

EVALUATION DEPARTMENT

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Five steps to
effective portfolio
management

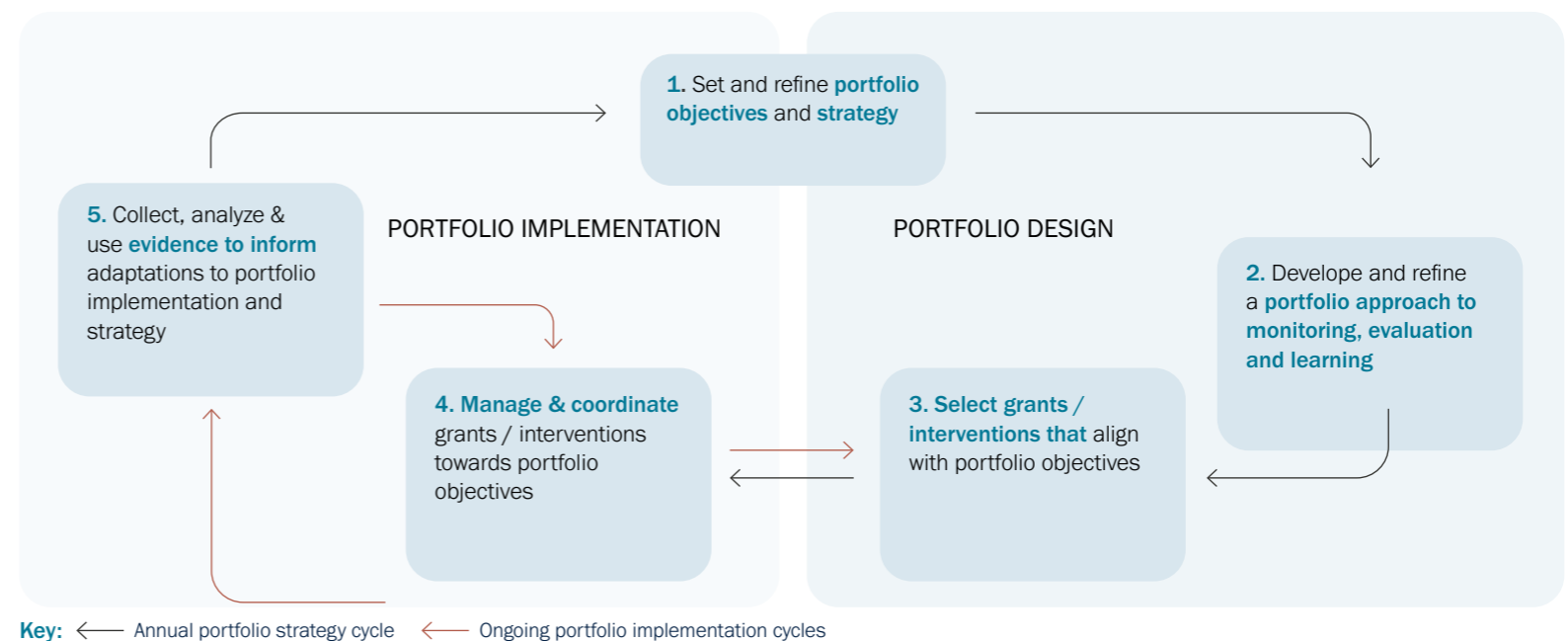


Our recent evaluation of the Norwegian aid administration’s approach to portfolio management finds that many good elements of portfolio management are in place, but a good system to support it is lacking. This brief explores in greater depth how to practice portfolio management, drawing on the findings from the evaluation, the wider literature on portfolio management and Itad’s experience of working with funders. Itad carried out the evaluation.

What is portfolio management?

While there is no single, established approach to portfolio management, the literature¹ and experiences of other agencies² point to several essential steps. Each of the steps is detailed below.³ Steps 1-3 relate to portfolio design and Steps 4-5 to ongoing portfolio

Figure 1: The five steps in portfolio management



implementation. Figure 1 illustrates how the different steps fit together and flow from one to the other.

