Assessing and Managing
Value for Money
Lessons for NGOs

The PPA Learning Partnership and the Value for Money Learning Group

The PPA Learning Partnership is an initiative of the UK's Department for International Development (DFID) and NGOs in receipt of strategic, flexible funding called "Programme Partnership Arrangements". The Learning Partnership was established in 2011, and comprises a number of thematic learning groups engaging in peer learning and exchange on priority issues of interest to staff among PPA-holders and DFID. Since 2016, the Learning Partnership has been hosted by Bond, and membership of many learning groups has extended beyond PPA-holders.

The Value-for-Money (VfM) Learning Group was established in 2011 to provide a platform for PPA-holders for experimentation, learning and exchange on how to approach VfM in their work.

Acknowledgements

How to find out more

For more information on the VfM Learning Group please contact **NGOEffectiveness@bond.org.uk**

Further information on specific tools and approaches used by members of the VFM Learning Group can be requested directly from the relevant organisations named in this paper, or via the email address above.

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Summary

S.1 Introduction

In 2010, the UK's Department for International Development (DFID) adopted a strong focus on achieving Value for Money (VfM) in its aid spending, defined simply as "maximising the impact of each pound spent to improve poor people's lives". Soon after, in 2011, a new round of strategic, flexible funding – Programme Partnership Arrangements (PPAs) – was provided by DFID to a cohort of leading international NGOs. To help NGOs step up to the challenge of defining, managing and measuring value-for-money in practice, and in the absence of established guidance on this, a peer learning group on VfM was established within a broader Learning Partnership between DFID and its PPA-holders.

After five years of peer exchange, practical experimentation, and iterative learning on an often challenging and contested issue, in 2015 the Value for Money Learning Group commissioned and participated in research by Mango to reflect upon the development of VfM practice in the humanitarian and development sector.

In drawing upon the wealth of practical experience generated by members of the VfM Learning Group and exploring the variation of VfM interpretations and practices, this research aims to inform three key audiences:

- NGOs interested in initiating their own approach to VfM assessment;
- NGOs keen to enhance or diversify their organisation's VfM proposition;
- Donors keen to gather insights from NGO practice, either to inform funding parameters or to develop their own measures of VfM.

This summary provides a synthesis of the main paper, covering

- How VFM has been defined and perceived by NGOs;
- The approaches to VFM adopted by different organisations; and
- Practical lessons on applying a VFM approach,

S.2 Methodology

In order to establish different experiences to date, Mango surveyed the members of the VfM Learning Group and conducted in-depth, follow-up interviews. Based on these findings, a conceptual framework was developed which highlights the requirements that need to be in place in NGOs to address VfM at both programme and organisational levels. Finally, there was a call for case studies to illuminate the various facets of that framework (explored below).

The findings are not assumed to be representative of the sector. They are a reflection of the VfM Learning Group's efforts to explore VfM to date. By selection, these are organisations who have pioneered work in this area, having both benefited from donor support in developing their VfM proposition and been held accountable for demonstrating progress in this area.

S.3 Value for Money: Definitions Approaches and Perceptions

The simplicity of the term 'value for money' belies the diversity of practical interpretations of the concept. At its best, it is a fully integrated, value creating, impact enhancing practice that is informed by various sources and stakeholders, which supports ongoing organisational and programmatic improvements. It is integral to organisational performance. However, there are also fears that it can be interpreted narrowly to focus on cost-minimisation, or on short-term rather than long-term value, or to justify doing what matters to those providing aid rather than those receiving it.

It is the diversity of interpretations, perhaps, that explains why there is such a range of practices across the sector. Adopting the concept of VfM is an iterative process. The review found that:

The majority of NGOs define VfM by using the "4Es" framework of the UK's Independent Commission for Aid Impact (ICAI):

ECONOMY: getting the best value inputs

EFFICIENCY: maximising the outputs for a given level of inputs

EFFECTIVENESS: ensuring that the outputs deliver the desired outcome

EQUITY: ensuring that the benefits are distributed fairly

However, some 11% of organisations stated that they did not yet have an agreed organisational definition of VfM (figure 1).

- Half of the surveyed organisations perceived VfM to be just one of several factors in assessing, measuring and managing the performance of their organisation, while only 4% saw VfM as integral to this. 42% perceived the VfM agenda as essentially a donor requirement which they accommodate to ensure that they can access a range of funding sources. 4% said that VfM is not perceived as important to their organisation.

- More than half of the NGOs surveyed had developed policy and guidance on VfM, consisting of some combination of a VfM position paper, framework, guidance and/ or training materials. Another 37% said that their policy and guidance is currently under development.

VfM can operate on organisational, programmatic levels and portfolio levels, i.e. VfM of alternative strategic choices or of support systems, for example, versus VfM of a specific intervention or of a portfolio of similar programmes or activities. The methods, tools and approaches that are explored can usually be adapted to suit each of these levels.

Organisations have adopted a range of broad approaches to VfM. The most common approach, adopted by 36% of those surveyed, was to focus on achieving the intended outcomes in their theory of change while minimising the costs of delivery. Some 21% focused on providing staff with the skills and information needed to consider VfM issues throughout their work. A much smaller number (7% each) focused on either incorporating VfM into design and planning stages of work; comparing performance and costs against similar activities or organisations; or comparing performance and costs against hypothetical models. No organisations preferred to focus on 'economic' assessment such as cost-benefit analysis or Social Return on Investment (SROI).

Each organisation should develop its own approach to VfM. Within that, common issues that need to be addressed include defining what 'value' means to the organisation, securing staff buy-in, and recognising that the process is iterative.

The two main challenges organisations reported facing in developing their VfM approaches were identifying and measuring 'value' or benefit (which benefits? for which populations? over what period? and how to determine the contribution of one actor/ intervention?), and finding appropriate external or internal benchmarks and comparisons, given both data availability and comparability issues.

Nonetheless, the key benefits of having a VfM approach identified by those surveyed include (see also figure 5):

- Enabling us to specifically demonstrate the value of our work to stakeholders (58%)
- Helping us to allocate resources in our planning and budgeting (58%)
- Saving us money (46%)
- Helping us make sound decisions in our work (46%)
- It has contributed to increases in our fundraising (39%)
- It has improved our management of the risks in our work (27%)

No organisations thought that the VfM agenda had negatively affected their work, but there were some drawbacks identified, including:

- VfM has been costly to address compared to the benefits generated (23%)
- It has failed to convince key stakeholders on the VfM of our work (19%)
- It has slowed down our decision-making (19%)

S.4 VfM Conceptual Framework

Mango developed a conceptual framework to understand the factors that each NGO should have in place to achieve and demonstrate VfM, irrespective of the role or type of organisation. This draws heavily on an earlier checklist tool developed in 2014 by the VfM Learning Group for members to self-assess progress in achieving VfM, and on other literature. The framework provides the opportunity to analyse and adapt both the development and the integration of VfM practices appropriately and comprehensively.

The VfM framework

Dimensions	Areas	
Tools for VfM	Designing and choosing approaches and tools	Using tools and making judgments
VfM Leadership	Clarity of direction	Governance and accountability
Integrating VfM into working practices	Processes, systems and data	Transparent decision-making
Knowledge, skills and behaviour for VfM	Building skills and capabilities	Learning and improvement
	Organisational level	Programme level

Source: Mango

The rest of this summary highlights the lessons from the experience of the VfM Learning Group's members in integrating VfM into their work under the different headings of this conceptual framework.

S.5 Tools

There are various tools and approaches available to assess VfM. The subjective nature of 'value' and the challenges in collating the evidence necessary to assess it mean that an element of judgement will always be necessary. Organisations therefore need to understand how to:

- Design and choose between different approaches and tools. The aim is to compile financial and performance data that are available when required.

- Use those tools and make judgements about VfM in a rigorous and defensible way. Is the information relatively robust – can it be triangulated from different sources? Are we able to use comparative measures in order to generate assurance that the preferred option offers greater value?

S.5.1 Designing and choosing approaches and tools

The choice of methods and tools to use should reflect each NGO's contextual environment. Ideally VfM judgments should be based on the use of a range of qualitative and quantitative data. This acts as both methodological triangulation and increases the breadth and depth of understanding for any assessment. However, doing so is not necessarily cheap – insightful and effective data often requires investment. It is important that the costs of data collection are commensurate with the scale of the programme or activity.

> **LESSONS LEARNED**
>
> - Economic appraisal tools for programmes are best used when there is a large level of spend and a rich source of data available
>
> - Benchmarking is an important tool for VfM, despite the challenge of finding suitable comparators
>
> - Options appraisal helps ensure that the best VfM approach is selected
>
> - Participatory action and/or community engagement are crucial to effective decision-making and programme credibility; and the principles apply equally to organisational management
>
> - Criterion-based methods or checklists can help encourage both a systematic approach and personal ownership of the need to achieve VfM

S.5.2 Using tools and making judgments

Plans for making VfM assessments should include the identification of the operational and financial data required and how such information will be gathered and collated. Gaps in evidence can therefore be identified, as well as useful metrics and evidence that may already be available. The rigour of the evidence base underpinning each decision should be tested, using tools such as Bond's Evidence Principles or statistical inquiry. Decision-makers should draw upon a plurality of views from stakeholders to supplement the data analysis. An element of reflexivity is also important, being aware of personal biases in order make judgements that are objective.

LESSONS LEARNED

- Using qualitative and quantitative data to triangulate information can provide assurance on the evidence used to decision-making

- The data uncertainties in the supporting evidence base must be taken into account in reaching a VfM judgment

S.6 Leadership

Embedding the concept of value for money into working practices requires strong leadership to set the agenda, encourage staff engagement and ensure that progress is maintained. Sometimes, NGOs have had to overcome perceptions that VfM is a donor-driven agenda and something of an administrative burden to staff. Within the scope of leadership are two critical areas: a) clarity of direction provided by leadership for the organisation, and b) governance & accountability arrangements that sustain VfM and make it part of daily routines.

S.6.1 Clarity of direction

It is critical that there is a common language and shared understanding of VfM. Each of us is likely to have different views on what VfM means and how it should be applied. Building a common understanding of the concept within the organisation, such as through a policy paper, helps to ensure consistent practices and to resolve misunderstandings. Clear leadership involves:

- Setting clear expectations for how VfM should be addressed. How will it be woven into organisational and programmatic practice? Who will be responsible?

- Establishing a demonstrable commitment to learning and change to improve VfM. An action plan can illustrate how the vision for VfM will become reality whilst reinforcing its importance and the level of prioritisation being given to it as a concept and practice.

LESSONS LEARNED

- The time spent upfront on diagnosis and the development of a plan for embedding VfM is a good investment

- Implementing VfM requires a senior champion in the organisation to encourage organisational buy-in

- Staff can be engaged by keeping the discourse straight forward

- Engaging staff and stakeholders in developing an approach to VfM helps to get the focus right and to secure buy-in during roll-out

- A VfM approach should be based on what is required; hard choices should not be avoided

S.6.2 Governance and accountability

Robust governance and accountability arrangements provide some assurance that a particular strategic direction is being adopted across an NGO. As such, a VfM agenda requires:

- Clear delegation of responsibilities wherein performance management activities embrace VfM and there is a culture of asking performance-related questions.

- Corrective action to maintain or improve VfM, based on regular monitoring of performance.

LESSONS LEARNED

- Effective oversight requires regular monitoring of integrated data on performance and associated costs

- Internal resources should be deployed to probe the key risks to VfM

- Staff should be held adequately to account for performance

- Accountability should be downward as well as upward

S.7. Integrating VfM into Working Practices

The goal for each NGO is for VfM considerations to become a routine and expected management behaviour. For VfM to become fully embedded in organisational and programmatic practice, it will be important to: have clear processes and systems in place to provide staff with the data needed to consider VFM; and, encourage transparent decision-making to enable scrutiny of each VfM judgement.

S.7.1 Systems, processes and data

Where practicable and cost effective, the concept of VfM should be embedded within the major organisational processes and systems. Tools and guidance will support staff in considering VfM at the critical points in their work. Management information and finance systems should be strengthened to enable the collation of relevant data – VfM is much easier to assess when performance data and the associated financial information are set out side by side. Common indicators and measures allow for comparative analysis between programmes and activities.

LESSONS LEARNED

- Specifying the key points in existing processes when VfM should be considered provides a helpful reminder for staff

- Gathering data on outcomes may need to go beyond the existing log-frame requirements

- Compiling the data needed to assess value for money can take time

- Engaging staff helps strengthen processes and data quality

- Re-structuring the organisation around 'centres of practice' can help to align financial and performance data

S.7.2 Transparent decision-making

Where feasible, the data and information required to underpin key decisions should be identified in advance and collected systematically. This may require consideration of alternative options and wider consultation with various stakeholders, such as programme constituents. By making sure that the decision-making process is accessible for others to review, constructive challenge and critique can be instigated with open transparency. Suitable records should also be retained setting out the rationale for the choice made.

LESSONS LEARNED

- Justifying that a decision represents Value for Money demands proper scrutiny of alternative options

- Criterion-based methods can help build quality assurance into Value for Money decision-making

S.8 Knowledge, Skills and Behaviours for VfM

The leadership and decision-making needed to secure VfM requires a range of analytical, questioning and communication skills in order to probe the information available and to assure stakeholders of the approach taken. These soft skills should be supported by more technical attributes, such as programme management and financial management skills, as well as suitable arrangements for knowledge sharing across the organisation.

S.8.1 Building individual skills and capabilities

Building a common understanding of the skills and capabilities required for evidence-based management and decision-making across the organisation is crucial. This includes both 'soft skills' such as questioning and analysis, in addition to 'hard skills' in technical areas such as programme management and costing methods. From this platform, skills gaps can be more easily identified and addressed. Equally, a constructive culture of questioning, challenging assumptions and acknowledging problems and failures becomes a fertile ground from which improvement is grown.

LESSONS LEARNED

- Giving staff the opportunity to specialise can help to build expertise

- Encouraging collaborative working across disciplines can improve understanding of VfM

- Resourcing plans should factor in the need for skills development

S.8.2 Behaviours and Systems for Learning and Improvement

In the spirit of continuous improvement, there should be clear expectations for monitoring, review and follow-up and adequate time scheduled in for such activities. Up to date knowledge systems enable data, information and lessons learned to be captured routinely and readily assessed.

Whilst ideally underpinned by formal efforts to encourage learning, informal arrangements for learning are also powerful, including networking, peer review and coaching opportunities.

LESSONS LEARNED

- On-line knowledge management systems provide a more systematic approach to knowledge sharing

- It may be necessary to commission external research in order to address knowledge gaps

S.9 Conclusions

The above discussion demonstrates the sheer scale of work required to embed fully VfM practice in any organisation or programme. It is a comprehensive ask, yet one that can inform programming decision-making as well as enhancing reporting capabilities.

The experience of the NGOs surveyed for this research suggests that for VfM practices to be developed that are impactful and value-creating, they should be:

1. **Informed by an appreciation of diverse perceptions of 'value':** there is no single common understanding of what 'value' means in VfM, and it would be both inappropriate and futile to attempt to impose a common definition; organisations, however, must articulate explicitly what 'value' means to them

2. **Actively championed and nurtured:** they must be promoted and reinforced both by funders and NGO leadership alike, with adequate resource and time provided

3. **Comprehensively integrated:** structurally, culturally and in both programmatic and organisational processes

4. **Informed by the use of contextually relevant and proportionate tools:** best practice is relative, not uniform, however there are various tools and case studies that can support the development of contextually appropriate methods

The conceptual framework presented in this research provides a structure from which organisation and context-specific approaches can be developed. The examples explored may help to provide or inform them.

The demonstration of a collective enterprise in the VfM Learning Group to enhance how NGOs see and apply Value for Money demonstrates the power and potential in structured peer learning, especially with donor support.

1. Introduction

In 2010, the UK's Department for International Development (DFID) adopted a strong focus on achieving value-for-money in its aid spending, defined simply as "maximising the impact of each pound spent to improve poor people's lives". Soon after, in 2011, a new round of strategic, flexible funding – Programme Partnership Arrangements (PPAs) – was provided by DFID to a cohort of 41 leading international NGOs. Demonstrating, improving and reporting on value-for-money (VfM) became a requirement for PPA-holders.

There was – and continues to be – an absence of established guidance to help NGOs step up to this challenge. Moreover, VfM is not a purely technical issue. There is much debate about questions such as "what constitutes value?", "whose 'value' gets considered?" and "over what timeframe should 'value' be defined?"[1] To help address these challenges, PPA-holders and DFID established a peer learning group on VfM in 2011 within a broader Learning Partnership.

The Value-for-Money (VfM) Learning Group has had a central role in facilitating how a set of NGOs have sought to apply the concept of VfM to their work. By enabling agencies to share experiences and to encourage collaborative learning, the group has supported member NGOs to develop and test different approaches.

This report draws together the Group's experiences of applying VfM. It is intended as a resource that can be used by those responsible for implementing the concept in their organisation. The guide raises issues to consider and provides guidance based on the experiences of others. It is not a prescriptive list of what needs to be done as there is no single approach applicable to every organisation.

