

Mainstreaming “Value For Money” in Development and Humanitarian Programming

- Some Practical Experience -



Darko Petrovic

Guest Presentation at the Vienna Evaluation Network

Vienna, 25 September 2018

So, what is it?

Balancing
act?

Methodology?

Quantitative
exercise?

“Accountigization”?

Tick-box
mentality?

Best
practice?

Qualitative
judgement?

Way of
thinking?

Decision making
process?

Concept?

Management
approach?

Ratio?

Calculation?

Outcome?

Rise of the
Audit Society?

Emergence of VFM over Time



NPM



NPG

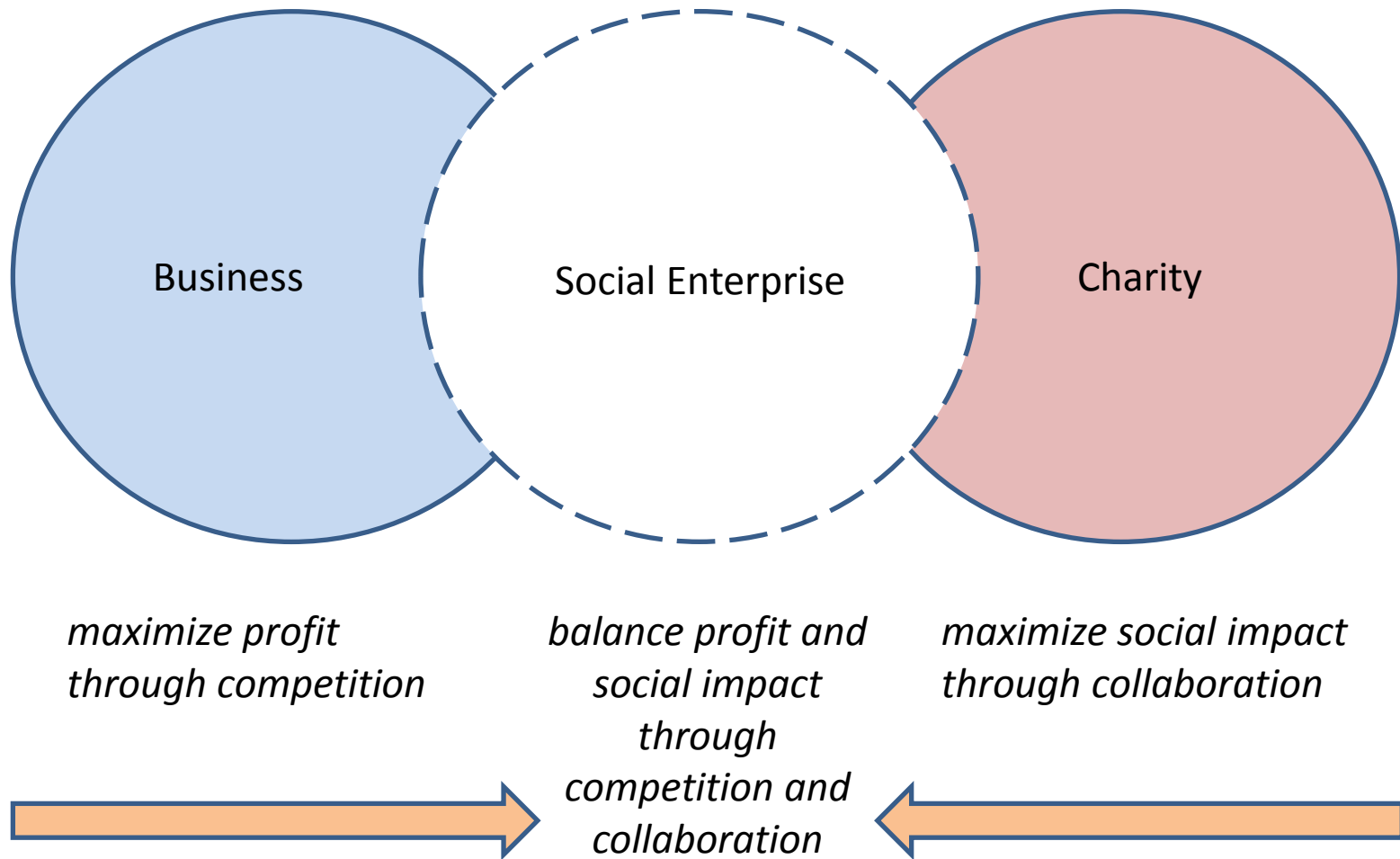


Relevant Management Paradigms

	New Public Management	New Public Governance
Focus	Intra-organizational	Inter-organizational
Objectives	Improving the efficiency and effectiveness of the single organizations' public service delivery	Improving the inter-organizational coordination and outcomes of a network of organizations with different competencies
Accountability dimensions	Vertical performance of single organizations Accountability in terms of results (outputs)	Horizontal performance of the network of organizations Accountability in terms of the outcome of the network
Management control	Hierarchical control of the results of single organizations through performance indicators on efficiency and effectiveness	Enabling control through dialogue-driven systems of performance indicators, strengthening the contribution of individual organizations to the network performance
Accounting	Managing the outputs by assessing the objectives Financial reporting of single public organizations	Governing the outcome by analysis/evaluation of the network Whole-of-Government Accounting and consolidated reporting

Source: Public sector governance and accountability, Critical Perspectives in Accounting (Almquist R., 2013).

