing students to the UK. Split-site doctoral study allows students to access UK higher education whilst undertaking PhD's in their own countries. Short academic and professional fellowships allow for highly targeted periods of skills updating. Each of these innovations has significantly decreased the average cost per recipient of award.

3.7 The Commission recognises, however, that the cost of different awards needs to be set against the

likely impact of each scholarship or fellowship. Collecting and analysing this data is the responsibility of the Commission's Monitoring and Evaluation Committee, which undertakes a rolling programme of evaluation work. Reports of the Committee go directly to the full Commission, to feed into the formulation of policy. Evaluation of impact, and comparison of the costs and benefits of different types of study, will be key elements of the planned evaluation programme.

3.8 The cost effectiveness of the CFSP programme is further enhanced by leveraging contributions from UK universities, through fee remissions and stipend contributions; the significant in-kind contributions of Commissioners and Academic Advisers mentioned above, and through the work of the awardees' home countries, who handle large parts of the advertising and nomination process. Papers for the Landymore Review estimated the total value of these leveraged contributions at some £4.5 million per annum.

3.9 There is competition between UK universities in setting fees, and CSC also has a policy of capping fees at a certain level. Together with the policy of seeking contributions from host institutions, this offers some safeguard against tuition fee rises above the level of inflation. It is emphasised, however, that price is not the only criterion used in distinguishing between host institutions: the Commission believes that development objectives are also best advanced by careful consideration to quality and relevance of provision. This is an area in which the independent expertise of Commission members is of particular value.

3.10 An analysis of the value for money provided by the current arrangements is included in the Appraisal Case above.

4. Financial Case

A. How much it will cost

4.1 The cost of the four year programme is £87.73m, of which £82.04m will be new commitments, broken down as follows.

2011/12	£13.42m (plus £5.69m previously agreed, making a total of £19.11m)
2012/13	£21.06m
2013/14	£23.43m
2014/15	£24.13m

4.2 In real terms, DFID support for CSC has declined significantly since the early 1990s. In 1993/94, the combined DFID funding for the CSFP and Shared Scholarship schemes was £16.2m per year. This was then reduced to £14.3m in 1999/2000, and to a low of £12m in 2000/01. Following the 2007 Fielden Review referred to above, DFID funding was increased again - the cost of the previous programme was £50.86m, spread over 3 years from FY 2008/09 to FY 2010/11, with the allocation for 2010/11 being £17.5m. Interim extensions of the project to August 2011, and additional funding of £5.69m, were agreed to enable CSC to continue to meet its commitments while this Business case was in preparation.

4.3 The 2010 Landymore review considered a range of options for future DFID funding levels, from maintaining the current cash level (cost £67.5m over the 4 year period) to restoring the full value of early 1990s funding levels (cost about £104m over 4 years, allowing for inflation). The increase of 36% in nominal terms between 2010/11 and 2014/15 reflects the Landymore (and Fielden) review recommendations. This will go some way towards restoring the real value of DFID's support, taking into account the changes that have successfully lowered unit costs and raised the cost-effectiveness of the programme.

4.4 The increase will also help the Commission to respond to expected increases in spending pressures. As the number of university places at undergraduate level increases in developing countries, it is to be expected that demand for scholarships will rise. Evidence to the 2009 CCEM³² suggested that this was already happening. On the expenditure side, tuition fee costs are rising at above the cost of inflation, whilst student stipends are fixed by an independent formula common to all government scholarship schemes, and beyond the Commission's direct control. The requirements in the Commission's new strategy to expand evaluation work and alumni tracing activity represent further demands on resource since the 2008 settlement - taken together, these will represent up to 2% of total Commission expenditure by 2014/15.

4.5 Within the total, about 1% of programme resources (up to £880,000) will be earmarked for continuous and end-programme evaluation (as distinct from ordinary administration costs). Evaluation resources are loaded towards the 4th year of the programme, reflecting the planned external end-programme evaluation (the timing of the external evaluation will be kept under review by the Evaluation Committee and brought forward if required). Administration costs (excluding the allocation for evaluation) will be subject to negotiation between the CSC and its service suppliers, but are constrained to remain below 10% of the programme total.