The report begins by summarising NGOs' VfM journeys so far: from how they currently define and approach VfM, to perceptions of its benefits and drawbacks as a concept. It goes on to present a conceptual framework for understanding the different dimensions of a comprehensive organisational approach to VfM. The second half of the report addresses each dimension of this framework in more detail, setting out good practices and lessons learned from the experience of PPA-holders that might be useful to others.

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1 See for example, Shutt (2015), "The Politics and Practice of Value for Money" in Eyben et al, The Politics of Evidence and Results in International Development

2. Methodology

The VfM Learning Group commissioned Mango to gather NGO experiences and learning on VfM. The work involved:

- **A questionnaire survey.** Between 16 December 2015 and 29 January 2016 the PPA agencies were invited to complete an on-line questionnaire. 28 usable responses were received, comprising three incomplete and twenty-five complete responses. In order to encourage objective feedback, respondents were not obliged to state which organisation they represented. The results are not necessarily statistically representative of the sector (as DFID awarded PPA funding to a limited number of leading international NGOs with aligned strategic interests), but they do offer candid insights on how VfM is perceived and what progress has been made.

- **Case study submissions.** Following an initial sector mapping exercise, in January 2016 NGOs were invited to volunteer case studies for inclusion in the publication. On the basis of the 46 summary submissions received, 16 organisations were invited to provide further information and supporting evidence – see **box 1**. The data analysis did not include external validation of the information submitted, but each organisation's representative was asked to confirm that they were content with how the information had been used, and the whole draft was subject to peer review.

Box 1: Organisations invited to submit detailed case study materials for the publication

ActionAid International
International Directorate of the British Red Cross
Care International UK
Christian Aid
Fairtrade
HelpAge International
International HIV/AIDS Alliance
Penal Reform International
Plan International UK
Restless Development
Save the Children UK
Sightsavers
VSO
WaterAid
World Vision UK
WWF-UK

Source: Mango

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3. Value for Money: Definitions, Approaches and Perceptions

3.1 What is 'value for money'?

KEY POINTS

- **There is no single, sector-wide definition of VfM and each NGO should tailor the concept to their circumstances and how they themselves define value**

- **There is consensus that the benefits of the VfM concept outweigh the drawbacks**
  - The key benefit is strengthened accountability to stakeholders
  - The main drawback is the risk that it might encourage staff to focus on shorter term outputs rather than longer term outcomes

- **No single preferred approach can apply to all activities – multiple approaches will be needed**

- **The VfM concept builds on a wide range of existing organisational performance management practices**

3.1.1 How NGOs define Value for Money

The drive to achieve VfM has continued to grow and develop over time. The concept emerged in the public sector in the 1970s, with the belief that more commercial practices and a performance-orientated culture would benefit public sector delivery and improve how taxpayer funds are utilised.

In 2010, the UK Secretary of State for International Development strengthened government and public expectations for value for money and established the Independent Commission for Aid Impact (ICAI) to examine whether UK aid is delivering VfM. Other OECD donors have also become increasingly interested in the concept.

The Department for International Development[2] defines value for money as 'maximising the impact of each pound spent to improve poor people's lives'. The concept is based around four fundamental criteria, defined by the Independent Commission for Aid Impact[3] as:

ECONOMY getting the best value inputs	**EFFICIENCY** maximising the outputs for a given level of inputs
EFFECTIVENESS ensuring that the outputs deliver the desired outcome	**EQUITY** ensuring that the benefits are distributed fairly

2 DFID (2011), DFID's Approach to Value for Money (VfM). DFID.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67479/DFID-approach-value-money.pdf

3 Independent Commission for Aid Impact (2011). ICAI's Approach to Effectiveness and Value for Money. Independent Commission for Aid Impact, HMSO, https://www.bond.org.uk/data/files/ICAIs-Approach-to-Effectiveness-and-VFM.pdf

More than half of the NGOs surveyed for this research define VfM through the four criteria above ('the 4 Es') – see **figure 1**. Just under one fifth define VfM using the more limited '3 Es' originally used by DFID, which excludes 'equity'.

In addition, some 14% of survey respondents described different definitions of VfM, mostly based on setting out key principles and beliefs in relation to achieving VfM, rather than criteria for VfM. A further 11% do not have an agreed organisational definition.

Figure 1: Organisational definitions of VfM

18% Our organisational definition of VfM is based on the three Es of Effectiveness, Efficiency and Economy

53% Our organisational definition of VfM includes the three Es explicitly, but augments this with "Equity"

4% Our organisational definition of VfM includes the three Es explicitly, but augments this with other criteria, such as "Sustainability", or another criterion

14% We use a different organisational definition of VfM

11% We do not have an agreed organisational definition of VfM

Source: Survey of PPA agencies, 2016

Many INGOs consider VfM both at **programme level**, in other words planning for and assessing VfM in individual programmes or projects, and at organisational level. At **organisational level**, NGOs are considering the VfM of their support functions, which cut across – and therefore affect – all or many activities and programmes. They are also grappling with how to demonstrate VfM for the organisation as a whole and utilise VfM judgments in allocating resources. Some organisations have also found it helpful to consider VfM within a particular "portfolio" of similar programmes or activities (**portfolio level**) in order to facilitate comparison and resource allocation.

More than half of respondents confirmed that their organisations had developed policy and guidance on VfM – see **figure 2**. In a large proportion of these cases there is more to do to ensure that policy and guidance are widely disseminated and thoroughly understood within the organisation.

Figure 2: The status of VfM policy and guidance in NGOs

4% There is a clear VfM policy and guidance that has been circulated to and is understood by the majority of relevant staff

25% There is a VfM policy and guidance which has been made available to staff, but there is more to do to ensure that it is fully understood within the organisation

25% There is a VfM policy and guidance, but it has not been widely distributed

39% A VfM policy and guidance are currently under development

7% There is no VfM policy or guidance

Source: Survey of PPA agencies, 2016

Organisational policy and guidance generally consisted of some aspects of the following:

- A VfM position paper, policy or "VfM approach"
- A VfM "framework"
- VfM guidance
- VfM training materials

A significant minority (37%) of respondents stated that their organisation's VfM policy and guidance is currently under development. One organisation has deliberately taken an integrated approach and steered away from standalone VfM policy and guidance, aiming to integrate VfM into all parts of the organisation's management and activity. Another organisation described this as follows:

"[We...] consider Value for Money as a lens through which to view all areas of our work".

3.1.2 VfM and Existing Organisational Performance Management Practices

NGOs have seen the explicit focus on VfM since 2010 as a useful opportunity for improvement. This does not mean, however, that there was no consideration of such issues previously. NGOs have been developing relevant practice for many years. Relevant existing NGO practices to assure performance typically include:

- Developing a range of strategies together with approaches and systems for organisational and programme performance management
- Implementing and formalising project or programme management cycles
- Developing approaches to evaluating the effectiveness of their work
- Building capacity for monitoring, evaluation and learning
- Improving finance and project management systems
- Structuring organisations to improve delivery and quality
- Developing procurement policies and processes.

Although not necessarily described by NGOs as making "improvements to value for money", improving these practices relates to the underlying aims and requirements for VfM.

3.1.3 Challenges with Value for Money

The greatest challenges in relation to adopting a VfM approach – cited by 81% of the organisations surveyed as 'very' or 'quite' challenging – were:

- **Identifying and measuring value or benefit.** Organisations may be grappling more with the "value" side of the value for money equation, than with the cost side: fewer organisations have found it challenging to identify and calculate the costs of an activity, project or programme; and

- **Finding appropriate benchmarks and comparisons, whether internal or external.** This may partly be because over half of respondents have found it challenging to achieve a shared understanding across the organisation and with partners.

  "Measuring effectiveness and VfM in a quantitative way with relevant benchmarks is the obvious main challenge, and it can cause a distraction from the more realistic practical actions e.g. because it is intellectually interesting."

  "… it proved very challenging and time consuming to get the organisation's mind-set and culture to be fully engaged, but after almost a year and a half it seems like there's the right momentum and involvement, including ownership and senior leadership championing VfM."

These challenges relate to a range of known issues, such as the difficulties associated with defining measures and indicators of social value; identifying contribution in complex contexts with multiple actors; determining appropriate time periods for any assessment; and calculating and attributing relevant costs to particular interventions and outcomes. They are compounded by the difficulty of data gathering in the complex environments in which NGOs often work.

3.2 The Process of Organisational Engagement with VfM

KEY POINTS

- **Each NGO should develop its own approach, but key steps typically include:**

  – Establishing a suitable approach to assessing VfM, that considers and identifies what "value" means to the organisation

  – Securing staff buy-in

  – Recognising that the process is iterative

- **On establishing a VfM approach:**

  – Strategic thinking and consultation is critical to developing an approach that is aligned with what is important to the organisation

  – Senior leadership is necessary to support and prioritise developments, assign resources and link organisational change programmes to VfM

- **On implementing an approach that staff will embrace:**

  – It is vital to build a common understanding of what VfM means to the organisation

  – It is necessary to engage a range of staff with appropriate expertise and experience to develop the approach to VfM

  – The approach needs to be realistic and cost-effective to use, with practical tools, systems and guidance available for use by staff

  – It is important to keep the resources expended on VfM assessment proportionate with the programmes and functions to which they relate

- **On the iterative process of embedding VfM:**

  – It is critical to monitor and revise implementation plans and change programmes regularly to achieve VfM

  – The assessment approaches used will depend on the context of each NGO's work

  – The organisation's approach to VfM should be reviewed regularly to ensure that it is practical and well integrated into existing working practices

3.2.1 Approaches to adopting the 'value for money' concept
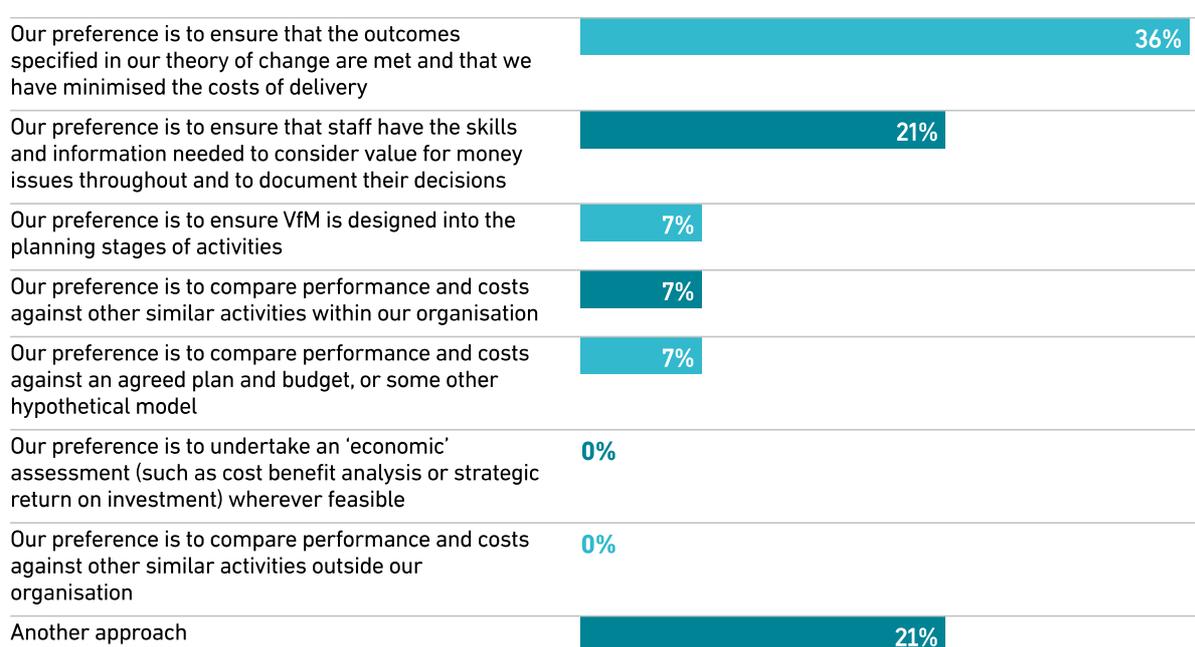
This section summarises the experiences of a number of NGOs in developing their approach to achieving value for money. The different approaches taken reflect the complexity and range of work by NGOs in international development and highlight the importance of each organisation developing and implementing its own approach accordingly.

At the heart of the VfM agenda for NGOs is the concept of using the resources entrusted to the organisation to deliver best value in accordance with its mission and aims. VfM is therefore integral to organisational performance. It extends beyond conventional monitoring and evaluation approaches as it requires the explicit consideration of the resources utilised in relation to the outcomes and results delivered.

Surveyed organisations were asked to choose a statement that best summarised their overall approach to VfM. **Figure 3** shows that 36% preferred to ensure that the outcomes specified in their theory of change are met and that they have minimised the costs of delivery.

Building staff skills and understanding of VfM is likely to be crucial. Some 21% of respondents, for example, identified a preference to ensure that staff have the skills and information needed to consider VfM issues throughout and to document their decisions.

Figure 3: NGOs' overall approach to VfM (Percentage of respondents)

Our preference is to ensure that the outcomes specified in our theory of change are met and that we have minimised the costs of delivery	36%
Our preference is to ensure that staff have the skills and information needed to consider value for money issues throughout and to document their decisions	21%
Our preference is to ensure VfM is designed into the planning stages of activities	7%
Our preference is to compare performance and costs against other similar activities within our organisation	7%
Our preference is to compare performance and costs against an agreed plan and budget, or some other hypothetical model	7%
Our preference is to undertake an 'economic' assessment (such as cost benefit analysis or strategic return on investment) wherever feasible	0%
Our preference is to compare performance and costs against other similar activities outside our organisation	0%
Another approach	21%

Source: Survey of PPA agencies, 2016

A number of respondents commented that their NGOs have found it important to take multiple approaches to VfM, and that no single preferred approach can apply to all activities. Especially in complex areas where straightforward procurement or salary benchmarking is not possible, one organisation noted: *"Our emphasis is on sound financial decision making by those closest to the decision using a 'defensible case' that is clearly set out".*

Another organisation summarised its approach as follows:

> *"VFM as a term has been broadly embraced by [us] and [our] partners who have been working under a 'core value' of 'good stewardship' of resources for many years if not decades… There are challenges in applying a very strict, econometric approach but, broadly speaking we have not taken this path, preferring to encourage deep reflection on core questions with the best data we are able to source".*

3.2.2 Establishing a VfM Approach

NGOs have found it to be essential to come to a common understanding of VfM and develop a narrative to express their approach, which articulates clearly what "value" means in the context of their own missions and aims. This must take into account the complexity of the international development environments in which they work, the aims and outcomes that they seek to achieve, and their theory of change.

NGO experiences show that this can be done in different ways. For example, WWF-UK has developed an explicit strategy for VfM, while Sightsavers has framed its case for VfM through its strategic alignment and performance management change programme. ActionAid International has invested in experimenting and learning over time, in order to pin down a VfM approach that is fully aligned with its values and strategy, while Save the Children UK, World Vision UK and the International Directorate of the British Red Cross have articulated a set of guiding principles.

Some agencies have found it useful to relate the VfM concept to the enhancement of value rather than cost reduction, alongside the development of an organisation-specific expression of VfM. This can help to overcome negative perceptions that VfM is essentially a donor-driven requirement.

NGOs have found that it takes time to articulate their organisation's understanding of, and approach to, VfM – time for research, learning, discussion, and internal and external knowledge sharing. They have found that consultation and strategic thinking is needed to define an approach that is fully integrated with what is important to the organisation.

It is important for NGOs to articulate that VfM is integral to decision-making. Every decision involving the use of resources (whether time or money) incorporates VfM considerations whether implicitly or explicitly. The extent and nature of the evidence and analysis required to ensure VfM depends on the type of decision being taken, including its potential impact, the associated risks and the level of resources at stake. Approaches are needed to ensure that the resources and effort deployed in considering VfM are proportionate to the importance of the decision being taken.

Experience shows that it can be useful for NGOs to express their approach and understanding of VfM through a dedicated position or policy paper, and then to develop approaches, methodologies, tools and guidance to operationalise this at programme and organisational levels. Some, such as WWF-UK, have gone further and developed an explicit VFM strategy that identifies specific priorities for improving the assessment and delivery of VfM.

Developing a position or policy paper or framework doesn't have to be the first step in establishing a VfM approach, however. ActionAid International has taken a different approach by piloting a range of methodologies for assessing VfM over three years, before settling on its approach. This has enabled it to develop a participatory action research methodology so that the communities with which it works can participate in VfM analysis.

3.2.3 Implementing an approach that staff will embrace

NGOs have learnt that VfM approaches need to be practical, realistic and cost-effective to use, taking into account the programme or field environment. For example, the British Red Cross has developed a performance assessment model alongside a management approach for VfM, both of which are designed to be used by the relevant staff with limited internal support and no external assistance. Similarly ActionAid International's participatory tools are designed for use by programme staff without the support of an external facilitator.

It is important that staff with appropriate expertise and experience are engaged in the development of their approach to VfM. Programme, technical and evaluative knowledge and experience are necessary, as is finance and systems expertise. In addition, NGOs have found that wider staff engagement is needed to ensure VfM is recognised as everybody's responsibility and integrated within management.

Save the Children UK and the British Red Cross, for example, set up internal cross-organisational groups to take forward a multi-disciplinary approach.

The resources needed for such an approach should not be underestimated. As they have progressed their VfM thinking and plans, the majority of organisations found that getting sufficient resources allocated to developing VfM approaches has proved challenging.