The Convergence of Imperatives



‘from food aid... to food assistance... to hunger solutions’

Definitions: Same same, but different

UK NAO	‘the optimal use of resources to achieve intended outcomes’
DFID	‘We maximise the impact of each pound spent to improve poor people’s lives.’
WFP	‘getting the best results for our beneficiaries by wisely using our resources’
FAO	‘obtaining the greatest impact in the use of organizational funds’

“We are interested in improving the VfM of all aid, not just DFID’s.

We will be placing greater focus on the extent to which partners (such as Civil Society and Multilaterals) who use DFID funds, achieve VfM. This will be achieved through ensuring our partners understand what we mean by improving VfM or their type of spending and rigorously monitoring progress through our Annual Reviews and Project Completion Reports.” (DFID , 2011)

Dimensions: Same same, but different

Dimension	DFID	WFP	FAO
Economy	'minimising the cost of inputs'	'reducing the cost of resources used for an activity, with regard for maintaining quality'	'using the right amount of resources, of the right quality delivered at the right time and place, at the lowest cost'
Efficiency	'achieving the best rate of conversion of inputs into outputs'	'increasing output from a given input or minimizing input for a given output, with regard for maintaining quality'	'using the minimum resources to achieve a given quantity and quality of output, or maximizing output with a given quantity and quality of resources'
Effectiveness	'achieving the best possible result for the level of investment'	'successfully achieving the intended outcomes of an activity'	'the extent to which the outcomes of an activity match the objective or the intended effects of that activity'

‘What about... Equity? Or... Sustainability?’