4.6 Distribution of CSC resources between award categories lies within the responsibility of the CSC and is subject to the flow of high-quality applicants and emerging results of the Commission's evaluation activity, but it is expected that resource distribution will lie within the percentage limits given below. The figures highlighted in bold are earmarked allocations (evaluation) or limits that should not be exceeded.

Year	MSc/ MA awards in UK	Shared Scholarship awards in UK	PhD. Awards in UK	Fellow Ships	Masters awards by distance learning	Split-site Ph.D awards	Management	Evaluation
2011/2	15-20%	13-17%	35-39%	10%	10%	5%	<10%	£162,000
2012/3	15-20%	13-17%	35-39%	10%	10%	5%	<10%	£179,000
2013/4	15-20%	13-17%	35-39%	10%	10%	5%	<10%	£199,000
2014/5	15-20%	13-17%	35-39%	10%	10%	5%	<10%	£340,000

4.7 CSC will be allowed to vire up to 5% of any one year's allocation to the previous or following year, subject to provision of at least 6 months' notice and subject to UNCD being able to meet any variation from their agreed resources.

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

4.7 All DFID funds will come from programme resources.

4.8 Additional funding will be contributed by FCO, BIS and the Scottish Government, to support scholars from developed Commonwealth countries. This funding will be transferred to DFID by the relevant departments at the beginning of each financial year, for onward transmission to CSC. FCO plan to contribute £184,000 in 2011/12, whilst BIS plan to contribute £400,000 per year for the next 4 years: the Scottish Government has confirmed a contribution of £50,000 in 2011-12, and is considering further contributions as part of its current spending review.

C. How funds will be paid out

4.9 Funds will be transferred by means of Grants-in-Aid to CSC, which maintains an account with the Government Banking Service, as recommended by the National Audit Office. Payments will be governed by a Memorandum of Understanding which will cover both DFID and OGD funding. A single funding transfer will normally be made at the beginning of each financial year covering the contributions of DFID and the other Government Departments, in accordance with Treasury guidance for funding of NDPBs. For 2011/12, the new DFID funding for the year will be transferred as and when the Business case is approved.

D. How expenditure will be monitored, reported, and accounted for

4.10 CSC will provide monthly financial statements to DFID which will show how each department's funding has been apportioned and expended, and will provide sufficient information to enable DFID as the sponsor Department to meet its HMT monthly reporting requirements and Transparency commitments. These statements will be scrutinised by programme management in each of the sponsoring departments, who will pursue any queries directly with CSC as necessary. Additionally, a DFID representative will participate in the thrice-yearly meetings of CSC's Finance Committee.

4.11 CSC expenditure will be included in DFID's resource accounts, which are audited by NAO.

The overall audit opinion will therefore include CSC. However, it is unlikely that CSC's finances will be looked at in detail by the auditors, and thus DFID will reserve the right to engage an external auditor to examine CSC spend in greater detail. The cost of any such examination would be borne from UNCD's administration budget. Expenditure processed through the Association of Commonwealth Universities and British Council will be subject to the independent audit arrangements of those bodies.

4.12 As noted above, about 1% of programme resources (up to £880,000) is earmarked for continuous and end-programme evaluation (as distinct from ordinary administration costs). The end-programme evaluations will be carried out by independent evaluators appointed by CSC. Further details of the evaluation programme are contained in the Management Case below.

5. Management Case

The role of the management case is to put in place all the appropriate arrangements to ensure the successful stewardship of our relationship with the MO.

A. Oversight

5.1 CSC has responsibility for managing UK participation in the CSFP. It is a Non-Departmental Public Body (NDPB) which is accountable to the Secretary of State for International Development under the International Development Act 2002.

5.2 The Commission, through its Commissioners, determines policy, approves budgets and allocates awards. It comprises fifteen members appointed by the Secretary of State, each selected for their expertise in development, higher education or other relevant policy areas. The DFID Programme Manager is an ex-officio member of the Commission. The Commission reports on its activities annually to the Secretary of State and these reports are laid in Parliament.

5.3 The CSC has an Executive Group and 5 Committees – Finance, Audit and Risk Management, Awards Policy, External Liaison, and Evaluation and Monitoring. DFID programme management staff participate in the Finance Committee, and UNCD's Results Adviser has been invited to join the Evaluation and Monitoring Committee.