The consensus is that the development of a VfM approach should be done in-house. But this does not preclude external expertise to help build skills where needed. NGOs have found that there is a place for specialist evaluative approaches delivered by external parties. For example, although WWF-UK utilises relatively simple question-based and criteria-based tools to support programmes to consider VfM at each stage of the programme cycle, it also applies deeper, more specialist techniques to particular programmes where it is felt they could add value.

Some NGOs have commissioned external advisers to assess the VfM of specific programmes and to support the development of the organisation's approach to VfM, by researching and assessing different options. In such cases it is important to ensure knowledge transfer so that the organisation's own staff can then take forward the approach.

It is also important to cultivate rigorous, systematic work practices and a deeper understanding of the organisation's cost base and the relationship between outcomes and costs. For example, VSO has developed an approach to cost driver analysis and used this to engage staff on VfM, deepening their understanding of the cost base and how such insights can be used for planning and investment decisions.

A suitable range of practical tools, systems and guidance can be very helpful to support staff to undertake VfM assessment and to integrate VfM considerations in their decision-making and management practices.

Proportionality is a crucial factor when developing approaches and guidance. It is important to ensure that approaches to VfM and the resources expended on assessment are commensurate with the programmes and functions to which they relate. Whilst insufficient focus on VfM can undermine an NGO's performance and credibility, over-engineering how VfM will be assessed can also divert resources from the delivery of core objectives.

3.2.4 Recognising that embedding VfM is an iterative exercise

NGO learning indicates that there is a need to monitor and revise VfM implementation plans and change programmes regularly. This can involve:

- **using pilots** – as ActionAid International did in testing a range of VfM methodologies, or

- **refining approaches following review**, as Sightsavers did in re-balancing its project portfolio when its performance monitoring revealed that the portfolio was not sufficiently aligned with its strategic objectives.

For most NGOs, the VfM journey is not complete, and iteration is expected to be ongoing. NGOs reported having a range of future plans in relation to VfM, including:

- Building knowledge and skills informally as well as formally, through in-house training

- Developing VfM indicators and measures and adapting monitoring, evaluation and data collection policy and systems for VfM

- Using methodologies and tools to assess the VfM of projects, programmes, and support functions and processes, as well as reviewing processes and functions for efficiency and reducing costs to improve VfM

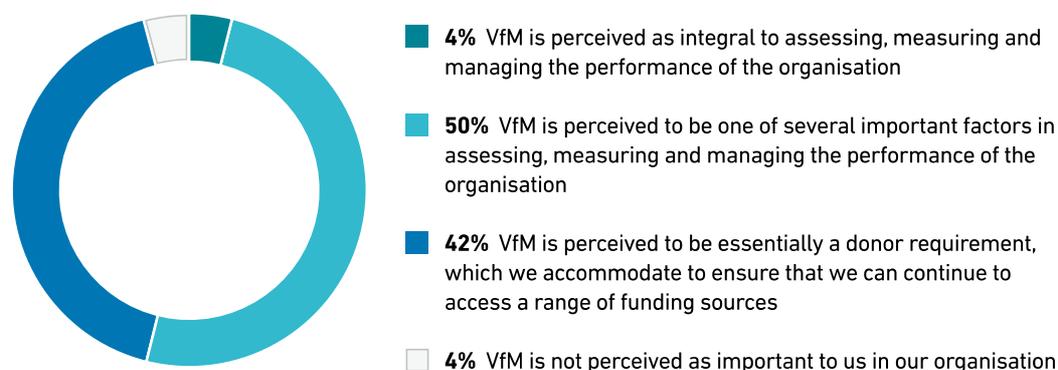# 3.3 Perceptions about Using a Value for Money Framework

KEY POINTS

- **Perceptions about VfM in organisations are broadly split in two**

  – Half of the respondents consider VFM to be just one of several important factors integral to managing organisational performance

  – Over 40% perceive it as a donor requirement that has to be accommodated to access funding

- **There is consensus that the benefits of the VfM concept outweigh the drawbacks**

  – The key benefit is strengthened accountability to stakeholders

  – The main drawback is the risk that it might encourage staff to focus on shorter-term outputs rather than longer-term outcomes

3.3.1 How is VfM Perceived in Organisations?

For 50% of the organisations surveyed, VfM was perceived as one of several factors in assessing, measuring and managing their performance. Only 4% of respondents thought that VfM is perceived as integral to everything the organisation does – see **figure 4**. Increasing acceptance and understanding of this requires NGOs to address the perception – held by 42% of the organisation surveyed – that VfM is a donor-driven issue.

Figure 4: Overall perceptions of VfM

4% VfM is perceived as integral to assessing, measuring and managing the performance of the organisation

50% VfM is perceived to be one of several important factors in assessing, measuring and managing the performance of the organisation

42% VfM is perceived to be essentially a donor requirement, which we accommodate to ensure that we can continue to access a range of funding sources

4% VfM is not perceived as important to us in our organisation

Source: Survey of PPA agencies, 2016

The perception that VfM is donor-driven can make influence and traction in the organisation more difficult and create a divide in thinking between delivery to beneficiaries and accountability to donors. One organisation has tried to shift the perception that VfM is a donor-imposed requirement through a pilot project in which it has attempted to develop a methodology for VfM that is based on downward accountability, which may be useful for donor reporting but is primarily useful for programme decision making.
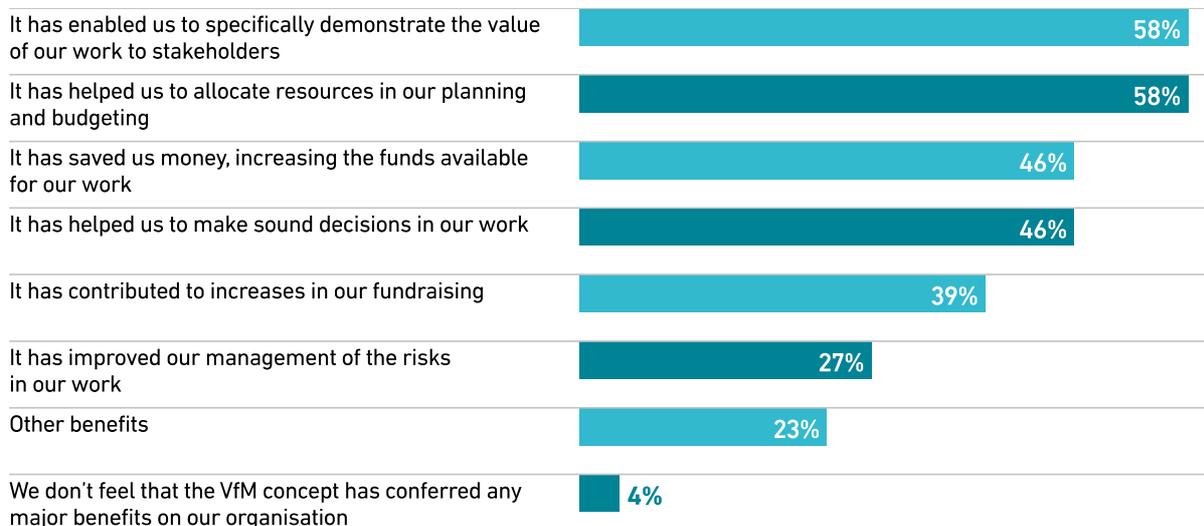
3.3.2 Perceived Benefits and Drawbacks of VfM

NGOs have identified a range of observable benefits of applying VfM concepts to their work – see **figure 5.** 58% of respondents noted that it enabled their NGO to demonstrate the value of their work to stakeholders. One organisation commented that VfM is about a long-term commitment to accountability and to its values, and that it is integral to and reflects the very purpose and nature of the organisation:

> *"For us, [VfM] comes under our long-term commitment to accountability and within that our responsibility to use resources efficiently, focused on maximising value with the resources available. Therefore the benefits of our work around this could be all or any of the above, depending on what initiative is considered. It is not, however, considered internally as an 'application of VfM', rather a commitment to our values."*

Another organisation explained that VfM practice provides opportunities for reflection with communities, so that the main benefits relate to generating learning across the organisation, and the impact on the allocation of funds.

Other benefits cited related to the development of a common language with the donor community and the resulting increase in transparency with donors. One organisation observed that the VfM concept had helped to make some of 'trade-offs' necessary in decision-making more explicit (for example between scale and reach, or economy and equity). Only one of the organisations surveyed considered that the VfM concept had not conferred any major benefits.

Figure 5: The benefits of applying the VfM concept (Percentage of respondents)

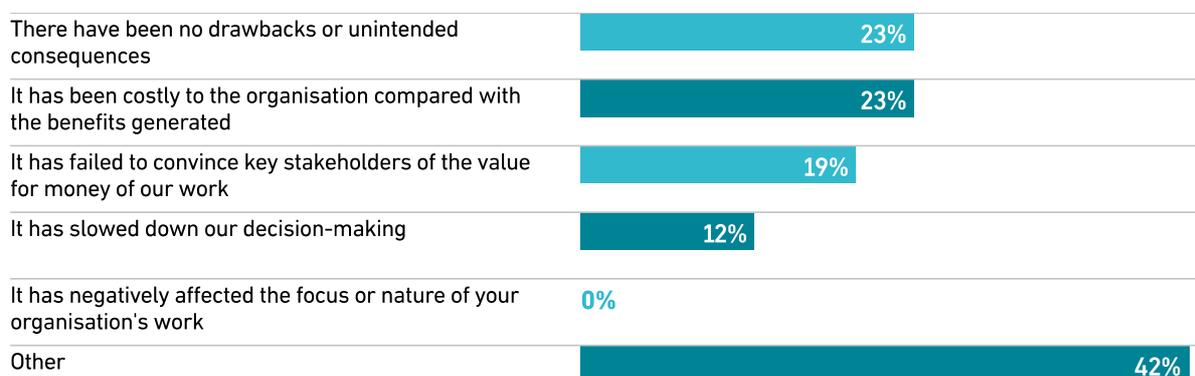|	
It has enabled us to specifically demonstrate the value of our work to stakeholders	58%
It has helped us to allocate resources in our planning and budgeting	58%
It has saved us money, increasing the funds available for our work	46%
It has helped us to make sound decisions in our work	46%
It has contributed to increases in our fundraising	39%
It has improved our management of the risks in our work	27%
Other benefits	23%
We don't feel that the VfM concept has conferred any major benefits on our organisation	4%

Source: Survey of PPA agencies, 2016

No participating organisations thought that the VfM agenda has negatively affected their work, and almost a quarter of respondents stated that there have been no drawbacks or unintended consequences of applying VfM in their organisations.

Of those few who did cite specific drawbacks and unintended consequences (see **figure 6**), the concerns related to the effect of applying VfM analysis. For example, one concern was that the VfM agenda may at times focus on outputs and short term changes – whereas longer term change, advocacy and the focus on the most vulnerable may be more challenging to evidence as providing value for money. Another concern expressed was that a focus on VfM could reduce willingness to embrace failure more openly or to seek more innovative, riskier approaches.

Figure 6: The drawbacks in applying the VfM concept (Percentage of respondents)

There have been no drawbacks or unintended consequences	23%
It has been costly to the organisation compared with the benefits generated	23%
It has failed to convince key stakeholders of the value for money of our work	19%
It has slowed down our decision-making	12%
It has negatively affected the focus or nature of your organisation's work	0%
Other	42%

Source: Survey of PPA agencies, 2016

Some 12% of respondents stated that they thought that VfM considerations had slowed down decision-making in their organisations. One organisation highlighted the importance of tackling the difficult decisions associated with improving VfM; for example, the potential adverse consequences such as staff disruption and discomfort with change, and the negative impacts on some partner relations where these were affected by decisions to close or scale back projects. Around a fifth of organisations surveyed reflected that they had failed to convince key stakeholders of the value for money of their work.

Overall, NGOs have found that bringing together information about the changes made in the lives of beneficiaries as a result of their work with information about the resources they invested can generate learning and new knowledge and help to deliver better value, while a focus on VfM within support functions can improve efficiency and control support costs. The assessment approaches used – whether management or measurement based – and the methods and tools depend on the context of the work. They are underpinned by a range of data and information and they support sound, evidence-based decision-making.

4. The VfM Conceptual Framework

KEY POINTS

- **The key dimensions to achieving, assessing and demonstrating VfM comprise:**

  – Clear leadership

  – Integrating VfM into existing working practices

  – Building VfM skills

  – The application of tools to support VfM judgments

- **The conceptual framework supporting these four dimensions is a helpful tool that NGOs might use to assess their progress**

4.1 The Development of a VfM Framework

The VfM Learning Group has always encouraged NGOs to share experiences and progress. In early 2014, a collaboration of NGOs from the Learning Group developed a checklist tool of 20 areas to enable agencies to self-assess their progress in achieving VfM. This tool aimed to translate a somewhat theoretical sector interpretation of VfM into a series of actions that each organisation could monitor their progress against.

NGOs found the tool useful and challenging. Many did the exercise with their internal VfM working groups or other internal stakeholders. Mapping progress between 2011 and 2014 enabled the Group to establish that NGOs reported advances in many of the initial steps necessary to developing a VfM strategy – such as defining an organisation-wide approach, and securing high-level commitment and staff training. However, they reported less progress in integrating such concepts into day-to-day activities, such as 'integrating VfM into monitoring and evaluation activities', and 'monitoring and programme management'.

The conceptual framework developed by Mango during this research relies heavily on this earlier mapping exercise. Nevertheless, as the earlier checklist was developed from a mapping exercise of existing NGO activities it was important to establish to what extent it was comprehensive and did not miss out any key issues that did not feature in current practice. Accordingly, Mango also examined other guidance and checklists, such as: Bond guidance on integrating VfM in programme management[4]; DFID guidance on social transfer programmes[5]; and the ITAD papers on 'Better Value for Money"[6] and "Measuring the Impact and Value for Money of Governance & Conflict Programmes"[7]

Drawing on the available literature, Mango developed a conceptual framework that focuses on the areas that need to be in place to assess and manage VfM, irrespective of the role or type of organisation. These have been categorised into four 'dimensions', each with two 'areas' that contribute to that dimension – see **figure 7**.

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4 Available at: https://www.bond.org.uk/data/files/Value_for_money_-_intergration_into_the_programme_lifecycle_Jan_2012.pdf

5 Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/204382/Guidance-value-for-money-social-transfers-25Mar2013.pdf

6 Available at: http://www.itad.com/wp-content/uploads/2014/11/Itad-VFM-paper-v21.pdf

7 Available at: https://www.bond.org.uk/data/files/Itad-2010_vfm-report.pdf

Figure 7: The VfM Framework

Dimensions	Areas	
Tools for VfM	Designing and choosing approaches and tools	Using tools and making judgments
VfM Leadership	Clarity of direction	Governance and accountability
Integrating VfM into working practices	Processes, systems and data	Transparent decision-making
Knowledge, skills and behaviour for VfM	Building skills and capabilities	Learning and improvement

Organisational level	Programme level

Source: Mango

At a more detailed level, 'attributes' which characterise each area have also been developed. These attributes are described later in this paper, and the full framework is summarised in the annex.

The four key dimensions to achieving and demonstrating VfM, and which are covered in detail in sections 5-8 below, comprise:

- **VfM tools.** The two key areas here relate to designing and choosing approaches and tools, and using those tools to make judgments about VfM. Achieving VfM rests on having appropriate VfM tools available, and deciding which tool should be used, in what circumstances and when. Some methods, for example, are better suited to one-off reviews whereas other approaches may be more appropriate for regular periodic assessment. It is also important that suitable arrangements are in place for how the evidence can be brought together to establish what represents VfM. This can involve engagement with stakeholders as well as internal consideration.

- **VfM leadership.** As with any organisational change programme, developing VfM practice requires the commitment of everyone in the organisation and the drive of senior management. There are two key areas in VfM leadership: a clearly set out commitment to VfM and how this will be achieved; and suitable accountability and governance arrangements to ensure that this is achieved.

- **Integrating VfM into existing working practices.** The two key areas in integrating VfM into existing working practices relate to processes, systems and data, and to transparent decision-making. Achieving VfM involves supporting individuals to make the right decisions. This means that there should be clear processes and systems in place to provide them with the data and other information required. VfM considerations should be an integrated part of their responsibilities and of the organisation's working practices. Such data and information comprises quantitative data, qualitative data and financial information. The decisions made that impact on VfM need to stand up to scrutiny and so should be transparent and the discussions and considerations behind each judgement accurately recorded.

- **Knowledge, Skills and Behaviours for VfM.** In addition to building the processes and systems required, it is important to build and apply VfM skills. The two key areas here relate to building skills and capabilities and applying them for learning and improvement. This means that existing staff must be given the training they need and, where required specialists, are brought in to fill identified skills gaps and transfer knowledge to in-house staff. Experiences and knowledge need to be captured, stored and disseminated so that they can be utilised next time around.

4.2 Sequencing VfM Journeys

The complexity of applying VfM within international development can make starting on the VfM journey seem a daunting task. Although the inter-relationships between dimensions mean that they cannot be tackled in a linear, sequential order, NGO experiences to date suggest some possible openings.