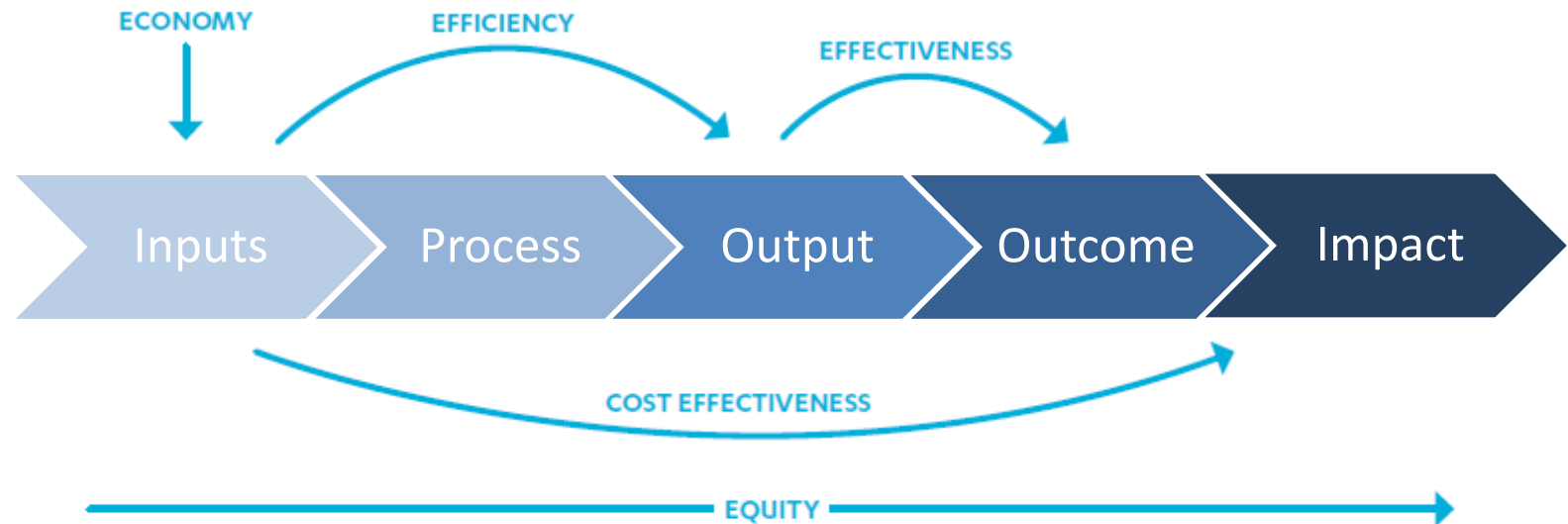
Value for Money at WFP Myanmar

The Myanmar country office embraced the concept of value for money by introducing it into field-level agreements with cooperating partners and developing a methodology for considering value for money during the annual performance planning process. The following are examples of how the country office implemented a cost-conscious, efficient and effective operation in 2017.

Economy	The country office continued to adopt cost containment practices, including co-locating offices with other United Nations agencies such as FAO, the Office of the United Nations High Commissioner for Refugees, UN-Women, the United Nations Development Programme and the United Nations Office for the Coordination of Humanitarian Affairs. WFP also optimized supply chain costs while maintaining the agility to respond in the volatile conditions in Myanmar. For example, savings of USD 0.8 million were generated by introducing a new type of pulses with the same nutritional benefits as the pulses provided originally. WFP also kept a stock of emergency response equipment, which was used during rapid emergency responses, helping to contain costs.
Efficiency	As the country office started to implement its CSP, it followed an organizational readiness process to ensure that people with the right skills were in place. WFP also invested in preparedness capacity to enable more efficient and timely responses to emergencies in risk-prone areas and to reduce disaster risk by strengthening the capacities of government partners and running simulation exercises in these areas; pre-positioning supplies; engaging in long-term agreements with suppliers; and making standby arrangements with cooperating partners.
Effectiveness	During the Level 3 emergency response in Rakhine State, WFP was one of only a few United Nations organizations with access to affected areas, coordinating with the Government to launch an effective emergency response that has provided 2,515 mt of food to 131,975 conflict-affected people. WFP was able to adapt its priorities quickly, work with local suppliers for swift turnaround and relocate staff within the country to augment the response. The bulk of activities were managed by existing personnel, with only two staff members temporarily deployed from outside the country to support the response.

Source: [Annual Performance Report](#) for 2017 (WFP, June 2018)

VFM Results Chain



Framework components

Input:

Staff, raw materials, capital.

(eg vaccine and vaccination consumables)

Process:

The methods by which inputs are used.

(eg delivery logistics)

Output:

Results delivered directly by DFID or our agents.

(eg children vaccinated)

Outcome:

We exercise less direct control over outcomes than outputs.