5.4 FCO, BIS and the Scottish Government, which also provide funding support to CSC, are invited to all full meetings of the Commission, and exercise oversight by direct contact with the CSC's Executive Secretary and other members or staff of the Commission. Whilst the CSC has responsibility for the UK involvement in the CSFP only, it interacts on a regular basis with the equivalent national agencies in each other Commonwealth country, all of whom report to the three-yearly Conferences of Commonwealth Education Ministers.

5.5 As a Non-Departmental Public Body, the formal Accounting Officer for the CSC is the Chair. The Executive Secretary is responsible, through the Chair, to the Commission, for the management of the project, supported by the Director of Operations. These three, together with the Commission Chair and Chairs of the Finance and Awards Policy form an Executive Group capable of making key decisions necessary between Commission meetings. A separate Audit and Risk Management Committee, comprising three Commissioners who are not members of the Finance Committee, maintains a further level of overview, and presents reports directly to full Commission meetings. The CSC is assisted in its administration activity by two external organisations – the Association of Commonwealth Universities (ACU) and the British Council (BC) – which also bring distinctive expertise.

B. Management

5.6 DFID's support will be managed by the Commonwealth Programme team in UNCD. The B1 Deputy Programme Manager (40% of time devoted to CSC) will be the Project officer, and will normally attend meetings of the Finance Committee - but the A2 Programme Manager (15%) will participate in Commission meetings and will have oversight of the relationship with CSC management. UNCD's results (2%) and governance (2%) advisers may be called on to advise on specific issues – in particular, the results adviser (with support from Evaluation Department as necessary) will advise CSC on the strengthening of its evaluation programme, which is the major institutional change we are seeking in this funding period. Occasional inputs from senior DFID management may also be required.

5.7 A designated PD Education adviser (2%) will be required to provide technical advice from time to time, and to assist in the monitoring arrangements described below. FCPD's management accounts team will oversee the introduction of new accounting arrangements for CSC, including liaison with Other Government Departments, to ensure compliance with new Treasury guidelines on NDPBs. Some assistance from HR may be required to deal with HR issues relating to the Commissioners, due

to the NDPB status of the Commission. Occasional inputs may be sought from relevant country offices, eg for annual reviews.

C. Conditionality (optional – see HTN)

5.8 Not applicable.

D. Monitoring and Evaluation

Monitoring

5.9 CSC will provide an annual report to DFID in September each year which will assess progress against the impact and outcome indicators and the logframe outputs. DFID will conduct annual reviews of the project, which will draw on these reports, dialogue with other stakeholders and any feedback received from DFID country offices. A DFID Project Completion Review will be conducted in the final year of this support phase. This activity will be in addition to the three yearly independent review which is required by HM Treasury under new regulations for all NDPB's

5.10 In addition CSC will provide twice yearly reports to their Finance Committee and thrice-yearly reports to the full Commission, which will provide financial updates and progress reports on the award programmes respectively. DFID will receive these reports through their membership of the Committee/ Commission. Supplementary information will be provided to DFID as necessary on request.

Evaluation

5.11 Evaluation is necessary to provide evidence of impact; to compare the efficiency and effectiveness of the different types of awards within the CSC programme; to compare the CSC programme with those of other scholarship providers; and to compare the current approach with the alternative options outlined in the Appraisal Case above. The findings of the evaluation work should inform strategy and funding levels, and add to wider public knowledge about capacity-building in developing countries.

5.12 Evaluation of scholarship programmes is hampered by the lack of previous work in the area, and an absence of agreed methodologies through which to conduct such work. A substantial AUSAID study (Gosling, 2008), which covered over thirty programmes, found that '*while many programmes report on numbers of awards and successful graduates, efforts to evaluate the long-term impact of scholarship programs have been limited*'. A study for NUFFIC (Boren, 2008) found that '*most respondents (to their survey) agree on the importance of alumni activities, but few actually undertake them*'. There was also '*little information on the cost-effectiveness of these, partly because the programs had only recently begun and their impact had not yet been evaluated*'. A seminar convened to evaluate the impact of the UK Chevening Scholarships programme (2011) noted that '*the lack of comprehensive research impairs conclusions on impact*'