A good starting point can be the assignment of a VfM lead, who can work with a multi-disciplinary group drawn from across the organisation. Their role can be to stimulate the required debate on what value means in the organisation's context, while at the same time identifying relevant organisational change initiatives through which VfM practice can be delivered, and building and spreading organisational knowledge and learning in relation to VfM. This can lead to an organisational position on VfM, together with a range of planned actions (whether formally drawn together as a VfM action plan or not), designed to develop and enhance VfM practice.

In the meantime, while recognising and working through the complexities, NGOs can focus on a range of relatively practical priorities relating, for example, to key organisational processes such as procurement, recruitment, and performance management practices. This type of pragmatic approach can be combined with the deeper thinking and development needed to bring VfM to complex programme areas.

It is important to recognise that different NGOs will have different baselines in relation to how well their current skills, leadership and practices are suited to addressing VfM. This will mean that each organisation's VfM journey will require different levels of emphasis across the dimensions and areas in the conceptual framework.

The remaining sections provide further information on the attributes supporting each factor in the framework. Each section sets out the key attributes characterising each area, an assessment of performance across the sector against those attributes, and practical advice on how to improve performance. Although "Tools" is the final dimension of the framework, leadership, integration into existing practices and applied skills are all required for tools to be operationalised. Tools are presented first to provide readers with an early understanding of perhaps the most visible part of any VfM approach.

5. VfM Tools

KEY POINTS

- **There is a range of possible tools for collecting and analysing VfM data – it is important to select or design a suitable mix to assess VfM in each situation**

- **The subjective nature of 'value' and the challenges in collating the evidence required mean that an element of judgment will always be necessary**

- **The sector has trialled a range of different methods, but it is difficult to reach a VfM conclusion unless it is possible to compare performance against an established norm**

- **The key lessons learned include:**

  – Economic appraisal tools, such as Social Return on Investment (SROI), are best used when there is a large level of spend and a rich source of data available

  – Benchmarking is an important tool for value for money, despite the challenge of finding suitable comparators

  – Options appraisal helps ensure that the best value for money approach is selected

  – Participatory action and/or community engagement are crucial to effective decision-making and programme credibility; and the principles apply equally to organisational management

  – Criterion-based methods or checklists can help encourage both a systematic approach and personal ownership of the need to achieve VfM

  – Using qualitative and quantitative data to triangulate information can provide assurance on the evidence used for decision-making

  – The data uncertainties in the supporting evidence base must be taken into account in reaching a VfM judgment

5.1 Introduction

In 2011, DFID[8] recognised that the adoption of a value for money agenda required the strengthening of the data available to assess the VfM of its own and its partners work:

> *"We don't just do the easiest things to measure, but the agenda does mean we have to get better at measuring. We need to be more innovative in how we assess value and we need to get better at articulating what results we are buying with UK taxpayer's money. Where we work through partners we have to influence them to do the same. "*

8 DFID (2011), ibid

Earlier guidance on tools and methods has tended to be presented from an economic evaluation perspective[9]. Barr and Christie (2015)[10], however, recognised that whilst this economic appraisal type of approach might be helpful at the outset or after completion of programmes, it is not necessarily helpful to those responsible for managing programmes and support functions and making day-to-day decisions that will impact on value for money. Barr and Christie state that such appraisals should be supplemented by a performance audit-based approach whereby VfM is embedded in day-to-day decision making: *"Managers need tools that help manage VfM better over the life of an intervention."*

Building the evidence base needed to support day-to-day value for money decisions remains a challenge, however, due to the complexities of development work. The main barriers include:

- **Establishing what to measure and when and how to measure it** – complex activities generate diverse outcomes and longer term impacts. It is difficult to decide what to measure and over what time period.

- **Tackling the subjectivity of 'value'** – using qualitative and quantitative methods to establish what 'value' means. Save the Children UK has noted, for example that:

   "We reject the idea that there is a simple single approach to measuring Value for Money and instead we emphasise the need for a framework with a number of dimensions. SCUK approaches VfM as an organisation-wide conversation rather than a one-off technical assessment or as the concern of only staff with financial responsibilities."

- **Establishing the activity costs incurred** when NGOs have to collaborate with partner organisations in other countries, rely on the efforts of community groups, and share services and support functions internally between different programmes.

- **Compiling performance and cost data on a comparable basis** – time lags and different reporting requirements make it difficult to align costs with outcomes.

- **Finding counterfactuals** – it is challenging to isolate geographic or other contextual differences when benchmarking and hypothetical models are difficult to build.

- **Dealing with uncertainty** – it is not clear what constitutes an adequate level of information to secure VfM.

We have identified two critical areas in the application of tools to support VfM judgments:

1. **Designing and choosing appropriate approaches and tools to assess value for money.** It is important to design or select suitable tools to assess VfM in each situation. Some methods, for example, are better suited to one-off reviews whereas other approaches may be more appropriate for regular periodic assessment.

2. **Using tools and making judgments effectively.** The subjective nature of value and the challenges in collating the evidence required mean that an element of judgment will always be required. The application of different tools and the scrutiny of the evidence they generate will have a major impact on any value for money related decisions.

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9 For example, HM Treasury's "Green Book" on Appraisal and Evaluation in Government (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)

10 Barr, J. and A. Christie Improving the Practice of Value for Money Assessment. CDI Practice Paper 12 (https://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/5977/CDI%20PracticePaper_12.pdf)

5.2 The key attributes of applying VfM tools

5.2.1 Designing and choosing appropriate approaches and tools

We identified three key attributes required for designing and choosing appropriate tools:

- **Understanding available methods and tools.** The choice of method should reflect the specific nature of the function or programme whose VfM is being assessed, such as the greater need for qualitative measures in assessing advocacy or rights orientated programmes or quantitative measures for service delivery. The choice of approach must also reflect the stage an activity has reached, such as options appraisal, business case, contract management or post project evaluation. There needs to be an understanding of the pre-requisites of each method – such as data requirements, how much they typically cost and the time required for completion.

- **Using a range of qualitative and quantitative data to inform judgements**. A 'mixed methods' approach allows for the triangulation of data to confirm validity and improve understanding of the issues. Methods that generate quantitative data on costs and performance provide some indication of magnitude, and qualitative methods provide insights into why something occurred or how it might be valued or perceived.

- **Adopting a proportionate approach:** The costs of data collection should be commensurate with the scale of the programme or activity, and should not outweigh the benefits that the data might offer to decision-makers. DFID (2011)[11] acknowledged the need for such proportionality.

5.2.2 Using tools and making judgements

The key attributes of making effective use of tools and arriving at sound judgements are:

- **Identification of the operational and financial data required and how such information will be gathered and collated.** In determining which methods to use and how they should be implemented, it is important to understand what is involved. There might be delays before financial out-turn data become available, or a need to undertake baseline surveys before a programme starts.

- **Testing the rigour of the evidence base underpinning each decision.** Each individual responsible for making decisions that impact on VfM should seek assurances on the rigour of the data available. There are likely to be assumptions in all data collection and analysis methods – such as confidence levels on statistical samples or the generalisability of qualitative data. These caveats need to be explicitly factored into the decision-making. Tools such as Bond's Evidence Principles and DFID's 'How To' note on "Assessing the Strength of Evidence" are useful in this regard.

- **Drawing upon a plurality of views from stakeholders to supplement the data analysis.** Given the subjective nature of 'value', it is important that decision-makers seek different views on what represents value for money. Donors might have a different perspective, for example, from the beneficiary community.

- **Basing decisions on reasoned judgments.** Each VfM decision should be based on a systematic and methodical review of the supporting evidence. Given the tendency for managers to "…perceive and utilise evidence differently based on their experience and judgment" (Baba and HakemZadeh 2012)[12], part of any such assessment should involve recognising and challenging such perceptions.

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11 DFID (2011) ibid.

12 Baba, V. V. and F. HakemZadeh (2012). "Toward a theory of evidence based decision making." Management Decision 50(5): 832-867

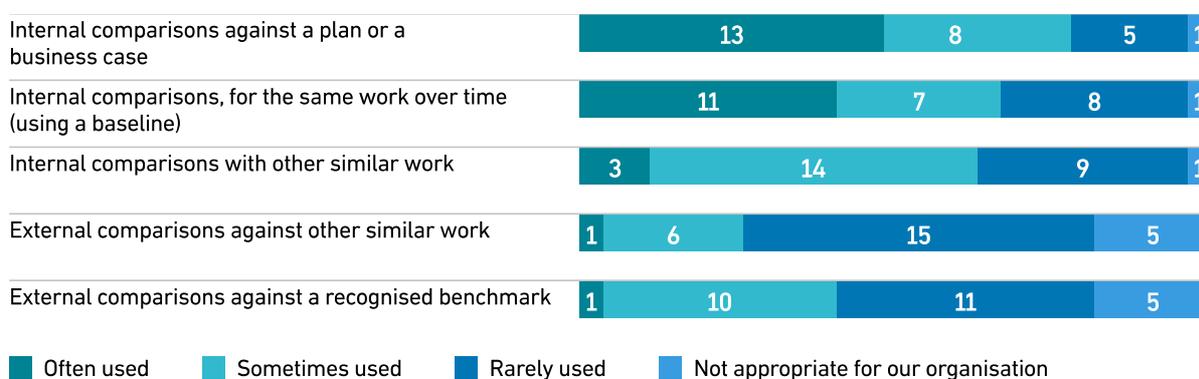# 5.3 Sector performance in the application of VfM tools

The survey responses indicate that most NGOs find it challenging to compare qualitative and quantitative output and outcome data against cost. Only 19% often compared qualitative information against cost, and only 15% often compared quantitative data against cost.

VfM assessments are dependent on making appropriate comparisons. Some 78% of respondents stated that their organisation 'often' or 'sometimes' used a budget or a plan as the basis for such comparison (e.g. comparing budgeted and actual costs, or planned and actual activities or outcomes in a logframe). Around two-thirds use a baseline so that they can make comparisons over time. One respondent stated that their organisation has developed a model which facilitates comparison over time and across its intended outcomes:

> *"The … model facilitates comparison based review of different years of longer term projects and comparisons across outcomes. We are still building an evidence base (a suite of case studies) to better understand how similar programmes in different countries can be compared in a robust way. A number of generic indicators that enable such comparison have already been identified: a proportion between management and operational costs, cost per beneficiary, costs not attributable to results …"*

Comparisons with elsewhere tended to be used less frequently. As **figure 8** shows, internal comparisons with other similar work are 'often' used in only three organisations, whilst only one respondent stated that external comparisons are 'often' used, whether against other similar work or a recognised benchmark.

Figure 8: – Using comparators to assess VfM (Number of respondents)

	Often used	Sometimes used	Rarely used	Not appropriate for our organisation
Internal comparisons against a plan or a business case	13	8	5	1
Internal comparisons, for the same work over time (using a baseline)	11	7	8	1
Internal comparisons with other similar work	3	14	9	1
External comparisons against other similar work	1	6	15	5
External comparisons against a recognised benchmark	1	10	11	5

Source: Survey of PPA agencies, 2016

On the application of tools to reach VfM judgments, respondents offered a range of approaches used to engage beneficiaries, from involving beneficiaries in determining the allocation of resources, to consultation as part of a Social Return on Investment assessment. The benefits identified from such an approach included improved accountability, alignment with the NGOs' values and objectives, and opportunities for feedback and learning through the engagement of communities.

There was a range of examples on how quantitative data might be generated – such as unit cost, programme coverage or levels of uptake. Several respondents expressed caution in using quantitative or monetized data, however, due to the challenges in generating reliable outcome data from complex activities. The comments suggest that the sector has found some economic appraisal techniques, such as Social Return on Investment, to be difficult to undertake and to interpret. Indeed, one respondent noted that this type of assessment would generally only be carried out as a response to a specific donor requirement.

5.4 Lessons on the application of VfM tools

Drawing on the lessons learned from NGOs in this area, there are a number of practical steps that can help to strengthen how VfM tools are chosen and used. This section summarises these collective experiences, supported by illustrative examples.

5.4.1 Lessons on the design and choice of VfM tools

LESSON 1: Economic appraisal tools for programmes are best used when there is a large level of spend and a rich source of data available

Several NGOs have undertaken an economic appraisal of programmes by using Social Return on Investment (SROI) – see **box 2**. Care International UK undertook a similar technique entitled Social Cost Benefit Analysis – this is an adaptation of SROI whereby benefits are quantified so that it is possible to compare the cost per benefit attained rather than monetising each benefit.

Box 2: What is Social Return on Investment?

Social Return On Investment (SROI) is a framework to measure and account for the value created by a programme or series of initiatives beyond its financial value. It describes changes experienced through measuring social, health, environmental and economic outcomes, using monetary values to represent these.

SROI is based on seven principles:

1. Involve stakeholders
2. Understand what changes have occurred
3. Value the things that matter
4. Only include what is material
5. Do not over-claim
6. Be transparent
7. Verify the result

The SROI approach is an extension of the well-established Return on Investment (ROI) methodology. While both approaches express returns as monetary values, SROI includes returns to stakeholders that are beyond purely economic outcomes – it measures genuine social and environmental benefits as well.

Source: World Vision UK, International HIV/AIDS Alliance, ActionAid International, Save the Children UK, VSO and Care International UK

Such economic appraisal tools raise practical challenges and can be difficult for staff to accept – see **box 3**. Care International UK, for example, highlighted the challenge in the sector of gathering sufficient reliable data for analysis and the difficulties in establishing benchmarks. ActionAid International concluded, having piloted SROI, that the tool did not suit their approach. In another case the tool took over two years to use. There was also broad consensus from NGOs that such tools can be expensive.

Box 3: Practical Challenges with SROI

The International HIV/AIDS Alliance listed a number of challenges with SROI:

- *SROI was a new concept for us and to our knowledge hadn't been used in a developing country context before. This meant there was no precedent, little previous work on appropriate financial proxies – everything had to be done from scratch.*

- *[There was a] Lack of robust outcome data*

- *Scepticism within the organisations around monetising outcomes and the subjectivity of it: this meant engagement of some staff was difficult*

- *Programme attribution was difficult to measure: particularly when there are multiple NGOs working with the same community towards similar aims*

- *It was challenging where there was no baseline, theory of change or reliable financial data*

- *It is difficult to come up with proxies for outcomes such as self-confidence and well being*

Source: International HIV/AIDS Alliance

World Vision Australia offered helpful advice on the circumstances where economic appraisal techniques might be suitable in assessing programmes – see **box 4**.

Box 4: When economic appraisal techniques might be relevant to assess the VfM of programmes

An economic appraisal analysis should only be undertaken when ALL of the following are in place:

- There is an identified supporter who values the output

- The local partner is competent and actively supportive

- There is an understanding from all stakeholders of the extended timelines required to complete an economic assessment (expect 12 months elapsed time for a basic proposal to report)

- There are funds available to cover the costs of the appraisal, including at least three trips to the community by the evaluator

- There is a separately funded standard project evaluation and the implications for the community in participating in both evaluations have been adequately considered.

Source: World Vision Australia

Economic appraisal techniques can be very relevant to fundraising and organisational management areas. Whether an NGO is undertaking a periodic review of a function or considering a change, such as outsourcing, or assessing a fundraising option, these tools can be helpful in establishing a business case to support a decision. In practice, the benefits are more likely to be readily quantifiable as they are typically monetary and/or arise within the organisation – such as service provision to other parts of the NGO, and the beneficiaries are thus readily accessible.

LESSON 2: Benchmarking is an important tool for value for money, despite the challenge of finding suitable comparators

A crucial element of any value for money assessment is to establish a norm against which to compare performance. Benchmarking involves comparing actual performance against such norms. International HIV/AIDS Alliance, Plan International UK and World Vision UK have used this methodology to assess programmes. WWF-UK and Restless Development have found benchmarking can be used to assess organisational management areas as well as programmes.

There are a number of different types of benchmarking, such as:

- **Price or cost benchmarking.** This is commonly in use and involves comparing the price paid to procure an item or the price paid plus administrative costs incurred. Organisations typically undertake price comparisons through competitive tendering. Others have used this approach to examine budget setting by country offices or staff pay rates; WWF-Nepal, for example, comparing input costs with standard data held by the Government of Nepal in order to provide assurance on the budgets for their Terai Arc and Sacred Himalayan Landscape programmes. Any discrepancies are examined for reasonableness – such as whether extra costs are due to the remoteness of the location or how up to date the government figures are.

- **Performance benchmarking.** This is typically a relatively 'high level' comparison of costs and outcomes against similar activities elsewhere. The performance indicators used should be critical to the objectives of the programme or function. In the context of programmes, the focus should be on results or outcomes wherever possible. The approach can also be used to compare the cost effectiveness of organisational functions – one approach is to weight performance data on the basis of the EFQM Excellence Model[13]. It can be difficult, however, to isolate the effects of other contributory factors.

- **Process benchmarking.** This involves a comparison of specific elements of programmes, such as the time taken to examine grant applications, the costs incurred in planning or the thoroughness of due diligence checks on civil society organisations. The detail of the analysis tends to enable the user to isolate the impact of contributory factors, but it can make the tool expensive and time consuming to use.

World Vision UK and WWF-UK, who have both used benchmarking, confirmed that its benefits include the following:

- Comparisons over time help the team to track progress so that timely corrective action can be taken where required

- Comparisons with norms provide some assurance that progress is in line not only with the team's expectations, but also with the views of external stakeholders.