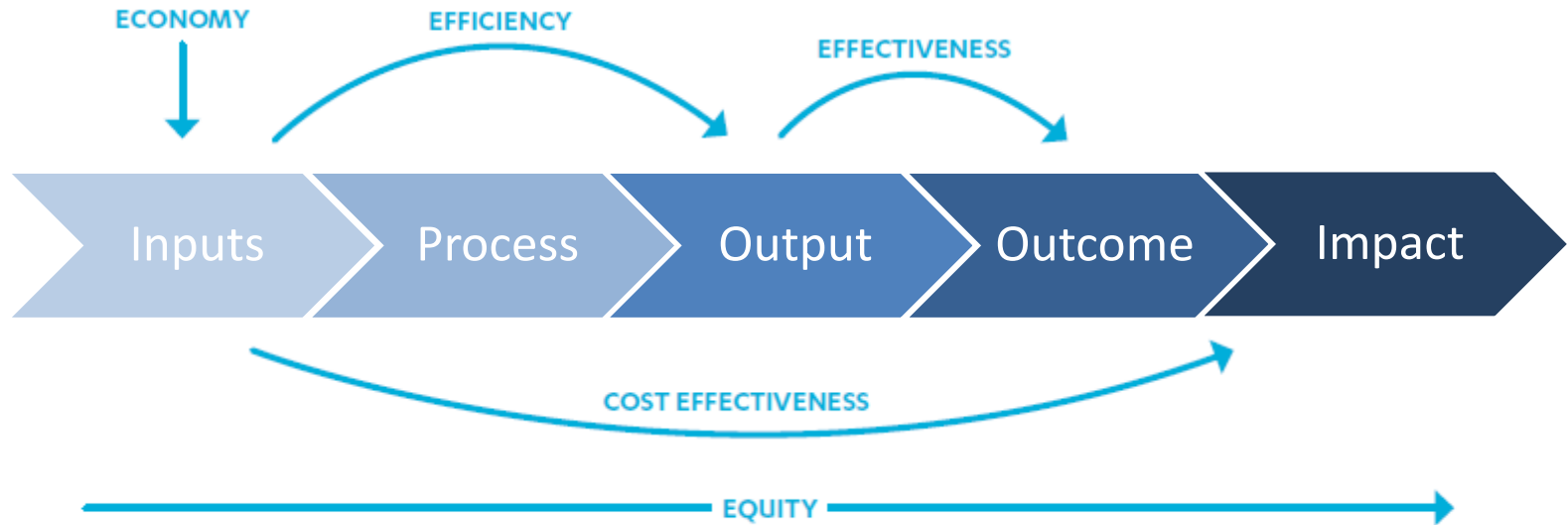
(eg children less susceptible to major childhood diseases)

Impact:

Long-term transformative change.

(eg poverty reduced)