5.13 Despite this, DFID's 2010 review recognised that much had been done by CSC to develop an evaluation programme since 2007. Starting with an international seminar to benefit from the experience of other bodies³³, CSC during this period extended contact to some 40% of awardees,

³³ The meeting, in 2007, brought together representatives of the World Bank Institute, German Academic Exchange Service (DAAD), NUFFIC, agencies responsible for offering Commonwealth Scholarships in Canada and New Zealand, US Foundations and independent analysts from the Institute of Development Studies, as well as a number of current Commonwealth Scholars

conducted a significant alumni survey and began to apply the results of this to specific policy and geographical areas³⁴. The 2010 review emphasised the need for CSC to build on this base by giving greater priority to assessing the direct impact which CSFP alumni have on development in their countries. Whilst alumni surveys have constituted the main means of evaluation, these are geared to outcome as opposed to impact measurement. Also, this methodology provides limited evidence about what would have happened if the programme did not exist.

5.14 CSC are therefore developing a strengthened evaluation programme and, as noted in the Financial Case above, DFID will earmark up to 1% of its funding (£880,000) in support of evaluation activities. This amount will be separate from, and additional to, the main allocation for administration of the programme. It will cover consultancy costs, evaluation work by CSC, data collection, the seminar with other scholarship providers, and the independent end-of-programme evaluation. This allocation will be kept under review and adjusted as necessary as the programme progresses, with the capacity to increase further should demonstrable need arise. The evaluation programme is expected to continue, subject to resources being available, beyond the 4 year timeframe of the new phase of support.

5.15 The programme will be under the direction of the CSC Monitoring and Evaluation Committee whose existing expertise will be supplemented by the inclusion of a DFID Results Adviser and external expertise, as required. External advice will be focussed particularly on methodologies to translate outputs and outcomes, on which some data already exists, into assessments of impact. The Committee will report directly to full Commission meetings. Nominating agencies will also be involved where practicable – a likely opportunity will be the Conference of Commonwealth Education Ministers in 2012, where it is understood that a meeting of agencies is already being planned. Key users of the evaluation results will include CSC and other scholarship providers, DFID and other donors, nominating agencies, country planning commissions and higher education institutions in the UK and elsewhere.

5.16 A quasi-experimental design approach (which addresses differences between comparator groups through statistical methods) is envisaged. The detail of the approach will be designed over the first year of the programme. Particular attention will be given to the possibility of establishing a comparison group drawn from unsuccessful applicants for awards who share characteristics with those who are successful³⁵, while recognising that this will rely on the willingness of unsuccessful candidates to cooperate in long term study.

5.17 The initial focus of the programme will be on the identification and development of new methodologies to evaluate impact, and the identification and establishing of indicators and benchmarks to compare international scholarship schemes and alternative capacity-building approaches. The Commission will explore possible alternative or complementary methodologies for assessing impact, and trial them as appropriate. A separate paper reviewing these, and identifying alternatives to be pursued, will be produced by the Evaluation Committee in October 2012, for discussion at the full meeting of the Commission in December of that year.

5.18 The over-arching questions for the evaluation will be: ‘What is the quality and quantity of impact of the different CSC schemes on the outcomes it seeks to achieve ie on the academic and professional capacity of the participating countries according to their own national plans and targets? How can this be improved?’ Lower-level questions to be addressed are linked to some of the key

³⁴ In addition to the main alumni survey, data has been used to produce reports on the impact of the scheme on health and higher education, and regional impact in Uganda (2007) and the Caribbean (2009). Further reports are in preparation.

³⁵ The development of a new electronic application system (EAS) over the past two years has provided new means of generating information about the full range of applicants for awards, including those who apply in the first instance to national nominating agencies. As a first step towards utilising this, a sample of unsuccessful applicants were surveyed in 2010 for the Commonwealth Secretariat.

assumptions in the theory of change and include: ‘Does the selection process produce the quality and quantity of candidates sought? How (if at all) could the linkage between CSC, nominating agencies and national labour force requirements be strengthened? Could monitoring of award winners and their subsequent employment be linked into the national labour force data system?’