At the center of effective portfolio management is continuing generation and use of evidence to inform decision making. This needs to happen at multiple levels: at the level of individual partners and/or

initiatives; portfolio workstreams or units (e.g. countries that the portfolio works in); and the overall portfolio. Evidence should be used to inform the allocation of resources in support of the portfolio objectives (Step 3), management of grants and initiatives (Step 4), and review of progress against the portfolio strategy. Evidence should also be used to inform adaptation.

1 Among these are Buffardi, A.L. et. al (2019); ICAI (2018); Patrizi, P. et. al (2013); Simister, N. (2016); and Zwart, R. (2017), Annex 6 provides a detailed list of references.

2 These include the United Kingdom Department for International Development; the Ministry of Foreign Affairs of the Netherlands; the Ministry of Foreign Affairs of Finland; and the Bill and Melinda Gates Foundation.

3 These five steps cover most of the actions set out in the management wheel that was included in the original Terms of Reference for this evaluation. See Annex 1.

Five steps to put effective portfolio management into practice

STEP 1: SET AND REFINE PORTFOLIO OBJECTIVES AND STRATEGY

While a portfolio's initial impetus may be political, its design needs to be grounded in an evidence-based understanding of the problem and its causes. Consideration should also be given to Norway's specific contribution and how it complements wider efforts, including initiatives Norway is already supporting. For example, what specific set of capacities can Norway mobilize in support of the solution? Can Norway use its political influence with governments and donors to complement its partners' efforts?⁴ Importantly it takes time to understand the nature of a problem and to identify where Norway can best contribute. While there may be pressure to rush this step, doing so carries risks.

Management actions	Questions to answer	Tools	Timing
<i>Decide the portfolio objectives and strategy</i>	<ul style="list-style-type: none"> - What is the problem and its underlying causes? - How can we best contribute? What is our comparative advantage? - What does the evidence base suggest are promising approaches? - What will be our geographical focus? - What are our long-term goals, specific short-term outcomes and assumptions? 	<ul style="list-style-type: none"> - Analysis of problem using secondary data - Review of existing evidence - Portfolio strategy and theory of change 	During portfolio design

The next actions are to define the long-term goal and shorter-term objectives of the portfolio, reflect the underlying approach and structure of the portfolio in

a strategy document, and develop a portfolio theory of change that describes the assumptions and the different pathways to change.

⁴ At the design stage, it is important that Norad and MFA discuss how political action will complement grant making and the management arrangements that will be needed.



STEP 2: DEVELOP AND INSTITUTIONALIZE A PORTFOLIO APPROACH TO MONITORING, EVALUATION AND LEARNING

Develop and institutionalize a framework for portfolio monitoring, evaluation and learning (MEL) is a three-stage process. The first stage is to identify the evidence needed to track progress against the long-term and shorter-term objectives, which may lead to the development of a limited number of portfolio-level indicators. The second is to develop learning questions whose answers could enhance understanding of how the portfolio is working. The last stage is to establish an evidence plan that sets out where the evidence will come from. Importantly, the nature of the decision to be informed by the evidence should determine what evidence is collected.

Management actions	Questions to answer	Tools	Timing
<i>Decide what evidence to collect and when and what decisions the evidence will inform</i>	<ul style="list-style-type: none"> - How will we know if the portfolio has been a success? - How will we monitor this? - What questions do we need to answer and what evidence do we need to collect to enable us to manage the portfolio? - How and when will we collect this evidence? - How will we document and make active use of the learning? - To whom will we communicate the learning? 	<ul style="list-style-type: none"> - Portfolio indicators - Learning questions - Evidence plan 	During portfolio design



STEP 3: SELECT PARTNERS AND/OR INTERVENTIONS THAT ALIGN WITH PORTFOLIO OBJECTIVES

Once the portfolio design and strategy are in place, consideration should turn to how resources can best be allocated to achieve the portfolio objectives. This involves reviewing which aspects of the portfolio can be undertaken by partners and what is best achieved through the aid administration, using its political access and influencing. If using partners, thought should be given as to whether the necessary capabilities can be found in the aid administration's existing partner network or whether to access a wider network of partners. This determination, in turn, will inform the choice of open calls for proposals or closed calls as the contracting mechanism.⁵

Partners should not be selected too early in the portfolio design process. Otherwise, there will not be enough clarity on goals and direction for them to demonstrate

⁵ It is also important to recognize that it is more time-consuming to work with new partners than with your existing partnerships.

