

AUSTRALIAN  
COUNCIL  
FOR  
INTERNATIONAL  
DEVELOPMENT

# ACFID and 'Value for Money'

Discussion Paper

September 2012



## Our vision

A world where gross inequality within societies and between nations is reversed and extreme poverty is eradicated. A world where human development is ecologically and socially sustainable for the benefit of current and future generations. A world where governments lead their societies in striving to protect and realise all peoples' human rights. This vision will be achieved through the collective efforts of civil society, governments, business and all peoples who are concerned for the future of our collective humanity.

## Our Roles and Purpose

We advocate with our members for Australia to be a leading force in international human development and human rights. We are the primary vehicle for collaboration and collective action by NGOs in Australia. We foster good practice and capture this in sector standards and self-regulation. We foster peer support, learning and networking amongst NGOs, and all interested in human development and human rights.

## united against poverty

ACFID unites Australia's non-government aid and international development organisations to strengthen their collective impact against poverty

## ACFID MEMBER ORGANISATIONS

All ACFID members are signatories to the ACFID Code of Conduct which is self-regulatory code of good practice. Information about how to make a complaint can be found at [www.acfid.asn.au](http://www.acfid.asn.au)

40K Foundation Australia	Baptist World Aid Australia	Marie Stopes International Australia
Act for Peace – National Council of Churches Australia	Burnet Institute	Mercy Works Inc
ActionAid Australia	CARE Australia	Mission World Aid Inc
ADRA Australia	Caring and Living as Neighbours (CLAN)	Motivation Australia
Afghan Australian Development Organisation	Caritas Australia	Nusa Tenggara Association Inc
Anglican Board of Mission - Australia Limited	CBM Australia	Opportunity International Australia
AngliCORD	Charities Aid Foundation**	Oxfam Australia
Archbishop of Sydney's Overseas Relief and Aid Fund	ChildFund Australia	Partners in Aid
Assisi Aid Projects	Credit Union Foundation Australia	Plan International Australia
Australasian Society for HIV Medicine	Emergency Architects Australia Ltd	Project Vietnam
Australia for UNHCR	Foresight - (Overseas Aid and Prevention of Blindness)	Quaker Service Australia
Australian Aid International	Fred Hollows Foundation	Red R Australia
Australian Business Volunteers	The Friends of the Earth (Australia)	Refugee Council of Australia*
Australian Conservation Foundation	Global Development Group	RESULTS Australia
Australian Doctors for Africa**	GraceWorks Myanmar	Salesian Society Incorporated
Australian Doctors International	Habitat for Humanity Australia	The Salvation Army**
Australian Federation of AIDS Organisations	HealthServe Australia	Save the Children Australia
Australian Foundation for the Peoples of Asia and the Pacific	Hunger Project Australia	Sexual Health & Family Planning Australia
Australian Himalayan Foundation	International Centre for Eyecare Education	TEAR Australia
Australian Lutheran World Service	International Needs Australia**	Transparency International Australia
Australian Marist Solidarity Ltd	International Nepal Fellowship (Aust) Ltd	Union Aid Abroad-APHEDA
Australian Medical Aid Foundation	International Women's Development Agency	UnitingWorld
Australian Red Cross*	Interplast Australia & New Zealand	WaterAid Australia
Australian Respiratory Council	Islamic Relief**	World Education Australia Limited
Australian Volunteers International	Lasallian Foundation	World Vision Australia
	Leprosy Mission Australia	WWF Australia
	Live & Learn Environmental Education	

\* Denotes Consulting Affiliates

\*\* Denotes Preliminary Members



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# ACFID and ‘Value for Money’ Discussion Paper

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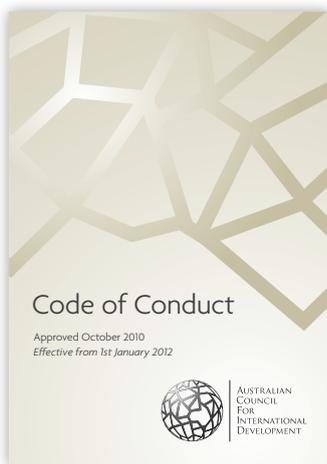
# ACFID Management Response

Value for Money is not a new concept and has again become prominent in international discourse around aid and aid effectiveness including from deliberations leading to, and outcomes resulting from, the 2011 Fourth High Level Forum on Aid Effectiveness held in Busan.

From discussions with our members, many of whom have participated in relevant initiatives such as the [Big Push Forward](#), ACFID appreciates the need to discuss 'value for money' in the international aid context and wishes to engage more with the Australian Government (especially AusAID), our members, primary stakeholders and the Australian public so that a mutual understanding of value for money can be developed.