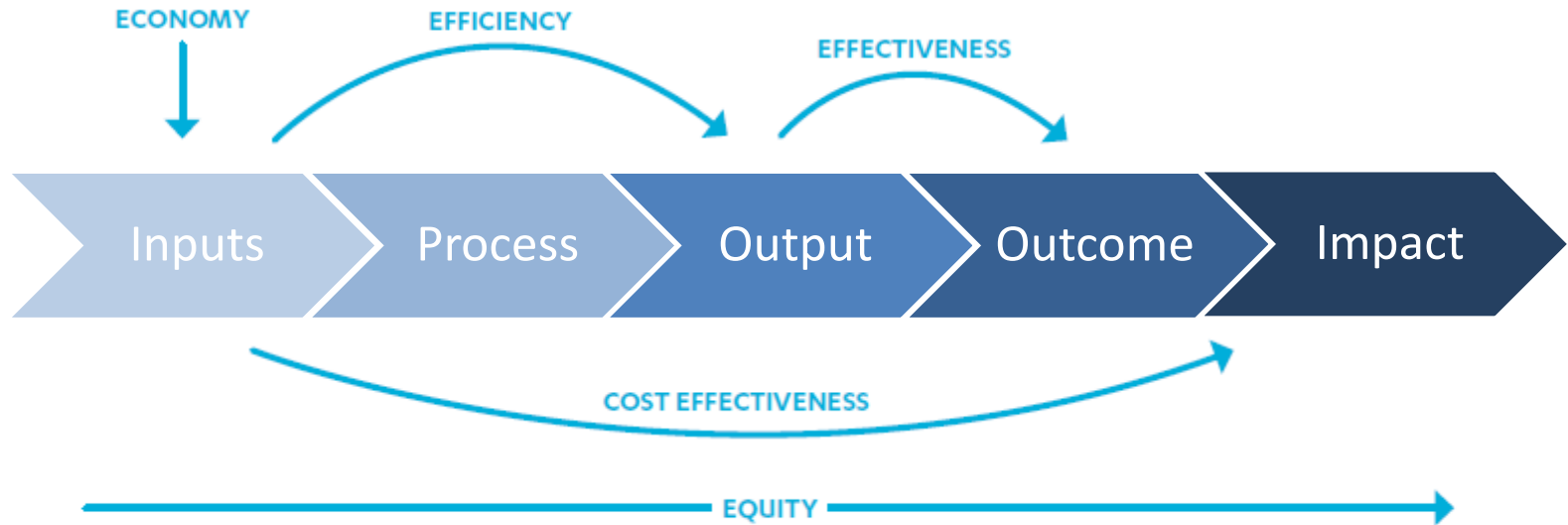
VFM Results Chain



What we can control and where we need to collaborate:



VFM Results Chain



Cost-efficiency:

How well do we or our agents convert inputs into outputs?



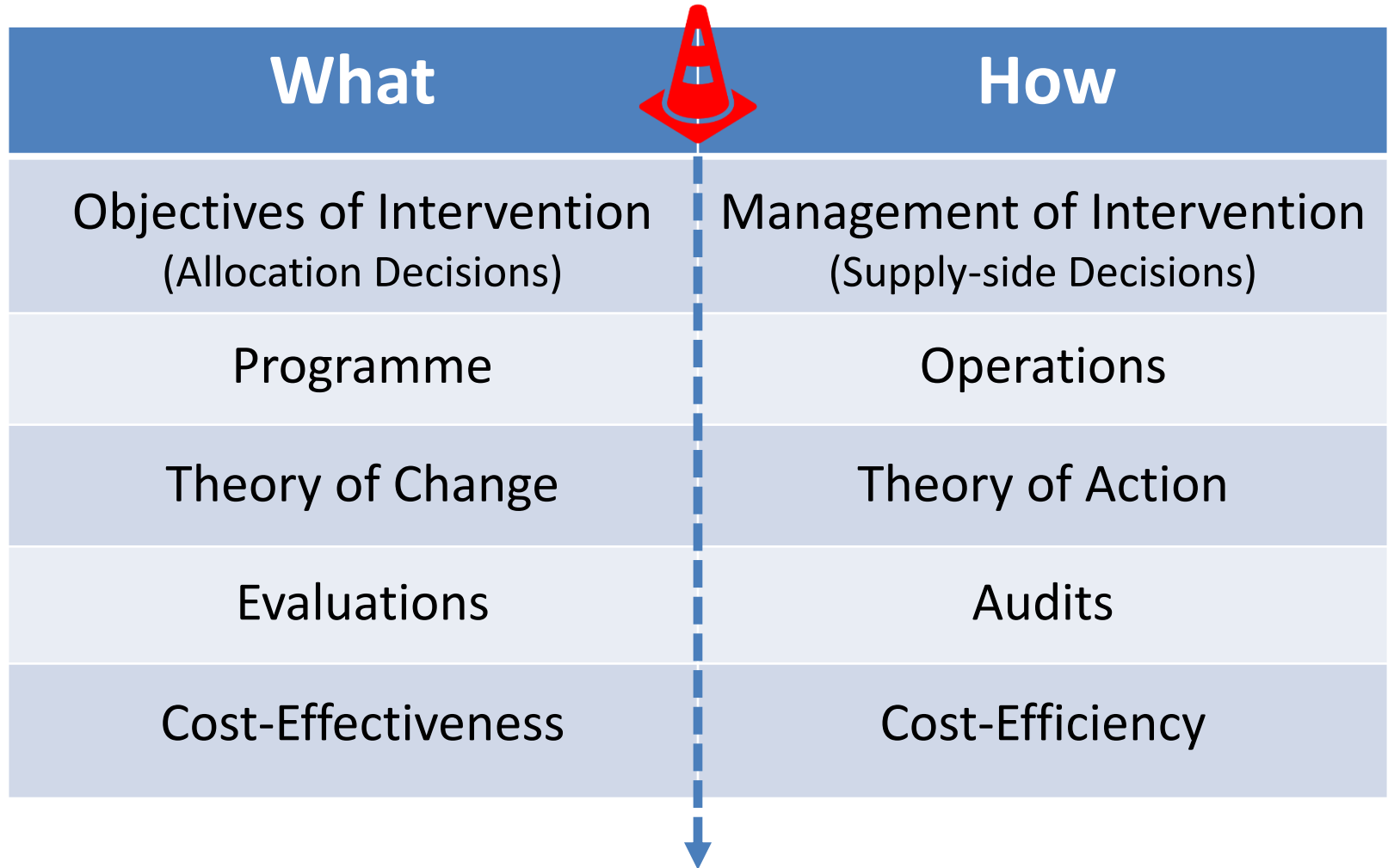
Cost-effectiveness:

What is the intervention's ultimate impact on poverty reduction, relative to the inputs that we (or our agents) invest in it?



'adaptive programming, systems approach'

Two Dimensions of Analysis



What	How
Objectives of Intervention (Allocation Decisions)	Management of Intervention (Supply-side Decisions)
Programme	Operations
Theory of Change	Theory of Action
Evaluations	Audits
Cost-Effectiveness	Cost-Efficiency

‘boundary is blurry, both sides to talk to each other for a holistic analysis’

‘include ultimate beneficiaries in decision-making and value judgements ([ActionAid](#))’

Analysis Methods and Tools

Common methods used to determine VfM of programmes	
Cost Effectiveness Analysis (CEA)	Cost Utility Analysis (CUA)
Cost Benefit Analysis (CBA)	Social Return on Investment (SROI)
Rank correlation of cost vs impact	Basic Efficiency Resource Analysis
<i>Risk Analysis</i>	<i>Market Analysis</i>

Efficiency  Effectiveness  Efficiency !?!



Palenberg, M. (2011): Tools and Methods for Evaluating the Efficiency of Development Interventions. Evaluation Working Papers. Bonn: Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung.

VFM in a Performance Context

Evaluation

Relevance

Effectiveness

Efficiency

Impact

Sustainability

?

Equity

Value for Money

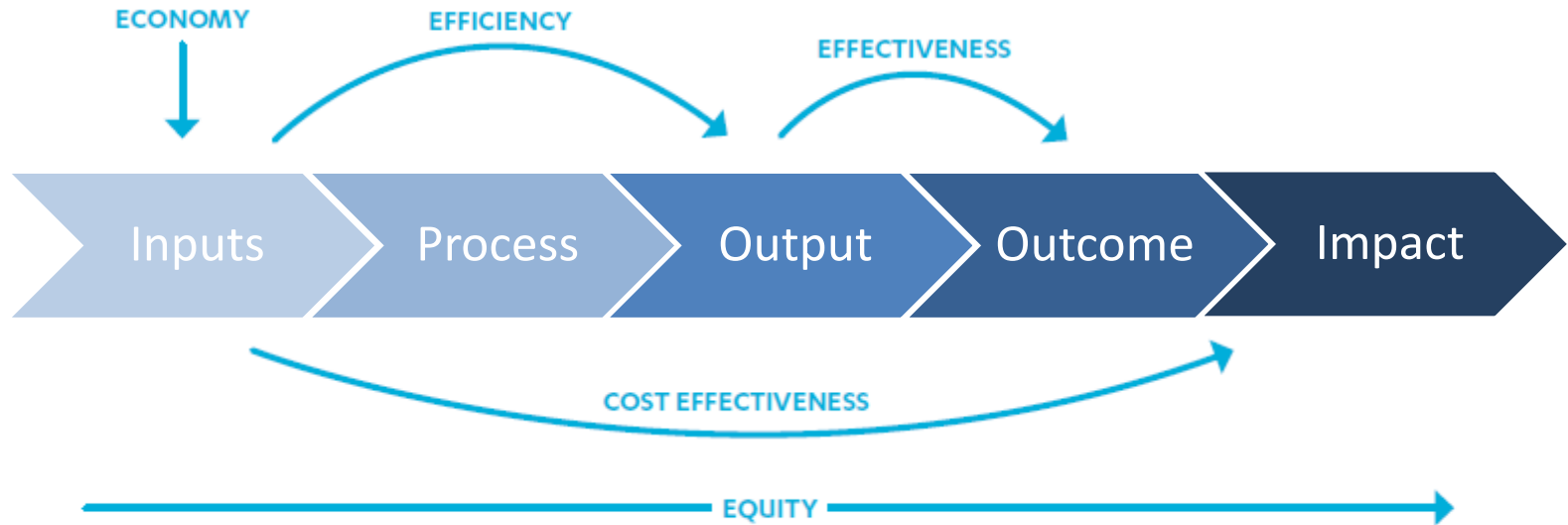
Economy

Risk

Audit

?

VFM Results Chain



Equity: How fairly are the benefits distributed? To what extent will we reach the poorest and most marginalised groups? ('Spending fairly' 'Leaving no one behind')

“High impact does not mean a programme that reaches the largest number of people at the lowest cost. What is important is whether we reach those most in need of support and whether the support is provided in the most economical, efficient and effective way.” (ICAI, 2018)

So, what about equity...?

Specific	Sensitive	SDG-Responsive
<p>38. WFP is providing take-home rations comprising fortified vegetable oil for both boys and girls in grades 1-6 and girls in grades 7-9 of targeted public schools in 60 of 78 targeted districts. Districts were selected if they had a food insecurity prevalence above 30 percent, below average net attendance rates and gender disparity less than one. The [School Feeding] programme aims to increase enrolment, maintain attendance, reduce dropout rates, and narrow gender disparity in secondary schools.</p> <p>Source: Evaluation Report</p>	<p>124. With the formation of an internal gender working group in May 2015, certain convincing steps have been taken toward gender mainstreaming. The group has set up a gender advisory board to address the need to increase the number of women staff and facilitate the possibility for women entrepreneurs to engage in bidding processes.