Management actions	Questions to answer	Tools	Timing
<i>Select how to allocate resources to achieve portfolio objectives</i>	<ul style="list-style-type: none"> – How should we allocate resources to achieve our objectives? Do we need partners? Can we leverage the political access and influencing of the aid administration and/or other ministries? – If we are going to disburse grants what channels (e.g. open or closed tenders) should be used? – Do potential partners have a track record of successfully delivering similar work? – How do potential partners align with the objectives of the portfolio? – How should potential partners coordinate and collaborate with other partners and initiatives in the portfolio? 	<ul style="list-style-type: none"> – Review of partners' past results – Mapping of partners against portfolio theory of change 	During portfolio design, then on an ongoing basis

where and how they would contribute. Portfolio mapping can be a useful tool to determine the mix of partners needed to achieve the portfolio objectives. It also can help identify where partners and resources are concentrated in the portfolio according to objectives as well as any gaps. For portfolios that span multiple countries, such mapping can be useful not only at the overall portfolio level but also within each country.

While some decisions around the partners to be funded are made in the early stages of the portfolio, others are likely to be made during the implementation phase. In Itad's experience, this is good practice and allows portfolio managers to expand the network of partners as their understanding of the problem and potential solutions grows.



STEP 4: MANAGE PARTNERS AND INTERVENTIONS TOWARDS PORTFOLIO OBJECTIVES

During the implementation phase of the portfolio, staying in contact with partners is important to keep abreast of their progress, and understand what they are learning and how they are adapting. While regular check-ins can be helpful, periodic partner reviews offer opportunities for more structured review and reflection. The reviews should also inform decisions about whether to continue funding and in what form and at what level. Annual partner gatherings and workshops are another effective way to support coordination across the portfolio. They are also useful platforms for learning and exchange between partners and to identify good practices.

Management actions	Questions to answer	Tools	Timing
<i>Decide whether to continue, adapt, scale up or stop funding to partners</i>	<ul style="list-style-type: none"> – How are partners progressing against their objectives? – What challenges are partners experiencing? – What are partners learning and how are they adapting? – Is the partners' work still aligned with the portfolio objectives? – Could other actors in the portfolio do the same thing better or more efficiently? 	<ul style="list-style-type: none"> – Annual and final grant reports – Grant management meetings – Mid-grant and end of grant evaluations 	On an ongoing basis
<i>Decide whether to replicate an approach in another context</i>	<ul style="list-style-type: none"> – Is an approach working? – Why has or hasn't it worked? – How must it be adapted to work in new contexts? 	<ul style="list-style-type: none"> – Strategic evaluations 	When opportunities emerge
<i>Share lessons between partners</i>	<ul style="list-style-type: none"> – What has been learned from partners in one context that could be relevant in another context and help improve delivery? 	<ul style="list-style-type: none"> – Partner workshops (e.g. by embassies) – Synthesis of partners' reports 	Whenever partner events occur
<i>Support partners to work together and/or coordinate</i>	<ul style="list-style-type: none"> – Are partners working together effectively? – What barriers prevent them working together and how can these be overcome? – Is this collaboration creating synergies that would otherwise not exist? – Is there any duplication of work? 	<ul style="list-style-type: none"> – Grant management meetings – Partner workshops – Portfolio-level evaluation 	<p>On an ongoing basis through grant management</p> <p>At partner events</p>



STEP 5: COLLECT, ANALYZE AND USE EVIDENCE TO INFORM PORTFOLIO IMPLEMENTATION AND STRATEGY

The strategic collection and use of evidence should inform all steps in putting portfolio management into practice. Evidence should be used to inform the ongoing management of partners, the implementation of the portfolio, and the periodic review and update of the portfolio's overall direction and strategy. It is important to use the right type of evidence to inform the right type of decisions. Indicators may be the best measure of progress towards portfolio objectives; a review of their grant reports may best answer questions about partners' progress; and partner workshops may provide the best platform to assess how partners are working together.⁶ A strategic evaluation may be the best means to analyze how well different workstreams of a portfolio are integrating. In sum, a set of learning questions can provide an overall framework in which evidence generation can take place.