5.19 The proposed evaluation approach will build on the existing evidence base from CSC’s alumni surveys. Significant baseline data is already available, including contact details for almost 7,000 alumni, and information from an initial survey of some 5,600 of these, conducted in 2008, which generated a response rate approaching 40%. There is, in addition, significant case study and anecdotal evidence to add to the quantitative data – recent studies have involved interviews which have started to provide qualitative elements. However, as noted above, the data available, and the methodology involved in its collection, are not of themselves adequate to measure overall development capacity and the impact of the programme – other data will need to be collected during the period of support. The CSC recognises that refreshing this data will be critical to future evaluation activity. It will, in particular, conduct further alumni surveys after award holders return to their countries, and existing respondents will be surveyed in a rolling programme of 20% each year.

5.20 Other scholarship providers will be involved in the programme through the hosting of a further seminar for providers in 2012. The seminar will have two main purposes – the identification and establishment of specific benchmarks against which international scholarship schemes can be contrasted, and the identification and development of new methodologies aimed at meeting the current lack of means to evaluate the long-term impact of international scholarships.

5.21 The findings of this work will feed into an independent external evaluation of the Commission’s programmes, which will focus on their impact on development in the target countries – this is scheduled to take place early in the final (4th) year of the support period, and will be closely coordinated with the DFID reviews referred to above and Treasury review requirements for NDPBs. Suitable evaluators for this work will be selected through a tender process by CSC’s evaluation committee, including the DFID representative, and appointed by CSC.

5.22 The findings of the evaluation programme will be communicated through a workshop of key stakeholders (also to be funded from the earmarked budget for evaluation) towards the end of year 4. Evaluation findings will also be communicated through CSC publications – plans include publication of a study comparing the cost-effectiveness of 3 different forms of Masters level provision, and publication of studies looking at the impact of the programme in specific policy areas and regions. The findings of the evaluation programme will be used in international fora to debate capacity building in development.

E. Risk Assessment

5.23 The key risks to success are:

- i) Poor management of the scheme by CSC, leading to wastage of funds or to a more limited development impact;
- ii) The scheme failing to attract the most able students, undertaking studies relevant to the development of their countries;
- iii) Scholarship recipients not contributing to development in their home countries after their awards, for example because they do not return to their home countries.

5.24 Given the performance of CSC to date (cf VfM section of appraisal case) it is judged that the first of these risks is not significant and can be mitigated by effective project monitoring by DFID, with intervention as and when any concerns are identified. However, this assumes that administration resources are maintained at roughly their current levels and that there is no significant increase in administrative requirements – if these assumptions do not hold then there could be a deterioration in

the quality of service provided by the CSC.

5.25 The second risk is mitigated by a thorough and competitive selection process in the UK, in which candidates are nominated through a variety of channels, and both the ability of the candidate and the likely impact of the award on future development are assessed by experts, with specific grades in each area being allocated by the selection committee. To further ensure quality, the selection system does not allocate specific numbers of awards to any country, selecting candidates solely on the basis of the stated selection criteria.

5.26 The third risk does not appear significant at present - the rate of return of scholarship recipients to their home countries is monitored and is high, and likely to increase through the development of new modes of study. Given the long-term nature of the investment, and the need for more detailed evaluation to guide our assessments, the risk is assessed as low to medium over the duration of the project. It can be mitigated by changing the balance of awards so that more awardees spend a greater proportion of their time in their home countries – this is being achieved through putting more resources into distance learning and short-term awards – and by maintaining existing conditionality whereby award recipients are required to work in their home countries after receipt of qualifications.

F. Results and Benefits Management

5.27 A standard logical framework has been agreed with CSC, which complies with current DFID guidance and is consistent with CSC's Strategic Plan for 2011-14, extrapolated as necessary for the final year of funding.

5.28 The Impact is defined as 'Enhanced technical capacity of national bodies, and research capacity of academic institutions, in priority development-related sectors in participating countries'. The impact indicators are progress against national capacity development plans and against research targets in higher education establishments in key participating countries – the planned work on evaluation (see above) may suggest alternative ways of measuring impact.

5.29 The Outcome is defined as 'Enhanced numbers of well-qualified post-graduates working in development-relevant fields in Commonwealth developing countries, with an appropriate gender balance'. The quantitative indicators can be measured through CSC monitoring of alumni progress following their awards.