Due to the combination of policy and political forces beginning to push policy makers and NGOs toward engaging more on this complex issue, ACFID commissioned Dr Thomas Davis, from the University of Melbourne, to undertake a literature review of value for money both internationally and in Australia, which was completed in June 2012.

The resulting discussion paper "ACFID and Value for Money" is designed to stimulate meaningful debate and to assist our sector to work in partnership with AusAID to better define value for money and develop or refine tools or assessment mechanisms that can be used to demonstrate value for money in a way that is practical and appropriate to ACFID members and the broader NGO and civil society sector.



## ACFID Code of Conduct

Value for money is already explicitly written into the ACFID Code of Conduct. The ACFID Code of Conduct requires signatories to make effective use of resources and minimise financial wastage in the planning and implementation of development and aid activities (D.4.3). Signatories are therefore obligated to ensure their activities are structured to enable measurement of costs, and must be diligent in reviewing the costs of their engagement. Signatories are also committed to accurate and transparent communication with their stakeholders about their activities (C.1.1). Moreover, ACFID Code signatories are committed to accountability to their primary stakeholders, being the local people with whom they work in partnership (B.1.1).

ACFID believes that the effective use of resources is fundamental to achieving the greatest development outcomes. Understanding the true costs and benefits of aid and development activity is essential to making good choices and to ensuring meaningful evaluation and learning. Clear organisational focus on the effective use of resources is also fundamental to external credibility and central to the current debate over the effectiveness of delivering international aid and development through NGOs.

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## AusAID

In response to the Independent Review of Aid Effectiveness, AusAID is embracing and mainstreaming the concept of value for money through a number of key areas and policies across the aid program that could have significant implications for ACFID members and broader NGO sector.

Most noticeably, value for money has been included in AusAID's Comprehensive Aid Policy Framework (CAPF), a high-level strategy to guide the implementation of Australia's aid program over the next four years. The CAPF informs funding priorities/decisions and clearly states that budget strategy allocations and strategic level decisions on country, regional and global programs, will be based on four criteria: poverty; national interest; capacity to make a difference; and current scale and effectiveness. Underlying all of these criteria is the principle of ensuring that value for money is sought, considered and demonstrated throughout all aspects of Australia's aid program.<sup>1</sup>

Similarly, AusAID's Civil Society Engagement Framework (CSEF) was launched in June 2012 and is intended to ensure that AusAID's overall approach and interactions with civil society in Australia and in developing countries are more coherent, consistent and strategic. It also recognises that the development of civil society as a development outcome in itself and should be supported by the aid program. While recognising the importance of civil society in Australia's aid program is a key achievement, there are clear references in the CSEF to: ensuring that civil society organisations (CSOs) are making optimal use of resources in achieving intended outcomes;<sup>2</sup> focusing on engagement with CSOs that is informed by attention to value for money considerations;<sup>3</sup> and 'enhance[ing] methodologies for assessing value for money in respect of AusAID CSO grant funding'.<sup>4</sup>

Since the release of the CSEF, a CSEF Implementation Steering Committee has been formed to further develop and socialise these and other important initiatives relating to value for money and which have important consequences for the NGO sector. ACFID welcomes being members of the CSEF Implementation Steering Committee and is committed to working collaboratively with AusAID and our members so that both are better informed by each other and, in turn, are equipped to adapt internal operations to demonstrate value for money.

## The way forward

"ACFID and Value for Money" begins with a critique of current thinking, models and tools relating to value for money which have already attracted a great deal of attention, particularly in the UK. This analysis includes advanced research into value for money, particular definitions and methodologies, and implications for the aid sector and NGOs. The paper also discusses some of the ramifications value for money might have for Australian NGOs who receive AusAID funding. In particular, the CAPF makes clear that value for money will be a key influence and driver of funding allocation decision-making across Australia's aid program.

ACFID's Executive Committee and Development Practice Committee have provided comments on this discussion paper. ACFID will now begin a discussion with members and AusAID about how to move forward to demonstrate value for money within the overall aim of helping people overcome poverty.



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<sup>1</sup> Australian Government, *Helping the World's Poor through Effective Aid: Australia's Comprehensive Aid Policy Framework to 2015-16*, p. 27.

<sup>2</sup> Australian Government, *AusAID Civil Society Engagement Framework*, pp. iv.

<sup>3</sup> Australian Government, *AusAID Civil Society Engagement Framework*, p. 5.

<sup>4</sup> Australian Government, *AusAID Civil Society Engagement Framework*, p. 11.