13 http://www.efqm.org/the-efqm-excellence-model

Benchmarking is not a particularly straightforward approach to use. Establishing a norm is challenging; in the absence of sector wide data or academic research, external organisations may be reluctant to share their performance or financial data. Specifying metrics to enable comparison is dependent on reliable quantitative data. Isolating the impact of other factors – such as different climates, government policies, and cultural backgrounds is also problematic. As Plan International UK noted:

> *"The exercise has also demonstrated that there are significant challenges to undertaking a robust analysis and comparison of project-level VFM in a cross-country programme. Therefore the tool was relevant more to show what is possible, and what is not, rather than to give meaningful quantitative benchmarks at this stage."*

> *[Nevertheless,] "the data gathering exercise has generated additional narrative information on 'effectiveness'. From one perspective, the fact that we have produced this data shows that there is potential to actually track the cost of creating change at the outcome level."*

The challenges do not mean, however, that benchmarking cannot be conducted internally or over time:

- **Internal comparisons** involve comparing the performance of different activities or projects within a programme. They might include examining the performance and cost of different grantees or the work of country offices. Identifying which activities have performed below average and taking action to address the issues helps to ensure that the programme is actively managed to optimise value for money, and to assure external stakeholders in this regard.

- **Comparisons over time** involve setting a baseline benchmark at the outset of a programme and examining progress at periodic intervals. This helps to assess the added value from the investment made.

LESSON 3: Options appraisal helps ensure that the best value for money approach is selected

Where a major programme or organisational change is planned, it is important to select the option that offers the best value for money. Unless alternatives were considered during the planning process, however well the project has been managed, it is difficult to demonstrate to external stakeholders that the approach taken offered better value for money. Several NGOs, including Save the Children and Fairtrade provided feedback on their experiences of conducting options appraisals. As **box 5** shows, Save the Children Bangladesh invested over a year in conducting in-depth situational analyses, consulting a wide range of stakeholders, and evaluating a range of design options to develop a cost-effective programme.

Box 5: Using options appraisals to drive cost-effectiveness

Save the Children undertook a series of options appraisals to explore design approaches appropriate for the Bangladeshi context. The analysis focused on:

- Technical approaches
- Delivery modalities

The objectives of the technical approach options appraisal were to:

- Identify feasible technical options to address the chronic malnutrition crisis in Bangladesh
- Assess the evidence base for each option
- Identify the advantages and disadvantages of each option
- Assess the potential for impact and sustainability
- Assess potential impacts on climate change and environment.

After identifying three distinct and comparable design options, each option was assessed against nine criteria. Each criterion had a weighted score that collectively added to 100. Each option was then scored against each criterion and marked out of 6, where one is the least important and 6 is the most important for the success of the nutrition initiative.

Having identified the most cost-effective technical approach, the next stage was to determine the most favourable delivery modality. The rationale for investigating a range of delivery routes was to:

- Explore the feasible approaches available to achieve impact at this scale
- Assess the benefits, risks and limitations associated with each option
- Scrutinise the Value for Money of each of the option
- Determine the optimum means to achieve sustainable impact.

A similar approach was taken, whereby feasible options were then marked against the pre-determined criteria.

Overall, Save the Children in Bangladesh concluded that the Option Appraisal proved to be an excellent programme design tool and contributed to increase the efficiency and effectiveness of the selected programme design.

Source: Save the Children in Bangladesh

LESSON 4: Participatory action and/or community engagement are crucial to effective decision-making and programme credibility; and the principles apply equally to organisational management

The main benefits of encouraging participation are that it enables the programme to focus on what is of real value to people and encourages regular progress checking, and operational staff are typically motivated to use the tool. Using participatory techniques and qualitative research to gather feedback is relatively straightforward to manage, as staff appreciate the opportunity and the need to consult with communities – see **box 6**. Similar techniques can also be used in organisational management by encouraging support functions to seek feedback from their users.

Box 6: The benefits of using participatory tools to engage communities

The Terai Arc and Sacred Himalayan Landscape programmes involve supporting Community-Based Organisations to undertake forest management and biodiversity conservation.

Each Community-Based Organisation (CBO) is obliged to hold an annual public hearing and public audit where they share and assess their activities.

During the hearing, beneficiaries and stakeholders are invited to raise their concerns or comments on the decision-making process, accountability, output/outcomes, and the effective, efficient and transparent use of resources. The executive committee has to address their concerns/comments and commit to future improvements.

Through this type of community engagement programme, WWF-UK has learnt that such an approach gives programmes the opportunity to:

- *prioritise community needs (voices and choices) and negotiate and determine win-win situations;*
- *ensure transparency of budget/activity and around who will be the intended/targeted beneficiaries;*
- *ensure ownership;*
- *improve quality and timely delivery of activities;*
- *promote good governance (accountability, transparency)*
- *encourage future improvements based on past learning*

Source: WWF-UK and WWF-Nepal

World Vision UK, ActionAid International and WWF-UK highlight the importance of downward accountability and transparency. They expect participatory approaches to be almost mandatory in their work. ActionAid International uses its participatory approach not only to gather views on what represents value for money to communities, but more importantly to enable beneficiaries to be active 'shapers' of the work – see **box 7**. The participatory methods ActionAid has developed allow it to capitalise on participants' creative contributions and experiences in programme management and thus support value for money decision-making.

Box 7: Using Participatory approaches to enable communities to assess value for money

"In the international development sector, there is little shared learning and collective effort made to unpack how value, and value for money, can be looked at in different ways to assess social change in very complex environments. VfM is often understood as a tool for upwards accountability to donors and VFM assessments are generally conducted by external stakeholders. A purely monetary view of VFM is limiting and does not consider a broader understanding of 'value' as it relates to empowerment and changes that relate to human rights.

Box 7 (continued)

ActionAid wanted to ensure communities' views are at the heart of our VFM assessment, and wanted an approach to VFM which could be embedded in our ways of working. With the support of Daniel Buckles, a Participatory Action Research expert, we developed a set of participatory tools to enable us to discuss the VfM of our work and for communities to actively participate in the VfM analysis and not only in the data collection. The assessment of VFM works by analysing with communities the changes that they observed in the community and relating these to cost levels (high, medium and low) to answer a set of questions and provide recommendations for the future.

The benefits of this approach include:

- *It enables ActionAid to live up to its accountability commitments by giving poor and excluded people a right to take part in decisions that affect them*

- *It enables ActionAid to critically reflect on where the resources are being invested and to what extent they are generating the changes we are aiming for, adapting programmes where necessary.*

- *By bridging the changes identified by people living in poverty as a result of our work and associated inputs, important learning for programmes is generated*

- *Finally, the tools can be embedded quite easily within existing processes without requiring additional resources or external support."*

Source: ActionAid International

LESSON 5: Criterion-based methods or checklists can help encourage both a systematic approach and personal ownership of the need to achieve VfM

VSO, Plan International UK, HelpAge International and the British Red Cross confirmed that criterion-based tools or checklists provide structured guidance to staff on value for money issues to consider. There are existing criterion-based frameworks already available; for example Bond has a checklist entitled "integrating value for money into the programme cycle'[14] There are benefits, however, in developing such methods in-house. Not only do they allow an NGO to tailor the questions to their own specific circumstances, but also the process helps to engage staff, which can be useful in changing the working culture. VSO, for example, found that:

"The exercise of developing such a matrix helped us collectively to move away from just talking about 'money/unit costs' etc. and focussing more on the 'value' aspect of the VfM phrase i.e. what 'value' are we achieving? …

We made sure we were embedding any VfM tool within VSO's existing frameworks, systems & processes – to avoid it being onerous, cumbersome and to ensure an efficient roll-out that would be of practical use, not just a theoretical discussion."

Such criterion-based frameworks provide a useful tool for managers to confirm that due process has been followed and that there is a clear audit trail documenting the steps taken to achieve VfM – see **box 8**. There is a risk, however, that all this is seen as 'form-filling' by staff and that the administrative work diverts attention from their true role. As VSO noted:

14 Available at: https://www.bond.org.uk/data/files/Value_for_money_-_intergration_into_the_programme_lifecycle_Jan_2012.pdf

"There was some initial resistance and lack of interest from programme staff as many thought it was 'just another request from donors on top of our existing heavy workloads' … We were able to explain that the matrix was about evidence based decision making across all our functions, not just at programme or organisational level, but at an individual level too. It was about increasing people's accountability, whilst empowering them in the process. We encouraged feedback to continuously challenge and improve organisational thinking around VfM and made sure that any tools or approaches were drafted in a consultative way."

Box 8: An example of a decision-making framework

HelpAge International have introduced an analytical framework from which VfM dimensions underpinning strategic decision making can be documented, considered and shared. The framework, which draws on the assessment approach developed by Coffey[A], outlines the following decision making dimensions:

- ***Value:** Did strategic decisions focus on value first (reaching the right people with the right support for their needs)?*
- ***Feasibility:** Was there proper consideration of different options?*
- ***Risk:** Were the risks associated with each option clear and understood?*
- ***Informed:** Did decision-making rely on sufficient and appropriate data and information?*
- ***Costs:** Was there a sound understanding of key structural and operational factors driving decisions about costs?*
- ***Adaptability:** Were there opportunities to reassess decisions?*
- ***Transparency and communication:** Who was involved in the decision-making process and how were these decisions documented and communicated?*

Note:
A. Coffey (2015) '2014 Programme Partnership (PPAs) Evaluation Report', available at http://policy-practice.oxfam.org.uk/publications/2014-programme-partnership-arrangements-ppa-evaluation-report-581310

Source: HelpAge International

5.4.2 Lessons on using tools and making VfM judgments

LESSON 6: Using qualitative and quantitative data to triangulate information can provide assurance on the evidence used for decision-making

A number of NGOs, such as Sightsavers, Plan International UK, ActionAid International and the British Red Cross use a combination of performance metrics and qualitative data to support their decision-making. Plan International UK, for example, noted that:

"… it was important for Plan International UK not to solely rely on quantitative metrics; qualitative analyses were also necessary to capture the often 'hard to measure' areas of our work and complement the quantitative data collected."

Compiling information from different data sets and drawing on qualitative as well as quantitative analysis helps teams to cross-check findings and to confirm validity.

LESSON 7: The data uncertainties in the supporting evidence base must be taken into account in reaching a VfM judgment

Gathering sufficient evidence to support a VfM assessment is not straightforward. It is inevitable that there will be uncertainties in the data collected – such as sampling errors, gaps in some areas, and contradictions in others – especially in those activities that are hard to assess. There is a risk that these uncertainties unnecessarily delay decisions, lead to misplaced assumptions or steer attention towards easier to measure but less effective development practices.

There is no definitive rule on what constitutes sufficient and reliable evidence for value for money decisions. Instead, best practice is to explicitly probe gaps or uncertainties as part of the decision-making process – see **box 9**.

Box 9: An example of the explicit probing of data uncertainties when making value for money decisions

Gathering and assessing evidence is often a challenge; we recognise that there is much complexity in the detail and it is important to take a mature approach to managing VfM in a realistic and appropriate way. It is also important to avoid measurement criteria that may risk shifting resources away from complex, transformational, multi-partner, innovative programmes to more quantifiable, easier to deliver work. Instead we must incorporate (into our thinking on value) criteria that support sustainability such as building capacity, influencing policy, developing partnerships and leveraging resources.

In this context, and based on experience of what works, we have made some significant improvements to our 'Traffic Lights' approach, whereby programme managers self-assess progress against goals and objectives, the likely sustainability of results and actual against planned expenditure. In particular from 2013/14 we asked Programme Managers:

To also rate the quality of supporting evidence for their assessments e.g. hard evidence, supported opinion, or no evidence.

To define a limited selection of specific long-term planned outcomes from the programmes; these became known as Big Wins. Baselines were defined, and then we incorporated the reporting of progress towards these Big Wins into our regular six monthly reporting to Directors and governance bodies. Again we use a 'Traffic Lights' format with associated commentary, alongside the overall programme portfolio report.

We find that the robustness of the data has improved as a result of these changes, and ratings are more realistic; there is less of a tendency for 'optimism bias'. In addition, the quality of reflection, understanding and discussion about progress is now at a higher level.

Source: WWF-UK

6. VfM Leadership

KEY POINTS

- **Embedding the concept of value for money into working practices requires strong leadership to set the agenda, encourage staff engagement and ensure that progress is maintained**

- **NGOs have sometimes had to overcome perceptions that value for money is donor driven and something of an administrative burden to staff**

- **Key lessons learned include:**

  - The time spent upfront on diagnosis and the development of a plan for embedding VfM is a good investment

  - Implementing the VfM concept requires a senior champion in the organisation to encourage organisational buy-in

  - Staff can be engaged by keeping the discourse straightforward

  - Engaging staff and stakeholders in developing an approach to VfM helps to get the focus right and to secure buy-in during roll-out

  - A VfM approach should be based on what is required; hard choices should not be avoided

  - Effective oversight requires regular monitoring of integrated data on performance and associated costs

  - Internal resources should be deployed to probe key risks to VfM

  - Staff should be held adequately to account for performance

  - Accountability should be downward as well as upward.

6.1 Introduction

Embedding the VfM concept into the day-to-day operations of NGOs is dependent on encouraging staff and other stakeholders to change their working practices. This section examines why strong leadership is required to set the agenda, encourage staff engagement and ensure that progress is maintained.

In VfM leadership, there are two critical areas:

1. **Clarity of direction.** As with any organisational change programme, developing value for money practice requires the commitment of everyone in the organisation and the drive of senior management. Leadership behaviour shapes organisational culture and how people respond to change.

2. **Governance and accountability mechanisms.** To support the culture change, the VfM concept must become part of daily routines and subsequently sustained. Suitable accountability and governance arrangements should be put in place to ensure that this is achieved.

6.2 The key attributes of strong VfM leadership

6.2.1 Clarity of direction

We identified three key attributes that contribute to clarity of direction:

- **A common language and shared understanding of VfM.** Value for money is a subjective concept and each of us is likely to have different views on what it means and how it should be applied. Building a common understanding of VfM within the organisation is important to focus practice. It also helps to resolve misunderstandings. Several NGOs have developed policy papers that set out how the concept should be applied in their organisation. Such messages can also be shared through internal briefings, informal networks or other media, or integrated in strategic change and improvement plans.

- **Active and clear expectations for VfM set by leaders.** It is critical that there is a clear vision of how the organisation can achieve value for money in all aspects of its work and demonstrate this to external stakeholders.

- **Demonstrable commitment to learning and change to improve VfM.** This can either involve the development of an action plan setting out how the NGO plans to meet its expectations on VfM, or how it will be integrated into a wider change programme. In either case the approach should be actively endorsed by senior management and suitably resourced to support implementation. Management commitment should be demonstrated through actions as well as communications.

6.2.2 Governance and Accountability Mechanisms

The key attributes of governance and accountability mechanisms comprise the following:

- **Clear delegation of performance responsibilities.** Individuals should have an agreed understanding of the outputs they should deliver, the intended outcomes that they should achieve and the resources available to support them.

- **Performance management activities that embrace VfM and a culture of asking performance questions.** Management scrutiny must cover efficiency and the impact and quality of activities, as well as more basic monitoring of outputs and spend against budget. VfM is embedded into performance processes; at organisational level this can be through the adoption of a balanced scorecard approach. At team and individual level it is important to build a culture of challenge and scrutiny to encourage staff to monitor progress more rigorously and routinely.

- **Corrective action to maintain or improve VfM based on regular monitoring of performance.** Risks to VfM must be actively managed and timely remedial action taken where applicable. Such actions might include the redeployment of resources, changes to activities or delivery methods, or commissioning further investigations in order to establish what can be done.

Both of the areas – 'clarity of direction', and 'governance and accountability mechanisms' – apply to all aspects of NGO management including both the management of support functions as well as programmes and other activities.

6.3 Sector performance on VfM leadership

The mapping exercise undertaken by the VfM Learning Group in 2014 confirmed that donors have been instrumental in pushing the concept of VfM:

> *"There can be little doubt that donors' requirements to justify projects from a VfM perspective are helping to drive the sector to improve VfM capacity." (PPA Self-assessment report, 2014)*

There is a risk, however, that this 'donor push' might be seen as imposing the concept of VfM on NGOs rather than an issue that senior managers have embraced. Whilst half of respondents to Mango's survey said that value for money is perceived to be one of several important factors in assessing, measuring and managing the performance of the organisation, only one organisation considered that it was perceived as integral to managing performance. Some 42% of respondents stated that value for money is perceived as essentially a donor requirement. As one respondent noted:

> *"There is a general sense that VfM is an additional thing to do in the light of busy schedules rather than a helpful approach to improve programme quality and decision-making at organisational level."*

6.3.1 Performance on Clarity of direction

NGO participants tended to specify what VfM means in their organisation and how it should be applied in a written 'position paper', 'framework' or 'policy' (although Sightsavers decided that it did not require standalone guidance – see **box 10**). The status of the documents, however, indicates differing stages of progress within the sector. One organisation stated that it had a clear VfM policy and guidance that has been circulated to and is understood by the majority of relevant staff. Half of the respondents had developed a policy but it was not yet widely circulated or understood in their organisation and 39% stated that their guidance was currently under development.

