

Bond Leaders' Series

“Value for Money: knowing the cost of everything and the value of nothing”

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The conversation

Stewart Wallis, New Economics Foundation

Drawing on his experience as Oxfam GB's International Director, Stewart acknowledged the complexity and difficulty of assessing 'Value for Money' (VFM) in international development.

Comparing unit cost of input and output is not really the answer but the ability to quantify is important. Stewart went on to describe what 'social return on investment' (SROI) is, and why he believed that it has a very important contribution to make. SROI is about comparing outcomes with the investment. It seeks to measure everything, not only the easy quantitative outcomes: what changes and difference will the investment make? Value for who? What are the social and environmental costs and benefits?

SROI gives you a sense of scale and can be used as a tool for greater transparency and accountability.

Tim Boyes-Watson, MANGO

Tim suggested that NGOs must avoid two pitfalls: (i) be against measurement in principle and (ii) think that VFM is attempting to monetise everything. Instead NGOs should see VFM as one way they can assess their progress as part of an on-going process of learning to improve their effectiveness..

VFM is in the eye of the beholder. It means something else for DFID, the public, NGOs and beneficiaries. Tim argued that NGOs must ensure that it is the beneficiaries' view that is most important to them. The National Audit Office says that "Good value for money is the optimal use of resources to achieve the intended outcomes". The NAO also suggests that there are two key dimensions to how VFM can be applied for learning. The first is internal and is about comparing plans to improve value for money against what really happened and learning from that process. The second is external and involves benchmarking VFM performance against other similar organisations, (e.g. the recent Keystone partner survey).

According to DFID staff, organisations that are good at doing VFM: (i) benchmark; (ii) understand their unit cost and work to reduce it; (iii) pilot-learning and then scale up and (iv) continually try and learn and improve VFM.

Tim suggested it was important to try and assess the value of both NGO performance and impact. Sources of value information for NGOs could be: beneficiaries; benchmarking with peers (other NGOs working in the same sector); Long-term evaluation looking at the effectiveness of particular approaches or theories of change, (single-project evaluation is unhelpful on its own).

For Tim, the key test of VFM, like management accounting, is whether it leads to better long-term decisions about prioritising resources. If where the money currently goes indicates what is valued – DFID spends 96% of its money on bilateral and multilateral aid. Only 6% of DFID's total spend is through UK NGOs, (part of the bilateral budget), and 50% of this is through the top 12 agencies. In Tim's view, VFM should encourage DFID to re-evaluate the role of NGOs and support civil society to play a bigger role in global development efforts. So NGOs should see VFM as an opportunity.

The plenary discussion

The questions raised by participants touched upon the following areas:

- What are the implications of the VFM agenda for DFID's use of consultants? Would more money be spent on consultants for managing VFM requirements in DFID contracts, in particular given that DFID is slashing its admin costs from 4 to 2%
- Will the VFM agenda reinforce the trend towards more downward accountability? Who takes the decision at the strategic level? VFM information and decision needs to happen at the lowest possible level along the decision-making chain.
- How can the NGO sector influence the VFM agenda? Agencies need to avoid being pulled into unhelpful competition to achieve VFM 'scores'. May be an audit of similar VFM challenges agencies are facing in relation to DFID and other donors would be useful. There is a need for working with others as peers and agree common VFM outcomes.
- How can you factor in sustainability? How do you account for the lasting changes that happen outside the short-term gains and quantitative outcomes? We need to demonstrate as a sector that we have better VFM measurements. There is too much focus on the service-delivery end of VFM while, in fact, big VFM value lies in capacity-building and changing the environment.
- What would be the cost of VFM expertise to the sector? How will medium-size and small NGOs cope with that? Is it bad news for NGO resources?
- How do we use these changes to educate the public and the media? We need to cleverly market more sophisticated stories. VFM could also be seen as a story-telling exercise

The speakers

Stewart Wallis, Executive Director, nef

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Nef (the new economics foundation) is an independent think-and-do tank that inspires and demonstrates real economic well-being. It was founded in 1986 by the leaders of The Other Economic Summit (TOES) which forced issues such as international debt onto the agenda of the G7 and G8 summits.

Stewart graduated in Natural Sciences from Cambridge University. His career began in marketing and sales with Rio Tinto Zinc followed by a Masters Degree in Business and Economics at London Business School. He spent seven years with the World Bank in Washington DC working on industrial and financial development in East Asia. He then worked for Robinson Packaging in Derbyshire for nine years, the last five as Managing Director, leading a successful business turnaround. He joined Oxfam in 1992 as International Director with responsibility, latterly, for 2500 staff in 70 countries and for all Oxfam's policy, research, development and emergency work worldwide. He was awarded the OBE for services to Oxfam in 2002.

Stewart joined **nef** as Executive Director on 1 November 2003.

Tim Boyes-Watson, Director, Mango

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Mango's (Management Accounting for NGOs) mission is to **strengthen the financial management and accountability** of humanitarian and development NGOs and their partners.

Tim joined Mango in 2010 after leading Learning South West, a UK education and youth work charity, through a substantial period of growth. Between 2002 and 2005 he was Country Director for VSO in Vietnam where he led the development of a new strategic plan focused on HIV and Aids and Disability. Prior to that he worked at Christian Aid for 5 years and held roles such as: Head of Programme Funding and Support (which included the Emergencies Team), Finance and Information Director and Head of Finance.

Tim originally qualified as an accountant, (ACA), with Arthur Andersen and worked in insolvency and turnaround consulting.