# ‘Value for Money’ Acronyms

<b>AACES</b>	Australia-Africa Community Engagement Scheme	<b>DFID</b>	UK Department for International Development
<b>ANCP</b>	AusAID-NGO Cooperation Program	<b>DPC</b>	ACFID’s Development Practice Committee
<b>ACFID</b>	Australian Council for International Development	<b>ICAI</b>	UK Independent Commission for Aid Impact
<b>ANGO</b>	Australian Non-Government Organisation	<b>MDGs</b>	Millennium Development Goals
<b>BER</b>	Basic Efficiency Resource	<b>MEL</b>	Monitoring & Evaluation Learning
<b>NGO</b>	Non-Government Organisation	<b>MELF</b>	ANCP Monitoring & Evaluation Learning Framework
<b>CAPF</b>	Comprehensive Aid Policy Framework	<b>PLP</b>	Pacific Leadership Program
<b>CBA</b>	Cost-benefit analysis	<b>PPA</b>	Programme Partnership Arrangement
<b>CEA</b>	Cost-Effectiveness Analysis	<b>SINPA</b>	Solomon Islands NGO Partnership Agreement
<b>CSEF</b>	Civil Society Engagement Framework	<b>SROI</b>	Social Return On Investment
<b>CSO</b>	Civil Society Organisation	<b>VfM</b>	Value for Money
<b>DAC</b>	Development Assistance Committee	<b>WASH</b>	Water, Sanitation and Hygiene

## Definitions relating to ‘Value for Money’\*

<b>Economy</b>	Minimising the cost of resources used for an activity, while having regard to appropriate quality.
<b>Efficiency</b>	An efficient activity maximises output for a given input, or minimises input for a given output and, in so doing, pays due regard to appropriate quality.
<b>Effectiveness</b>	Successfully achieving the intended outcomes from an activity. In international development this may amount to a sustained positive impact for intended beneficiaries.
<b>Value for Money* (VfM)</b>	The optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user’s requirement. It can be assessed using the criteria of economy, efficiency and effectiveness, with some in the sector calling for the inclusion of a ‘fourth E’ – ‘equity’.
<b>Cost-benefit analysis (CBA)</b>	A method to evaluate the net economic impact of a project. Expected benefits are estimated, and monetised, with inflation accounted for, and offset against project costs. The approach is most commonly used to inform decisions to invest in major infrastructure projects, in both developed and developing countries.
<b>Cost-effectiveness analysis (CEA)</b>	This method is used where monetising outcomes is not possible or appropriate, most commonly in health. Common measures include quality adjusted life years. Organisations that use it include the World Health Organisation, which has developed a series of tools and software to aid analysis.
<b>Social return on investment analysis (SROI)</b>	A method that quantifies project outcomes and impacts, usually in monetary terms. It measures value from the bottom up by including the perspectives of different stakeholders. It considers the distribution of benefits amongst stakeholders through ‘displacement’, and uses ‘dead weight’ measures and attribution to capture benefit dynamics.
<b>Basic efficiency resource analysis (BER):</b>	A method for assessing the comparative value of units in a multi-component program or campaign. It builds on much of the stakeholder-derived measurements from SROI analysis.

\* Source: Adapted from DAC 2011 Value for Money and International Development and McLeod 2012

# Introduction

Ensuring that Australian-funded development activity represents ‘Value for Money’ (VfM) is a growing concern of AusAID and also the Australian NGO (ANGO) membership of the Australian Council for International Development (ACFID). VfM is, however, a complex notion that goes beyond good procurement practice and to the heart of how AusAID and ANGOs try to make a difference in the lives of the global poor; it is one way (though only one way) of resolving the question, ‘Why do ANGOs and AusAID exist?’

Given that this is such an important issue for the Australian development community, it is critical that ACFID and its members engage in informed dialogue with each other and AusAID on how to interpret and measure ‘Value for Money’.

In assisting this dialogue, the current paper does four things:

## 1

It provides a synthesis and analysis of the key definitions of VfM, including the risks and opportunities these definitions represent to the development sector, and a basic overview of VfM measurement ‘tools’.

## 2

It maps out the current policy position of AusAID, and also the positions of international actors such as the UK Department for International Development (DFID), Bond in the UK, and the Development Assistance Committee (DAC) of the OECD, to provide an understanding of the ways in which VfM ideas and measurements have thus far been implemented, and whether the risks associated with VfM have been avoided.

## 3

It outlines the current formal and informal approaches toward VfM of nine ACFID members (who are currently represented on the Development Practice Committee of ACFID); this has been done to gain a sense of how the ACFID membership interprets VfM and sees it applying to their work.

## 4

Finally, on the basis of the evidence in the previous three sections, recommendations on how ACFID members might approach the issue of VfM are put forward as a set of broad criteria.

## Method

The evidence in this paper is drawn primarily from primary and secondary documentation, and is bolstered by interviews with relevant managers in the nine ACFID members studied. While some academic literature is used, the bulk of the material referred to is practitioner-sourced. There is also a slight preponderance of UK literature, which reflects how extensively VfM has been debated in that jurisdiction.