Box 10: Sightsavers have sought to embed VfM from the outset

Rather than develop expensive parallel structures and teams, VfM considerations are built into existing teams and are supported by a range of core processes. These include the use of our Strategy Implementation and Monitoring Card to measure performance and guide decision making, the use of a strategic programme committee to oversee all decisions about future programming and the implementation of a clear project design process that ensures technical, financial and programmatic oversight are built into each project.

Source: Sightsavers

In relation to securing commitment to make changes necessary to address VfM, only 23% of respondents regarded 'getting buy-in or interest at Board level' as "very" or "quite" challenging. There is a senior management lead on VfM in 54% of surveyed NGOs. The engagement of senior staff in embedding the concept of value for money is encouraging, but it does appear that more can be done. Some 31% of respondents stated that, *"… it is challenging to assign sufficient resources to make changes [in relation to VfM]."*

6.3.2 Performance on Governance and Accountability Mechanisms

The survey responses suggest that the concept of VfM is being built into planning and performance management. Some 57% of respondents are making progress in incorporating VfM review and assessment in team, department and organisational plans and performance management activities. Some 62% of respondents stated that they were adapting their organisation's monitoring, evaluation and data collection policy and systems to include VfM, and 31% were adapting finance systems to calculate full costs.

On accountability, the programme-level evaluation of PPAs by Coffey International (2015)[15] noted that it remains 'work in progress'. It concluded that: *"… while the principles underpinning the VfM assessment are in place, approaches to their practical application are unclear."*

6.4 Lessons on how to improve VfM leadership

6.4.1 Lessons on Clarity of direction

LESSSON 1: The time spent upfront on diagnosis and the development of a plan for embedding VfM is a good investment

Embedding value for money into existing working practices requires an in-depth analysis of how risks to VfM are currently managed and decisions made across the organisation. Fundamental changes to systems and processes may still be necessary, but recognition of existing strengths can help staff to accept the proposed changes more readily – see **box 11**.

Box 11: Building on existing strengths

Understanding how to maximise value for money (VfM) has always been at the heart of what we do, and we have a long history of managing for effectiveness, efficiency and ultimate impact in our programmes.

Senior management empowered appropriate staff within the organisation to sharpen our understanding of VfM, develop a more coherent narrative and strategy, and improve our overall capacity to achieve VfM in everything we do.

We developed a strategy that allowed us to build on existing initiatives. We recognised where we were already doing good things, and integrated these within the overall strategy. Effective implementation in other offices requires that we take into consideration office cultures, priorities, capacity, resources and operating environments. In particular we have to manage any perception that VfM is an additional demand; again we do this by encouraging people to build on existing good practices.

Source: WWF-UK

The development of a policy paper or plan is an opportunity to clarify how the organisation has interpreted the concept of VfM. The International Directorate of the British Red Cross's position paper on value for money, for example, specifies what the term 'value' means to the organisation and outlines a model of how VfM considerations can be applied in its work – see **box 12**. Similarly, World Vision UK set out their approach by defining their principles – see **box 13**.

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15 Provided by the VFM Learning Group; not publically available.

Box 12: Defining what VfM means to an NGO

The ***International Directorate of the British Red Cross*** *developed a model (see below) which shows what "value for money" means to them and how VfM considerations are applied in their work.*

They consider a piece of work is effective and efficient if:

Need: Its foundation is the consideration of an unmet need to which we have the mandate to respond.

An Aim: it seeks to address this unmet need as sustainably as possible for the target group (decision area 1).

People: it targets those most in need given our capacity, mandate and access to target groups (decision area 2).

Way: the chosen "way" (i.e. pathway, and implementation method or delivery option, including the management arrangements) can deliver the required quality at the required time and scale utilising fewer resources (people, money) than other possible "ways", within the context and capacity of the Movement. The chosen "way" is sustainable, where appropriate, and culturally relevant (decision area 3).

Scale: the intervention assists the maximum number of people in the context of the aim (decision area 4).

Time: the intervention timeframe is informed by the nature of the need (i.e. urgent or chronic), seasonal factors as relevant and the quality of the inputs and outputs required (decision area 5).

Economy: the through life cost to procure the right quality of goods, services, works or assets within the required time frame in line with ethical and environmental considerations is minimised (decision area 6).

Source: International Directorate of the British Red Cross

Box 13: How World Vision UK specified its expectations on value for money

WVUK's understanding of VfM is based upon a number of principles:

Principle 1: Using a long-term time frame for measuring value. A push to demonstrate value for money in the short-term might encourage interventions that deal with symptoms rather than the causes of poverty. WVUK seeks, wherever, possible, to use a long-term time frame that reflects its partnership working with communities.

Principle 2: Measuring what matters, not what is easy to measure. Demands to quantify and monetise 'value' carries the risk of only measuring activities that are easy to measure.

Principle 3: Measuring what is of value to beneficiaries. As part of our drive to be accountable to beneficiaries as well as donors, WVUK involve communities in measuring and validating impact.

Principle 4: Working with the most vulnerable. NGOs such as World Vision are particularly well suited to reaching the most vulnerable, those often beyond the reach of state and market institutions. As reaching those at the margins tends to be more costly, WVUK will not let the VfM agenda push them towards only operating in easier contexts.

Principle 5: Making the most of the available resources is foundational to World Vision. WVUK welcome an emphasis on being accountable and responsive to the high expectations of both donors and beneficiaries.

Principle 6: Promoting collaboration rather than competition between NGOs. WVUK see themselves primarily as collaborators, not competitors.

Principle 7: Encouraging carefully calculated, and transparently reasoned, risks. WVUK is committed to conducting risk assessment in all programming, being transparent in decision making and adventurous in attempting innovative solutions.

Principle 8: Taking a portfolio approach to VfM. WVUK seek to balance risk across the portfolio of programming, with a mixed portfolio including both proven and also innovative interventions.

Source: World Vision UK

LESSON 2: Implementing the VfM concept requires a senior champion in the organisation to encourage organisational buy-in

A number of the NGOs commented on the importance of having a senior champion within the organisation to drive the changes required. WaterAid, for example, recognised in 2011 that it is the responsibility of its senior management and Departmental Directors to demonstrate how they achieve value for money.

The role of a senior champion is to maintain momentum and clarity of direction through the challenges that arise. Sightsavers, for example, noted that:

> *"The transformation of Sightsavers to an organisation which places strategic alignment and achievement of objectives at the heart of what it does, thereby delivering for its beneficiaries and donors and providing clear value for money, has not been straightforward. It has required clear and consistent leadership and the commitment to make difficult decisions."*

LESSON 3: Staff can be engaged by keeping the discourse straightforward

Any communications, policies or briefing papers on value for money should avoid technical jargon that might leave some staff feeling alienated. Christian Aid, for example, produced a briefing paper in July 2012[16] that set out clearly what value for money means to the organisation and also what is not relevant to its approach. The paper is a well-drafted public document and the discourse supports Christian Aid's argument that:

> *"Above all, VfM is a management habit, and while specific methodologies may help deepen our understanding and analysis, the key challenge is to incorporate this habit across all our work, and into all our decisions and management conversations."*

LESSON 4: Engaging staff and stakeholders in developing an approach to VfM helps to get the focus right and to secure buy-in during roll-out

Consulting and engaging others in developing an approach to VfM helps to overcome the perception that VfM is a donor-driven concept that only adds to the existing administrative burden. Several NGOs have used working groups that comprise staff from different functions/locations to develop their approach. The VfM Working Group established by Save the Children UK, for example, comprised a grant adviser, Monitoring, Evaluation, Accountability and Learning staff and researchers, account managers, donor compliance staff, as well as contract bidding and management staff. The consultation can extend beyond staff to include other stakeholders, such as contractors, partners or beneficiaries.

The purpose of any working group is to help to ensure that the organisation develops a common VfM agenda. WWF-UK noted, for example, that:

> *"… senior management empowered appropriate staff within the organisation to sharpen our understanding of VfM, develop a more coherent narrative and strategy, and improve our overall capacity to achieve VfM in everything we do."*

LESSON 5: A VfM approach should be based on what is required; hard choices should not be avoided

The concept of value for money needs to be embedded in all aspects of each NGO, covering organisational functions as well as programmes. As such, it is often necessary to review all major activities within the organisation to establish whether they continue to be aligned with the NGO's objectives and if they are efficient and economic. Several NGOs in the Learning Group have undergone a reorganisation in the last few years that have freed up resources for use elsewhere:

- Sightsavers commissioned a fundamental review of its entire project portfolio. The strategic alignment process resulted in a number of projects being closed to free up funding for new projects that made better use of the resources available and were more closely aligned to the NGO's strategic goals.

- HelpAge International used a set of 'Future Fit criteria' to systematically assess the performance of each of its country offices and where resources should be prioritised in future. The criteria covered a range of demographic trends and performance records.

- International HIV/AIDS Alliance sought to decentralise its work through the establishment of regional hubs and centres of practice. The NGO notes that the consequent reduction in staffing is likely to have increased productivity, although the efficiency savings have proved difficult to quantify.

16 https://www.christianaid.org.uk/images/value-for-money.pdf

The British Red Cross highlighted the importance of objectivity:

> *"…we believe that at its heart, achieving value for money in the sectors and environments in which we work requires experienced judgement applied in the context of the evidence base that can be assembled as time and circumstances allow. We promote and encourage the intellectual honesty that is needed to develop and consider alternatives, judge what has been achieved to date, and revise activities to improve value for money."*

Whilst most of the examples received were focused more on front-line operations, the principles also hold true for 'back-office' functions. Accommodation usage, the role of support functions, and staff productivity, for example, also need to demonstrably meet the needs of the organisation and remain cost-effective.

6.4.2 Lessons on Governance and accountability

LESSON 6: Effective oversight requires regular monitoring of integrated data on performance and associated costs

Making informed, evidence-based decisions and managing and mitigating the risks to VfM is dependent on regular monitoring of integrated data on performance and associated costs. Integrated management information allows trustees, senior management and line managers to assess value against the resources expended to achieve it. It also makes evident the impact of cost reductions on performance and can clarify the financial effects of changes in performance. How the information is configured will differ for each NGO, depending on the context in which it operates and the demands of those trustees and staff responsible for scrutinising performance. Accountability for performance should be clear and reporting should cover all material aspects of each NGO's operations, including outcomes and projected impacts, as well as outputs, inputs and the related costs. **Box 14** illustrates how Sightsavers has adopted such an approach.

Box 14: An example of how one NGO tracks the progress of its responsibilities

The Sightsavers' SIM card identifies key inputs, activities and capacities that we need to achieve our strategic objectives and defines how we will track performance within each of these.

Managers are assigned to own these individual objectives and ensure performance data is accurate and meaningful. Data is collected from across the organisation and analysed within an internet based dashboard which provides instant insight into performance through a series of gauges and data tables.

The performance data is then reviewed and discussed at all management levels to ensure that the implications are understood and necessary decisions are taken.

Focused efforts to support efficient use of resources, develop strong information sharing systems and ensure high quality programmes have driven a strong systems agenda through the organisation over the last five years. As a consequence, we have been able to maintain a flat expenditure on our support functions despite overall significant growth in the scale of the organisation.

Source: Sightsavers

LESSON 7: Internal resources should be deployed to probe the key risks to VfM

Utilising too many of an NGO's resources to improve cost-effectiveness might, in itself, risk undermining an organisation's efforts to achieve value for money. As with corporate risk registers, it is important to focus on an organisation's key risks to value for money – those that would have a significant impact if not managed or mitigated.

Key risks to value for money should be regularly monitored and reviewed. One approach is to invite Internal Audit to undertake a programme of investigations to examine the adequacy of an NGO's mitigation arrangements. Such investigations would extend beyond the traditional checking of system and procedural controls to review what steps have been taken to achieve value for money. This approach enables the NGO's Audit and Risk Committee to examine whether value for money risks are being managed and to provide the Chief Executive and Board some assurance on this issue. Restless Development have utilised such an approach since 2009 – see **box 15**.

Box 15: Internal Audit for monitoring the appropriate management of key VfM risks

Value for Money at Restless Development is led jointly by the Finance and Programme Directors, operating through a Value for Money Committee that meets regularly.

Each operating unit carries out an Annual Review, assessing performance and delivery across all directorates, with the aim of taking learnings into the next year's planning cycle so improvement is captured and effectiveness improved.

Our programme of internal audits complements our Annual Reviews by capturing evidence of performance from which learning is also taken, with the aim of continually feeding in evidence to support a cycle of improvement.

Our internal audits are risk-focused with the aim of ensuring that we have sufficient controls in place to support the optimal delivery of our programmes. Each internal audit report provides a detailed critique of our operations to our Board of Trustees, giving them a valuable insight into performance and risk across the whole organisation.

Our internal audit programme initially focused on compliance with our financial policy and procedures but, with pro bono support from a number of audit firms, quickly broadened to cover financial compliance, programme quality, people & performance management, investment & partnerships and strategy.

Running a programme of annual internal audits is not cheap and to get best value from such a programme it is essential to follow up on recommendations regularly (quarterly in our case) to ensure that improvement is made and learning is shared.

Source: Restless Development

Building in a process of regular review is particularly important for organisational support functions, such as office and vehicle management, finance, HR or monitoring and evaluation (M&E). Periodic assessment of these functions might involve seeking feedback on the quality of service provided and comparisons with alternative delivery models, such as outsourcing functions, or centralising services.

LESSON 8: Staff should be held adequately to account for performance

There should be an explicit expectation for each budget holder, manager or director to deliver and demonstrate value for money in their work. This means being accountable for the efficient and effective use of the resources at their disposal. Restless Development has developed a broadly similar approach through the use of 'Bottom Line Accountabilities'. The NGO noted that such an accountability mechanism has helped it to confirm whether the systems are in place and operating effectively to

enable value for money across the organisation. The accountabilities for programme staff typically cover:

- **Strategy and direction.** In particular that logframes are in place, performance is regularly monitored and risks are being identified and managed.

- **Programme quality.** M&E arrangements are in place, the annual programme has been improved and issues raised by Internal Audit have been addressed.

- **Finance and administration.** The management accounts are up to date and audit recommendations have been addressed.

- **People and performance.** There are sufficient, suitable staff in the NGO, supported by effective appraisal and performance management processes.

Similar requirements can be applied to organisational management functions.

LESSON 9: Accountability should be downward as well as upward

Accountability should be to trustees and beneficiaries/ communities as well as donors. ActionAid International has sought to address this issue by working and collaborating with a Participatory Action Research expert to develop a set of participatory tools to enable the NGO to discuss and get feedback on the value for money of its work with communities. The approach is not yet widespread across the whole of the organisation, but ActionAid International notes that the feedback to date suggests that it has enabled people living in poverty to be part of the decisions that affect their lives – see **box 16**.

Box 16: Balancing upward and downward accountability

ActionAid International noted that: *"The assessment of VFM works by analysing with communities the changes that they observed in the community and relating these to cost levels (high, medium and low) to answer a set of questions and provide recommendations for the future."*

The typical questions raised with communities include:

- *If you were to go back, would you suggest that the programme does these actions again?*
- *How could we have spent less?*
- *How could we have achieved better results?*
- *Are the changes we have achieved good enough?*
- *What could we do more of in the future?*
- *How would you plan the money?*
- *How do you think we should structure our work to achieve better results?*

ActionAid International regards VfM as a means of enabling people living in poverty to be part of the decisions that affect their lives. Their approach recognises that VfM can be over-complicated or translated into a set of questions integrated in policies that are frequently not taken into account. As a consequence, ActionAid International regarded it as crucial that the concept was translated into a set of very simple tools that can be used easily by frontline staff.

Source: ActionAid International

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7. Integrating VfM into Working Practices

KEY POINTS

- **Those responsible for achieving value for money are reliant upon:**

  – Well-designed processes that focus their attention on key issues at the right time

  – Robust M&E and finance systems that generate integrated performance and financial information to make value for money decisions

  – Reliable and timely data that provide the evidence to support value for money decisions

- **Transparency will help ensure that each VfM decision will stand up to scrutiny**

- **The sector has made progress in developing existing M&E and finance systems, but more work is needed to formalise processes and generate reliable and relevant data to support decision-makers**

- **Key lessons learned include:**

  – Specifying the key points in existing processes when VfM should be considered provides a helpful reminder for staff

  – Gathering data on outcomes may need to go beyond the existing logframe requirements

  – Compiling the data needed to assess value for money can take time

  – Engaging staff helps strengthen processes and data quality

  – Structuring the organisation around 'centres of practice' can help to align financial and performance data

  – Justifying that a decision represents value for money demands proper scrutiny of alternative options

  – Criterion-based methods can help build quality assurance into value for money decision-making

7.1 Introduction

Any drive to embed the concept of VfM into the day to day operations of NGOs requires well-designed processes that trigger VfM considerations, and efficient and suitable management information systems to generate the evidence needed to support each decision:

> *"Unless an NGO can monitor costs and measure outcomes it will struggle to engage meaningfully with value for money". (Bond, 2012[17])*

We identified two critical areas when integrating VfM into working practices:

- **Processes, systems and data.** Achieving value for money involves supporting individuals to make the right decisions. This means that there should be clear processes and systems in place to provide them with the data and other information required, and that VfM considerations should be an integrated part of their responsibilities and of the processes they use. Such data and information comprises quantitative data, qualitative data and financial information.