</p> <p>128. Another gender sensitive mechanism within WFP activities is the beneficiary feedback hotline operated by a woman.</p>	<p>SDG 5: Achieve gender equality and empower all women and girls</p> <p>Test for Logical link (link results chain to relevant SDGs)</p> <p>Test for contribution to indicator measurement</p>



‘understand the needs, be clear about your objectives, identify your methods’

‘specific usually about programme objectives, sensitive about actual management’

...or, sustainability?

Specific	Sensitive	SDG-Responsive
<p>79. Asset Creation activities in 2015 focussed on rehabilitation and construction of flood management and irrigation schemes while the 2014 programme included mainly nurseries.</p> <p>[BUT: have budgetary provisions been made by the government to ensure sufficient maintenance?]</p> <p>[BUT: How sustainable is the presence of NGO's within the system of service delivery in the first place?] [Are these international or local NGO's?]</p> <p>Source: Evaluation Report</p>	<p>79. [...] The communities and officials of MRRD confirmed that AC projects, especially large construction projects will be handed over to relevant government department and onward responsibility of maintaining the project will be with the respective departments or ministries.</p> <p>51. The [Targeted Supplementary Feeding Programme] is implemented as part of The Government of Afghanistan's Basic Package of Health Services (BPHS), through the NGOs appointed by the MoPH, and does not require a parallel system. Making use of the existing system increases the relevance and sustainability of the programme.</p>	<p>SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p> <p>Test for Logical link (link results chain to relevant SDGs). E.g.:</p> <p>2.4. By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality</p> <p>Test for contribution to indicator measurement. E.g.:</p> <p>2.4.1 Proportion of agricultural area under productive and sustainable agriculture</p>

‘understand the needs, be clear about your objectives, identify your methods’

‘specific usually about programme objectives, sensitive about actual management’

Value for Money for Whom?

Society	Community	Household
Donor	Government	Beneficiary
Taxpayer	Technical Partner	Service Provider
Manager	Children	Yourself
Auditor	Evaluator	Men
Women	Supervisor	God?

‘ultimately...it depends on your **objective(s)**...and source of **funding**’

‘where do you place the **‘value’** of your intervention?’