5.30 The first of the outputs relates to the numbers of award-holders commencing scholarships or fellowships: it is felt that this is more appropriate than using figures for completion as many of those completing their studies in 2011/12 and 2012/13 will have been selected before the start of the funding period. The second is related to the quality and efficiency of the administration arrangements – although the first output indicator (satisfaction with support services) has a target which is lower than the baseline, it is felt that it would be unreasonable to regard a small dip from such a high base as an indication of failure, particularly when administration budgets are being squeezed. The third relates to the strengthening of the evaluation function, with indicators drawn from the evaluation plans detailed in the Management Case above.

**ANNEX
BREAK-EVEN SCHEDULE FOR AWARDS**

PhD

PhD																									
Discount rate: 3.50%																									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Total	
Cost per year (€)	28,603	28,603	26,603	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	65,809
Discounted cost per year (€)	28,603	27,636	26,701	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	62,940
Benefit per year (€)	0	0	0	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	125,028
Discounted benefit per year (€)	0	0	0	5,638	5,448	5,264	5,086	4,914	4,747	4,587	4,432	4,282	4,137	3,997	3,862	3,731	3,605	3,483	3,366	3,252	3,142	3,035	2,933	2,833	62,940
Net benefit per year (€)	-28,603	-28,603	-26,603	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	6,251	39,219
Discounted net benefit per year (€)	-28,603	-27,636	-26,701	5,638	5,448	5,264	5,086	4,914	4,747	4,587	4,432	4,282	4,137	3,997	3,862	3,731	3,605	3,483	3,366	3,252	3,142	3,035	2,933	2,833	0
Required benefit per year (€)	5,251																								

Masters (taught in residence)

Masters (taught in residence)																									
Discount rate: 3.50%																									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Total	
Cost per year (€)	28,603	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	28,603
Discounted cost per year (€)	28,603	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	28,603
Benefit per year (€)	0	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	41,469
Discounted benefit per year (€)	0	1,822	1,790	1,761	1,734	1,588	1,534	1,482	1,432	1,384	1,337	1,292	1,248	1,206	1,165	1,126	1,088	1,051	1,015	981	948	916	885	855	28,603
Net benefit per year (€)	-28,603	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	1,896	12,866
Discounted net benefit per year (€)	-28,603	1,822	1,790	1,761	1,734	1,588	1,534	1,482	1,432	1,384	1,337	1,292	1,248	1,206	1,165	1,126	1,088	1,051	1,015	981	948	916	885	855	0
Required benefit per year (€)	1,896																								

Masters (taught by distance learning)

Discount rate																										
3.50%																										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Total		
Cost per year (£)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,154	
Discounted cost per year (£)	13,154	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,154	
Benefit per year (£)	0	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	19,080
Discounted benefit per year (£)	0	836	810	782	756	730	706	682	659	636	615	594	574	556	536	518	500	483	467	451	436	421	407	407	407	13,154
Net benefit per year (£)	-13,154	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	5,926
Discounted net benefit per year (£)	-13,154	836	810	782	756	730	706	682	659	636	615	594	574	556	536	518	500	483	467	451	436	421	407	407	407	0
Required benefit per year (£)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Sensitivity check - Masters (taught in residence) assuming student foregoes annual wage of £4,000

Discount rate																										
3.50%																										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Total		
Cost per year (£)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	32,603	
Discounted cost per year (£)	32,603	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	32,603
Benefit per year (£)	0	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	47,261
Discounted benefit per year (£)	0	2,077	2,007	1,938	1,873	1,810	1,749	1,690	1,632	1,577	1,524	1,472	1,423	1,374	1,326	1,283	1,240	1,198	1,157	1,118	1,080	1,044	1,008	1,008	1,008	32,603
Net benefit per year (£)	-32,603	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	14,658
Discounted net benefit per year (£)	-32,603	2,077	2,007	1,938	1,873	1,810	1,749	1,690	1,632	1,577	1,524	1,472	1,423	1,374	1,326	1,283	1,240	1,198	1,157	1,118	1,080	1,044	1,008	1,008	1,008	0
Required benefit per year (£)	0	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150