- **Transparent decision-making.** The decisions made that impact on value for money need to be able to stand up to scrutiny and so should be transparent. As a consequence, it is important that the considerations behind each judgment are accurately recorded and available for subsequent review.

7.2 The key attributes of integrating VfM into working practices

7.2.1 Systems, processes and data

Our review identified four key attributes of having good systems, process and data:

- **Consideration of VfM is embedded within major organisational processes and systems.** This might include, for example, the requirement for competitive tendering on contracts, the requirement for an options appraisal before approval to prepare a business case on a programme, or regular cost-effectiveness reviews of each support function.

- **Management information and finance systems which enable the collation of integrated data to support VfM review and decision-making.** Each NGO needs to identify what information is required to assess and demonstrate VfM and develop suitable systems to gather such data.

- **Sufficient tools and guidance to support a systematic process for data collection and aggregation.** It is important to ensure that any data are collected on a consistent and reasonable basis so that comparisons can be made and trends identified. Data definitions help to eliminate uncertainties over what should be measured and when. Such guidance should cover performance and financial data.

- **Common indicators and measures to allow comparison.** Comparative analysis is important to establishing VfM. This does not necessarily mean comparing similar programmes in different countries as circumstances vary. Instead, it is about specifying an acceptable level of performance (a comparative) to examine progress against. Such comparatives might enable an examination of trends over time, comparing specific aspects of one activity against others in the same programme (such as price comparisons, staff utilisation rates or take up rates), or comparisons against established norms – such as the cost of health improvements (QALYs and DALYs).

17 Bond (2012) 'Value for Money: what it means for UK NGOs':
www.bond.org.uk/data/files/Value_for_money_what_it_means_for_NGOs_Jan_2012.pdf

7.2.2 Transparent decision-making

The key attributes for transparent decision-making comprise:

- **Data and information required to underpin key decisions are identified in advance and collected systematically.** Key decision points for activities, such as the finalisation of a programme design, the allocation of certain resources or the periodic review of a support function, should be clearly identified and prepared for accordingly, ensuring that relevant data is collected and compiled for analysis as evidence to support the decision.

- **Decisions and their underlying evidence-based rationale are summarised and documented**. It is not unusual for there to be a time pressure to 'get on with delivery' rather than spend time on "administrative" functions. It is important, however, to keep an audit trail of how key decisions were reached and the factors considered so that the judgments can be justified at a later date.

- **Alternative options are considered and assessed against clear criteria.** Every decision requires consideration of alternatives. Such alternatives should always include the 'do nothing' option. This helps to ensure the NGO is aware of wider developments – such as approaches being developed by other NGOs, research developments and contextual situations – and is using resources in the best way possible to achieve the intended outcomes.

- **Decisions involve consultation with relevant stakeholders.** Seeking the views of stakeholders, such as programme beneficiaries or users of support functions, helps an organisation to establish what 'value' is being provided.

- **The decision-making process is accessible for others to review.** Inviting others to review the decisions made will encourage those involved to fully consider VfM and encourage challenge and improvement. This might include: inviting stakeholders to observe or participate in the process; introducing some sort of peer or other review process within the organisation; or publishing the discussions on the internet.

7.3 Sector performance in integrating VfM into working practices

7.3.1 Systems, processes and data

Each NGO will need to develop its own systems and processes in order to integrate VfM into existing working practices. The standard set of key performance metrics used by the International Directorate of the British Red Cross provides a helpful example of what might be required – see **box 17**.

> **Box 17: The International Directorate of the British Red Cross has developed information systems to collate data for a number of standard metrics**
>
> *To ensure consistency across those programmes for which we undertake a VfM assessment and to focus on what is the most important to programme performance, we use a range of BRC standard indicators; currently there are nine. These range from conventional Output and outcome delivery%, Number of people reached (targets vs. actual) to more bespoke ones, such as 'costs not directly attributable to results' (CONDAR).*
>
> *In addition to these standard indicators, we also look at a range of other indicators specific to the programme being reviewed, for example number of health visits per beneficiary, indirect cost of volunteer input, etc.*
>
> Source: International Directorate of the British Red Cross

Some 62% of respondents confirmed that they had plans to adapt their organisation's monitoring, evaluation and data collection policy and systems to include VfM, although only 31% planned similar changes to adapt their finance systems and processes.

On VfM indicators, half of respondents confirmed that they had made some progress in developing suitable measures, whereas 36% had made little or no progress and 14% stated that this issue was not applicable to them, because their existing indicators are in use as VfM indicators, or because there are no standard indicators in the relevant sector of work. In general, the examples of progress that were cited related to specific projects or programmes rather than organisational functions. Some 58% of respondents stated that they had plans to develop further indicators, but there was no indication of whether these would include organisational functions as well as programmes.

Figure 9: Progress in integrating VfM into existing performance and finance systems
(Number of respondents)

Source: Survey of PPA agencies, 2016

7.3.2 Transparency of decision-making

There is mixed progress in strengthening the process for justifying value for money decision-making. Some 57% respondents confirmed that they had made progress in incorporating VfM review and assessment in team, department or organisational plans and/or performance management activities. The comments revealed that a variety of different approaches were being pursued, such as building indicators into organisational balanced scorecards or adapting the internal audit function to review VfM. In comparison, 39% of respondents stated that there had been little or no progress and one said that this issue was not applicable.

There does appear to be stronger progress in developing, assessing and documenting costed alternatives for key decisions. 67% of organisations had made some or considerable progress in this area. In a number of cases the progress was largely around procurement practices, although four respondents noted that they were piloting the use of costed options appraisals in their programme design. One respondent noted that:

> *"We have developed an options analysis which is required when building a proposal. This requires the proposal designer to consider three alternative options, describing how each option will contribute to the 4Es as well as sustainability."*

A further 32% of respondents stated that their NGO had made little or no progress, or that the issue was not applicable.

7.4 Lessons on how to improve systems, processes and data

Drawing on the lessons learned from NGOs in this area, there are a number of practical steps that can help to strengthen performance. This section summarises these collective experiences, supported by illustrative examples.

7.4.1 Lessons on systems, processes and data

LESSON 1: Specifying the key points in existing processes when VfM should be considered provides a helpful reminder for staff

There are key stages in the design, planning and implementation of programmes where it is crucial to consider value for money. The "OGC Gateway™ Process", for example, examines programmes and projects at key decision points in their lifecycle and looks ahead to provide assurance that they can progress successfully to the next stage[18]. The scale of review will depend on the size and complexity of programmes.

Existing processes would include the programme cycle and organisational change management projects. **Box 18** shows how the International Directorate of the British Red Cross has applied this lesson.

18 See: http://webarchive.nationalarchives.gov.uk/20110822131357/http://www.ogc.gov.uk/what_is_ogc_gateway_review.asp

Box 18: British Red Cross: Working Towards the Systematic Consideration of VfM

We deliver value for money through the policies and practices that apply at divisional level ("top down"), as well as through our management of each of our projects and processes individually ("bottom up"):

- Bottom up: at the heart of our approach are our value for money model and self-assessment methodology and tools, which facilitate the systematic consideration of value for money in any particular project or process.

- Top down: we also recognise however that division-wide policy and practice have a substantial impact on the degree to which we achieve value for money, as they affect both the decisions that are made in planning and delivering our work, and the arrangements that are put into place to achieve the relevant objectives. For example, the HR policies and practices relevant to the whole division and applicable to all projects, support functions or processes, have major implications for the way in which the work is undertaken, in terms of staffing, skills and capabilities. They therefore affect the extent to which the work delivers value for money.

While certain factors or decisions only affect the project to which they apply, these division-wide policies and practices are systemic across our work, and can therefore enhance – or reduce – the value for money delivered in all the work to which they apply. Agreed-upon policies and procedures are essential to enable work to be carried out efficiently and effectively, and to confer appropriate control, but they also carry a cost, especially if they are overly complex or elaborate, or alternatively, if they do not meet the needs for which they are designed, or are overly simplistic.

Because to us value for money is about delivering good programmes, our tools are primarily focussed on promoting value for money in international programmes. There are two components:

- Value for money management model (assessment methodology and tools) which facilitates the systematic application of relevant BRC processes and procedures and value for money considerations during programme design, implementation and evaluation. This model is being fully integrated into our Project/Programme Cycle Methodology.

- Programme performance assessment model that examines key aspects of programme delivery 'on the ground' through the synthesis of monitoring, evaluation and financial data. This model informs our Evaluation approach.

Source: International Directorate of the British Red Cross

As organisational functions such as IT support or Finance may not change for some years, a 'gateway' process is not necessarily applicable. Nevertheless, similar principles can be applied, such as through central government's 'quinquennial review' programme whereby each function is subject to review once every five years. Such arrangements can be undertaken as a self-assessment exercise, or built into the audit work programme.

LESSON 2: Gathering data on outcomes may need to go beyond the existing 'log-frame'[19] requirements

NGOs typically have M&E and finance data systems already in place and as a consequence it is easy to assume that the data are readily available to assess and demonstrate VfM. M&E data tends to be built around programme log-frames, however, and so do not necessarily cover wider (unintended) outcomes, the interim information required to assess and demonstrate VfM at earlier stages of a programme, or organisational or programme management considerations.

For example, demonstrating that the programme design selected will achieve value for money is dependent on an analysis of alternative options. Such options do not feature in the logframe and so M&E data may not be available. Similarly, the justification for the number or size of grants awarded during implementation of a programme requires evidence of the capacity of the potential partner organisations to manage such sums. Existing systems may not have this information. Furthermore, without some form of activity based costing, existing finance systems may not have the granular detail needed to assess specific options and to monitor costs for VfM purposes appropriately.

LESSON 3: Compiling the data needed to assess value for money can take time

Building the integrated data sets required for each key VfM decision can take time. Sightsavers, for example, noted that:

> *"…developing strong information sharing systems and ensuring high quality programmes have driven a strong systems agenda through the organisation over the last five years."*

Developing the information systems required involves examining the adequacy of existing approaches and what changes are required, as the quote from Save the Children UK indicates:

> *"…the implementation of value for money principles and practices is an on-going process of learning and development, therefore requiring a dynamic and flexible implementation strategy."*

The need for longer-term investment in building the systems and processes required also applies to the assessment of VfM from organisational management. In some cases, such as HR management, procurement and contract management, finance and asset management, off-the-shelf data systems can be bought. Even in these circumstances, however, it can take time to procure the system, train the staff and build the banks of past data required – see **box 19**.

Box 19: Procuring systems needed to generate the data necessary for securing value for money from organisational functions can take time

In 2011 although the organisation had a basic purchase order system in place, it still had no means of reporting on, or establishing to what extent, value for money was being achieved from its annual spend on third party suppliers.

A business case was developed for the implementation of an electronic source to pay system. A system was selected in January 2013 following an extensive tender process. The implementation was condensed into nine months by choosing a full rather than phased roll-out.

Source: WWF-UK

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[19] The term 'log-frame' is used here as shorthand for project management approaches that involve pre-defined goals, objectives, indicators and design logic.

LESSON 4: Engaging staff helps strengthen processes and data quality

Whether an NGO opts to procure new systems or to refine its existing information systems, the data quality is dependent on the processes and resources in place to collate, validate and analyse the data. As such, processes require the commitment and collaboration of NGO staff, it is important that they are engaged in the planned changes and subsequent operation. In 2015, Save the Children UK undertook a mapping survey to (a) understand which of its high value and complex programmes had a VfM framework in place; (b) clarify the extent to which economic analysis is embedded in their approach; and (c) better understand the VfM-related challenges in each country. The exercise found that:

> *"…only a few of [the] Signature Programmes had incorporated VfM thinking and practice in their day-to-day activities. Frameworks were often only drafted, [and] data collection was not being implemented."*

Save the Children UK held a series of workshops to encourage staff engagement. As **box 20** shows, such workshops have helped to identify barriers and challenges so that action can be taken to address them. As a consequence, Save the Children UK confirmed that all of its high value and complex programmes will have a VfM framework in place by the end of 2016. Save the Children UK aims to develop an intranet site by the end of 2016 to encourage the collation and sharing of good practices.

Box 20: Save the Children UK has used workshops to strengthen data quality

The objectives of the VfM workshops in Ethiopia, Bangladesh, Indonesia, Nigeria, and Rwanda were: (a) understanding what is required to deliver a sound, rigorous VfM approach; (b) discussing past and ongoing challenges in the conceptualisation and implementation of VfM ; (c) agreeing on a workable VfM Action Plan.

During the workshop the following activities were carried out:

1. *Capacity building on theory and practice of VfM.*

2. *Design of the VfM research strategy, using the following stepwise approach:*
   Step 1: Definition of objectives and research questions,
   Step 2: Review of the result chain under the VfM Lenses,
   Step 3: Design of VfM framework and tools,
   Step 4: Create a VfM Team and develop a VfM Action Plan for data collection and analysis

During the first VfM Team Meeting several challenges faced during the data collection and analysis were highlighted by Save the Children International and its members. Actions were agreed to improve VfM data collection and reporting in subsequent quarters. The challenges and associated actions for Ethiopia, for example, included:

Lack of accuracy in collecting VfM data. All the partners have agreed to carry out a "refresher training" for local staff.

Mis-alignment of the reporting time of activities and related costs. The Team agreed to take notes of these activities in the VfM reporting tool and to analyse the related unit cost when the financial data are available.

Some concerns were raised about the lack of information on the quality of the activities delivered and inputs provided. The team agreed to develop a list of quality criteria and to carry out the benchmarking exercise on a monthly basis in close collaboration with front-line staff.

Source: Save the Children UK

WWF-UK employed a similar approach for its new procurement system. As **box 21**, shows, this involved consultation during the design and procurement stage, as well as specific training and support. Staff familiarity with, and buy-in to, the system may help to ensure their commitment to using it effectively.

Box 21: Engaging staff in the development of information systems

Staff engagement was a crucial part of the implementation of our new procurement system. We involved a small number of users in the design phase of the project and all users (approx. 100) were given training tailored to their needs – for example, approvers received training specific for their requirements, and buyers responsible for raising contracts, requisitions and receipting were taught how to use the new system accordingly.

In each case the training consisted of two workshops – one giving an overview of the system and a session on our procurement rules and the second giving hands on training tailored to the needs of the specific group.

Staff named the system 'Panda Purchasing' and guides to its use were made readily available. The key lessons we learned from this experience included:

- During user testing and training, do everything possible to ensure that the users involved are fully engaged.

- Do not underestimate the quantity of communications required.

- System user groups are a really effective means of ensuring that the system provider provides a good service. Establish during the tender process that there is an effective user group and participate on it once the contract has been awarded.

Source: WWF-UK

LESSON 5: Structuring the organisation around 'centres of practice' can help to align financial and performance data

Several NGOs have opted to focus their activities on specific areas, bringing together skills and experience accordingly – such as in child health or adult education. Such an approach can help to generate 'centres of practice' whereby the staff build in-depth technical expertise in this sector, utilising the skills they have learned by moving from one project to similar projects elsewhere. This approach may not be applicable for every NGO, but it can help to generate a more in-depth understanding of different approaches and their associated costs.

The International HIV/AIDS Alliance, for example, has developed global centres with thematic expertise in HIV, Hepatitis C and drug use; HIV, health and rights of key populations; HIV treatment; and adolescent health and HIV. The primary reasons for the change are: to improve effectiveness, through better connections to local knowledge and expertise; greater efficiency, by allowing the organisation to have a broader global reach and lower head office or secretariat overhead costs; and, improved equity by promoting locally owned, southern led solutions and learning. Whilst these changes should in themselves result in improved value for money, we would also anticipate that this in-depth knowledge will help to drive demand for more specific information on the performance and cost of different activities.

7.4.2 Lessons on transparency of decision-making

LESSON 6: Justifying that a decision represents value for money demands proper scrutiny of alternative options

Demonstrating VfM involves establishing that for each key decision the most cost-effective option has been chosen. Despite the time pressures on NGOs to 'get on with delivery', it is important that this should not be at the expense of adequate consideration of alternative approaches. There is a risk that existing approaches are assumed to achieve value for money when in practice other approaches might be better. As Fairtrade have noted, *"it is important not to underestimate people's resistance to change and their commitment to a pre-existing decision even in the face of incontrovertible data."* Options Appraisal (described in detail in section 5.3.1 above) is a strong tool for choosing between alternatives in a transparent way.

Fairtrade have used options appraisal to improve the value for money of organisational functions. They found that: *"Using the transparent approach of the options analysis tool enabled us to present our findings in an objective, unemotional way."* – see **box 22**.

Box 22: Options appraisal is important in demonstrating the value for money of proposed changes in organisational management

In Fairtrade's situation, we had an incumbent product and transaction application software (a core delivery system for Fairtrade) that did not support existing processes within the organisation and was therefore costly to support, maintain and manage.

We embarked on the process of identifying two alternative systems which were considered against the existing system on a number of criteria, including suitability for purpose, fit for the organisation's existing processes, on-going costs and upfront cost. We started with an internal process evaluation, agreeing what processes we needed the system to support and identifying where the support gaps were in the current system. We selected the top five essential processes that the system needed to support. We put these into a matrix with a weighting of their relative importance and this matrix became our tool for evaluating each of the shortlisted software systems.