Management actions	Questions to answer	Tools	Timing
<i>Monitor portfolio progress and alignment</i>	<ul style="list-style-type: none"> – Are we achieving our short-term outcomes? – What outcomes would we expect to see next? – Do we still think these outcomes will lead to our long-term, aspirational goals? – Are there changes in the context that may prevent us reaching our goals? – Are the assumptions we made holding? – Are our current partnerships adequate to achieve the portfolio objectives? 	<ul style="list-style-type: none"> – Reporting against portfolio-level indicators – Synthesis of partner reports – Strategic evaluations – Mapping of partners against portfolio theory of change 	Annually
<i>Adapt portfolio strategy</i>	<ul style="list-style-type: none"> – Are we still doing the right things in the right way? – Should we do anything differently or work on different issues to achieve our portfolio objectives? – Should we be coordinating with other actors and if so, how? 	<ul style="list-style-type: none"> – Partner workshops – Context analysis – Portfolio level evaluation 	Midpoint and endpoint of portfolio strategy

⁶ Partners should also be asked to report on how they are working together in their annual reports.



Important enablers of portfolio management

Good portfolio management rests on several important enablers within the Norwegian aid administration:

- **Effective portfolio governance** By their nature, portfolios often cut across different parts of the government such as units, departments, ministries and embassies. Portfolio management thus requires clear decision-making frameworks. Fora such as steering groups or program groups are needed to provide a platform through which different parts of the government collaborate and coordinate in the delivery of a portfolio. As different departments may be responsible for delivering different parts of the portfolio, accountability (and authority) for the delivery and performance of the overall portfolio must be clearly delineated. Without this clarity, the portfolio approach is unlikely to work.
- **Resources (time and finances)** Good portfolio management involves ongoing engagement with partners to seek out synergies between different partners' work and to share their lessons and experience. This is time-consuming. requires investment in evidence is needed, as is the capacity in a portfolio team to synthesize grant reports, conduct or

commission evaluations, and facilitate learning among partners.

- Other important enablers in the organization include the availability of reliable and credible results information, presented in a form suitable for use in decision making and a culture of seeking and using evidence.

Way forward

The premise of portfolio management is that donors such as the Norwegian aid administration have a unique vantage point, above individual actors, and can work at a systems level. In consequence, they can fund different organizations to work on different parts of a problem while helping to facilitate coordination and learning. These donors, then, can use the portfolio approach to effectively navigate the complexity and uncertainty inherent in work on such issues as climate change or marine litter. Through a portfolio approach, they can experiment with different approaches, test what works, and then scale up funding to approaches that show promise and halt funding to those that do not. This requires resources, however, and therefore may not be an approach that can be applied across all portfolios in

the aid administration. Nor are all portfolios designed with connections between initiatives and a shared, underlying logic. Rather, they are more a collection of grants with a common theme. In such cases, portfolio management may not be appropriate. Nevertheless, in situations where an explicit portfolio approach has been taken to design the portfolio, and where there is a willingness to invest resources, we would encourage the Norwegian aid administration to adopt the five steps to effective portfolio management outlined here.

EVALUATION OVERVIEW

This evaluation brief complements the 2020 'Evaluation of the Norwegian Aid Administration's Approach to Portfolio Management'. The evaluation was commissioned by the Evaluation Department in Norad and conducted by Itad Ltd. The brief is written by Rob Lloyd, team leader for the evaluation. Responsibility for the accuracy of data included in this brief rests with the author alone.



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