Key Takeaways

- **VFM** does not equal cost reduction but finding the “optimum”
- **Measurement** frameworks, methods and tools are essential
- **Quantification of results** not always realistic or ‘economic’ (!)
- **Qualitative** information is our friend – include it!
- **Analysis** will never be perfect, or all-encompassing – prioritize!
- **Assumptions** are here to stay – accept them!
- **Risk-management** needs to be systematic, owned and multi-level
- **System analysis** and **creative writing** is in high demand
- No/Low VFM without use of **technology and automation** or **management buy-in**
- **Commitment** to the cause is what **essentially** matters
- Balance **Audit** requirements with (future-oriented) **Evaluations**
- And, where do we fit **the hidden cost of development?**

ICAI Review – Key Observations

The main gaps identified in the review were:

- Practical tools for analysing efficiency and cost-effectiveness or VfM (ex ante and ex post),
- Analysis on the efficiency and VfM of cash-based programming as a multisector tool (as opposed to cash v. food aid) and
- Evidence on the economic impacts of interventions and multiplier effects.

Issues for undertaking VfM research and developing VfM guidance include:

- There are trade-offs between analysing VfM for narrow objectives and broader ones (conclusions on effectiveness and cost-effectiveness might differ according to how the objective is defined);
- The potential VfM benefits of cash are greatest when it is considered as a multisector approach;
- The parameters of VfM must be clearly identified and consider benefits that are not easily quantified - the potential for bias in determining parameters needs to be considered and assumptions should be carefully monitored;
- The expectations and design of research should be realistic given the challenges of analysing costs and VfM; and
- VfM guidance must consider that decisions are made with imperfect information.

References

- *Annual performance report for 2017* (WFP, June 2018)
- *DFID's approach to value for money in programme and portfolio management: A performance review* (ICAI, 2018)
- *Rethinking evaluation* (World Bank, 2017)
- *Value for Money in ActionAid: Creating and Alternative* (ActionAid, 2017)
- *Afghanistan-Protracted Relief and Recovery Operation: 200447. Assistance to Address Food Insecurity and Undernutrition. A mid-term evaluation of WFP's Operation (2014- 2016). Evaluation Report.* (WFP, 2016)
- *Assessing and Managing Value for Money: Lessons for NGOs* (PPA Learning Partnership, 2016)
- *Value for money in development work* (IDEV-AfDB, 2016)
- *WFP Strategic Plan (2017 – 2021).* (WFP, November 2016)
- *Financial Framework Review* (WFP, November 2016)
- *Improving the Practice of Value for Money Assessment. Practice Paper* (CDI, 2015)
- *Mainstreaming the Value for Money concept in FAO activities. OIG Information Note 1/2015* (FAO, 2015)
- *Value for Money of Cash Transfers in Emergencies* (DFID, 2015)
- [Almquist R. \(2013\):](#) *Public sector governance and accountability, Critical Perspectives in Accounting*
- *Study: How to Define and Measure Value for Money in the Humanitarian Sector* (SIDA, 2013)
- *Value for Money of Multi-year Approaches to Humanitarian Funding* (DFID, 2013)
- *Value for money and international development: Deconstructing myths to promote a more constructive discussion* (OECD, 2012)
- [Palenberg, M. \(2011\):](#) *Tools and Methods for Evaluating the Efficiency of Development Interventions. Evaluation Working Papers.*Bonn: Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung.
- *DFID's Approach to Value for Money* (DFID, 2011)
- *Value for Money in public sector corporate services. A joint project by the UK Public Sector Audit Agencies* (2007)
- *Value for Money Assessment Guidance* (HM Treasury, 2006)
- *Value for Money Assessment Guidance* (HM Treasury, 2004)
- *PFI: Meeting the Investment Challenge* (HM Treasury, 2003)
- *Measuring Value for Money? An independent review of DFID's Value for Money (VFM) Indicator, Public Service Agreement 2003-2006. Evaluation Report EV645* (DFID, 2003)
- [Butt & Palmer. \(1985\):](#) *Value for Money in the Public Sector: Decision-maker's Guide*

Thank You!