The objective, transparent approach we adopted allowed us to present our findings in an unbiased way based on hard facts and irrefutable data. In the end, there was consensus and everybody was supportive and able to coalesce around the preferred option identified through the options analysis.

Source: Fairtrade

LESSON 7: Criterion-based methods can help build quality assurance into value for money decision-making

Consistency, objectivity and thoroughness in approach all help build assurance that otherwise subjective VfM assessments are evidence-based. A number of NGOs have utilised Bond's checklist to secure value for money from programmes[20]. VSO and several other organisations developed their own matrix of questions that have enabled them to:

> *"… delve deeper into some of the thinking and assumptions of our programming and to improve or change it if required. It would therefore become more meaningful across teams and functions, making it useful for learning and sharing across our programmes globally."*

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20 Available at https://www.bond.org.uk/data/files/Value_for_money_-_intergration_into_the_programme_lifecycle_Jan_2012.pdf

8. Knowledge, Skills and Behaviours for VfM

KEY POINTS

- **Skills and learning are a key enabler of value for money:**

  - Building expertise and a culture of challenge strengthens an organisation's decisions in relation to VfM

  - A structured approach to organisational learning strengthens the evidence base available to those tasked with making decisions that impact on VfM

- **The sector has made progress in sharing experiences and building informal networks. More formal knowledge management systems for capturing lessons learned are starting to be developed.**

- **The key lessons learned include:**

  - Giving staff the opportunity to specialise can help to build expertise

  - Encouraging collaborative working across disciplines can improve understanding of VfM

  - Resourcing plans should factor in the need for skills development

  - On-line knowledge management systems provide a more systematic approach to knowledge sharing

  - It may be necessary to commission external research in order to address knowledge gaps

8.1 Introduction

This section sets out the core skills, knowledge and capabilities needed to achieve, assess and demonstrate VfM, and what is needed to apply them to ensure continuous learning and improvement. DFID (2011)[21] has previously highlighted how the subjective nature of VfM requires a collective and collaborative approach, and it regards skills and behaviours as a key enabler of VfM. The skills needed include 'soft' skills, such as questioning and analytical skills as well as technical skills in programme management and costing methods (see **Box 23**).

Accordingly, we identified two areas in the conceptual framework under applied VfM skills:

1. **Building skills and capabilities.** It is important that skills gaps are identified, existing staff are given the training and other support they need, and specialists are brought in where required.

5. **Ensuring learning and improvement.** Previous experiences and knowledge should be captured, stored and disseminated so that they can be utilised next time around.

21 DFID (2011): ibid

Box 23: The types of skill required to support evidence-based decision making to achieve and demonstrate value for money

The following soft skills might be required:

- Analytical skills
- A commitment to rigour and a systematic approach
- Knowledge and understanding of different types of data and evidence and how they can be used
- Questioning skills
- Understanding and skills in risk – both its effects and its management
- Communication and consultation skills

The following technical skills might be required:

- In depth sector knowledge and expertise
- Programme management
- Monitoring, evaluation and quality assurance
- Financial management
- Procurement, commercial and contract management
- HR management
- Strategic and policy development
- IT and records management

Source: Mango

8.2 The key attributes of developing applied VfM skills

8.2.1 Building skills and capabilities

Our review identified four key attributes related to building VfM skills and capabilities within organisations:

- **A common understanding of the skills and capabilities required for evidence-based VfM management and decision-making.** These skills should be explicitly reflected in the job specifications and personal development plans of staff.

- **A constructive culture of questioning, challenging assumptions and acknowledging problems and failures.** Such a culture should drive improvement without discouraging innovation. This might be demonstrated through peer review arrangements at key stages within activities, recognition of staff ideas and a staff willingness to share lessons learned.

- **Recognition of when and where specialist expertise is required.** Examples might include knowledge of technical issues or particular methodological approaches. In these circumstances, suitable recruitment or procurement processes are needed to facilitate the sourcing and use of external expertise.

- **Sufficient specialist/technical resources available to advise decision-makers.** Decision-makers may need to call upon technical skills at different moments, e.g. to shape or approve the business case for a programme, staffing requirements or investment decisions that affect VfM. There should be sufficiently skilled individuals readily available without having a surfeit of staff adding unnecessary cost to the organisation.

8.2.2 Learning and improvement

The key attributes for applying skills and capabilities to ensure learning and VfM improvement comprise:

- **Clear expectations for monitoring, review and follow-up.** There must be a commitment across the organisation to monitor progress and review past actions in order to learn lessons and to dedicate adequate time for such activities. It is part of the organisational culture to reflect on what worked well and what could be improved at each key stage of programmes and periodically within the support functions. Sufficient time is built in to enable such reviews to be undertaken.

- **Up to date knowledge systems which enable data, information and lessons learned to be routinely captured and readily accessed.** Key learning points captured from post project reviews and other reflections, as well as core data on outcomes and costs should be stored in some form of knowledge bank so that they can readily be accessed and utilised in subsequent work.

- **Informal arrangements for learning.** Any formal knowledge libraries should be supplemented by informal, qualitative arrangements to encourage staff to consider and build on the lessons learned. Such informal approaches might include networking, peer review, workshops and coaching or mentoring.

8.3 Sector performance on VfM skills

As **figure 10** shows, the surveyed organisations have made the strongest progress in informal skills development. Around 21% of organisations reported considerable progress in this area and a further 54% reported some progress. Opportunities for sharing and learning via the PPA VfM learning group were often mentioned, and several organisations also referred to informal peer learning and sharing between organisations. Two respondents suggested that more could be done in this area for wider groups of staff globally.

Figure 10: Progress in developing skills for VfM (Number of respondents)

Source: Survey of PPA agencies, 2016

Around half of the respondents noted that their organisations had made use of the skills and expertise of external consultants. The comments suggest that this covered two areas:

- Supporting the organisation to develop its approach, such as facilitation of workshops in order to prepare a position paper or VfM framework, and building internal capacity and buy-in

- Undertaking specific VfM evaluations of a programme, such as the use of the Strategic Return on Investment (SROI) tool.

Building skills through informal networking and the provision of in-house training is likely to continue to remain a priority over the next twelve months. 81% and 69% of respondents respectively highlighted these areas as part of their future plans.

8.4 Lessons on how to improve applied VfM skills

8.4.1 Lessons on Building skills and capabilities

LESSON 1: Giving staff the opportunity to specialise can help to build expertise

Encouraging staff to build expertise in an area will help to strengthen technical skills and generate a pool of knowledge that others know where to access. Building expertise amongst existing staff can be through coaching, mentoring and personal development plans. Organisational re-structuring can also help. A number of NGOs, such as International HIV/AIDS Alliance, HelpAge International and VSO have reorganised their work around centres of practice, or are currently considering such changes. Whilst this was not necessarily the primary objective of each reorganisation, the consequent pooling of experience and knowledge is likely to generate greater in-depth technical knowledge, which should contribute to better VfM decision-making.

LESSON 2: Encouraging collaborative working across disciplines can improve understanding of VfM

Actively encouraging teams to work together on specific activities can help to build VfM skills and knowledge. VSO, for example, brought together a team from finance, M&E and programmes to identify and develop indicators for its key cost drivers – see **box 24**.

> **Box 24: The identification of cost drivers**
>
> *We had found that different parts of VSO had different understandings of what was meant by the term 'cost driver'. As a consequence, there was limited understanding on how these could be used for planning, investment and analysis.*
>
> *In order to address this, VSO's M&E and Finance teams worked together to develop an organisational paper that set out a clear definition of what VSO regards as 'cost drivers'. This was supported by an analysis of our existing costs in 2014-15 and 2013-14 in order to develop a matrix of typical cost drivers in each phase of the programme cycle.*
>
> Continued over…

Box 24 (continued)

The team establish our typical cost drivers through a three staged approach:

1. **Cost categorisation.** *Using VSO's financial information system, we identified the highest costs in absolute terms and in percentages of total annual expenditure.*

6. **Predicting cost drivers through Theory of Change.** *We used our organisational model and theory of change to identify key cost categories and the expected drivers behind each of them. This analysis helped to link drivers to costs, but was based on a logic-based assessment of performance rather than actual out-turn.*

7. **Understanding cost drivers through trend analysis.** *We compared programmatic expenditure in 2013/14 and 2014/15 to establish how spending has changed and to enable us to explore the drivers/reasons behind each variation. By triangulating what happened in practice with the steps above, we were able to strengthen our understanding of our cost drivers.*

We identified our key cost categories and their drivers as follows:

1. **Programme Costs:**

Category: Partnership management *(selection, planning and review, capacity building, training, small grants).*
Cost drivers: *the number, type, location, and capacity (financial and organisational) of VSO's partners.*

Category: Volunteer placement *(selection, training, travel, accommodation, planning and review).*
Cost drivers: *the number of volunteers, their location, and the cost of accommodation.*

Category: Programme management *(planning, review, M&E, research and generation of knowledge, policy and advocacy initiatives, coordination with other agencies).*
Cost drivers: *the number, location and responsibilities of staff; the number of M&E, research and audit activities; security; government stability; currency and inflation fluctuations.*

Category: Programme support costs *(programme and office running costs, staff salaries, procured goods and services).*
Cost drivers: *the number and location of offices; number, scale and duration of programmes and projects; number of funding bodies and donor requirements.*

8. **Business Development Costs**

Category: Costs of internal and external initiatives, communication and marketing engagements
Cost drivers: *the number of campaigns, countries and collaborations.*

9. **Organisational Support Costs**

Category: Governance and infrastructure
Cost drivers: *statutory and regulatory environment, size and geographical footprint.*

Source: VSO

The results were utilised to develop its framework guidance for project teams, and staff from each discipline gathered a better understanding of the roles of each support function, who they could access for advice and how to contribute their own ideas in different contexts.

LESSON 3: Resourcing plans should factor in the need for skills development

VfM resourcing plans should include an assessment of whether there are specific skills gaps that need to be addressed. The emphasis should be on developing such expertise in-house, although on occasion it may be necessary to buy in specialists to cover short-term needs.

One example of an area where technical skills are required is when monetising benefits for a Social Return on Investment (SROI) analysis. NGOs commented, for example, on the need for econometric and evaluation skills – see **box 25**. Other areas where it might be necessary to build in-house skills might include commercial awareness, participatory methods and risk management.

Box 25: SROI was cited as one area where it is important to build technical skills

"The kind of experiences/skill sets needed to manage this tool are quite technical and require the team to be well-versed in econometrics analysis, derivation of discount rates, identification of market benchmarks and data analysis." (Care International UK)

"It involved three activities: constructing a Theory of Change, conducting semi-structured interviews, and analysis. This is time-consuming and requires M&E skills. It is probably most suitable as an outsourced activity." (Care International UK)

"In India for example, we had a mix of M&E and finance staff involved – but they lacked expertise on economics." (International HIV/Aids Alliance)

"Teams on the ground need very good M&E skills so they can record essential data appropriately." (International HIV/AIDS Alliance)

"Strong evaluation skills, facilitation skills, analytical skills, in-country (or that particular community) knowledge." (World Vision UK)

Sources: World Vision UK, International HIV/AIDS Alliance, Care International UK

8.4.2 Lessons on Enabling Learning and improvement

LESSON 4: On-line knowledge management systems provide a more systematic approach to knowledge sharing

Fairtrade has invested considerable resources in developing a tool for the systematisation, dissemination and discussion of learning arising from monitoring and evaluation processes. The Fairtrade Learning Platform is being used to provide staff with a clear picture of the likely impact of different interventions and the key challenges in using each approach.

The platform developed by Fairtrade collates data and formal and informal knowledge captured from workshops as well as external sources. Findings are categorized by theme and level in accordance with the Fairtrade Theory of Change. A traffic-light based rating system and high-level summaries give users a readily accessible overview. Fairtrade noted that:

> *"It enables us to see at a glance where there is strong evidence for impact, where the evidence is weaker, and to aggregate and review the diverse recommendations for change that arise from each research study. It has been created with the purpose of ensuring that we can harness the maximum learning value from the body of research and data that has developed about Fairtrade over time."*

LESSON 5: It may be necessary to commission external research in order to address knowledge gaps

The iterative nature of undertaking periodic organisational reviews and post-project reviews on programmes will help to build knowledge and refine existing practices, but it may be necessary to commission research where there are specific knowledge gaps. Christian Aid, for example, had established that it needed to better articulate its own added-value when much of its work is delivered through partner organisations. It commissioned external research which established that the way VfM is commonly framed in the international development sector did not fully recognise and appreciate Christian Aid's approach – see box 26.

Having opened up the issue to wider public debate, Christian Aid was well placed to be able to conclude that:

> *"…this research study has contributed to renewed discussion and debate within Christian Aid around our partnership approach, challenging us to be more explicit in our understanding of how we add value in the diverse country contexts in which we work…"*

Box 26: Commissioning research to address knowledge gaps

Partnership working has always been the cornerstone of Christian Aid's approach. We believe that working with and through local partners – rather than directly implementing projects ourselves – is more likely to ensure big, deep, inclusive, and lasting change in the lives of poor and marginalised people.

We had become aware that, because of the way VfM is framed in the sector, we were not capturing evidence of the impact of our own contribution alongside that of partner organisations in any systematic way. So in early 2015, we commissioned research with a view to understanding the added value of our partnership approach in different contexts and establishing how this relates to 'Value for Money' (VfM).

This was a qualitative study, conducted in February to June 2015 by a team of three consultants (led by Dr Willem Elbers), and Christian Aid's Programme Advisor – Partnership, Inge Groenewegen.

In linking the findings back to the VfM discourse, the researchers concluded that current framings of VfM lack the value base to fully recognise and appreciate Christian Aid's approach.

The research provides specific recognition of how Christian Aid adds value. Accordingly, we have adapted our internal strategy, monitoring, evaluation and learning processes and tools so that we can begin to develop a more systematic evidence base for our work.

Further details of the research can be found at:
www.christianaid.org.uk/images/Added-value-research-summary-Oct-2015.pdf

Source: Christian Aid

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9. Conclusions

The above discussion demonstrates the sheer scale of work required to embed VfM practice fully in any organisation or programme. It is a comprehensive ask, yet one that can inform programming decision-making as well as enhancing reporting capabilities.

The experience of the NGOs surveyed for this research suggests that for VfM practices to be developed that are impactful and value-creating, they should be:

1. **Informed by an appreciation of diverse perceptions of 'value':** there is no single common understanding of what 'value' means in VfM, and it would be both inappropriate and futile to attempt to impose a common definition; organisations, however, must articulate explicitly what 'value' means to them;

2. **Actively championed and nurtured:** they must be promoted and reinforced both by funders and NGO leadership alike, with adequate resource and time provided

3. **Comprehensively integrated:** structurally, culturally and in both programmatic and organisational processes

4. **Informed by the use of contextually relevant and proportionate tools:** best practice is relative, not uniform, however there are various tools and case studies that can support the development of contextually appropriate methods

The conceptual framework presented in this research provides a structure from which organisation and context-specific approaches can be developed. The examples explored may help to provide or inform them.

The demonstration of a collective enterprise in the VfM Learning Group to enhance how NGOs see and apply Value for Money demonstrates the power and potential in structured peer learning, especially with donor support.

Annex: The VfM Framework

Dimensions	Areas	
Tools for VfM	**Designing and choosing approaches and tools** • A range of methods and tools are available • VfM judgments utilise a range of qualitative and quantitative data • The costs of data collection are commensurate with the scale of the programme or activity	**Using tools and making judgments** • Plans include the identification of the operational and financial data required and how such information will be gathered and collated • The rigour of the evidence base underpinning each decision is tested • Decision-makers draw upon a plurality of views from stakeholders to supplement the data analysis • Decisions are based on reasoned judgments
VfM Leadership	**Clarity of direction** • There is a common language and shared understanding of VfM • Leaders set active and clear expectations for VfM • There is demonstrable commitment to learning and change to improve VfM	**Governance and accountability** • There is a clear delegation of performance responsibilities • Performance management activities embrace VfM and there is a culture of asking performance questions • Corrective action to maintain or improve VfM is taken based on regular monitoring of performance
Integrating VfM into working practices	**Processes, systems and data** • Consideration of VfM is embedded within the major organisational processes and systems • Management information and finance systems enable the collation of integrated data to support value for money review and decision-making • There are sufficient tools and guidance, to support a systematic process for data collection and aggregation • There are common indicators and measures to allow comparison	**Transparent decision-making** • The data and information required to underpin key decisions are identified in advance and collected systematically • Decisions and their underlying evidence-based rationale are summarised and documented • Alternative options are considered and assessed against clear criteria • Decisions involve consultation with relevant stakeholders • The decision-making process is accessible for others to review
Knowledge, skills and behaviour for VfM	**Building skills and capabilities** • There is a common understanding of the skills and capabilities required for evidence-based management and decision-making • There is a constructive culture of questioning, challenging assumptions and acknowledging problems and failures • There is recognition of when and where specialist expertise is required • There are sufficient specialist/technical resources available to advise decision-makers	**Learning and improvement** • There are clear expectations for monitoring, review and follow-up and adequate time is scheduled for such activities • Up to date knowledge systems enable data, information and lessons learned to be routinely captured and readily accessed • There are informal arrangements for learning

Organisational level	Programme level