The ANGO interviews were conducted either in person or by phone. This was not a random sample of members as all those interviewed are currently represented on ACFID’s Development Practice Committee (DPC). There are, however, significant variations among the nine NGOs in respect of size, structure, and programming that are reflective of the range of the ACFID membership. It is also worth noting, that all nine ANGOs are accredited under the AusAID – NGO Cooperation Program (ANCP), which may not represent a consensus ACFID member perspective on VfM.

# 1. Defining and measuring 'Value for Money'

## Definition of 'Value for Money' (VfM)

*The optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user's requirement.*

*It can be assessed using the criteria of economy, efficiency and effectiveness, with some in the sector calling for the inclusion of a 'fourth E' – 'equity'.*

'Value for Money' has a clear definition in relation to the procurement of goods and services. As the Australian Finance Department procurement guidelines note, VfM 'requires a comparative analysis of all relevant costs and benefits of each proposal throughout the whole procurement cycle (whole-of-life costing)'.<sup>1</sup> Similarly, the UK National Audit Office defines VfM as the 'optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user's requirement'.<sup>2</sup> VfM, therefore, entails something other than lowest-cost provision; it must also meet the outcomes expectations of the organisation that is expending the resources.

In order to ensure that VfM is achieved, competitive tendering of delivery is usually advised. Procurement-focused VfM also prioritises the expression of inputs, outputs and outcomes in monetary terms in order to ensure like-for-like comparison between bidders. In some cases, a form of transaction cost analysis (which also monetises inputs and outputs) is undertaken to determine whether in-house providers should also, in effect, be bidders.

Much of the discussion on procurement assumes that the desired outcomes are known (or knowable once an agency chooses to undertake such an analysis), measurable, and are able to be linked via a linear 'results chain' back to outputs and inputs. This 'linear' understanding of causality and VfM underpins most interpretations of VfM found in the literature, even those that move beyond a direct focus on procurement.

The DAC defines VfM as 'a term or a concept, which is about getting the best balance between three things: economy, efficiency and effectiveness'.<sup>3</sup> The DAC's definition is representative of both Bond (the UK equivalent of ACFID) and the UK's new Independent Commission for Aid Impact which also argue for this '3 Es' definition of VfM.<sup>4</sup>

Taken at face value, these definitions of VfM seem to work from the assumption that the links between inputs, outputs, outcomes and longer term development impacts are known and, therefore, a linear pathway between the four can be navigated provided the right measurement tools are employed. They presuppose a relatively simple 'theory of change'.

<sup>1</sup> Department of Finance and Deregulation, 2008, *Commonwealth Procurement Guidelines, December 2008*, Commonwealth of Australia.

<sup>2</sup> UK National Audit Office, 2001, *Getting value for money from procurement: How auditors can help*, National Audit Office & Office of Government Commerce, London.

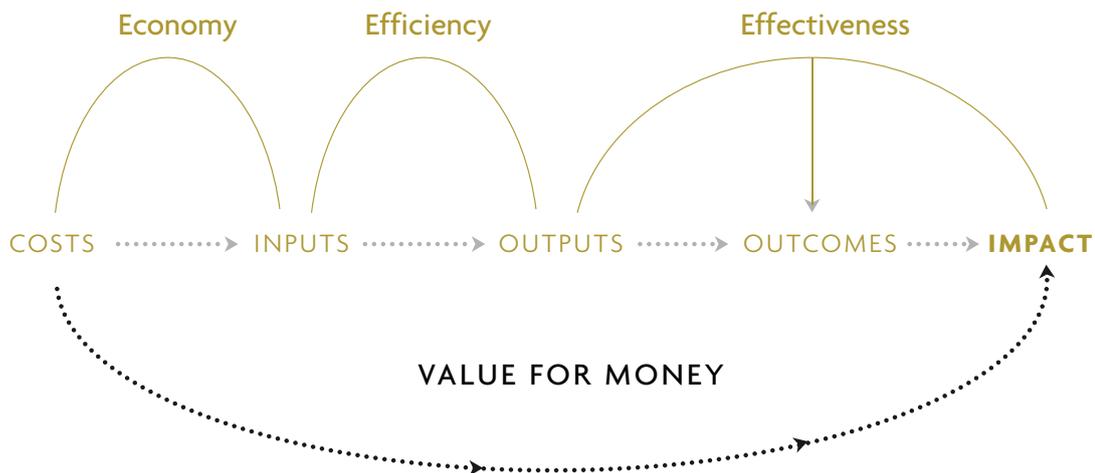
<sup>3</sup> Development Assistance Committee, 2011, *Consultation Draft – Value for Money and International Development: Deconstructing some myths to promote more constructive discussion*, OECD, Paris.

<sup>4</sup> Bond, 2011, *Value for money: what it means for UK NGOs, Background paper*, online at [www.bond.org.uk](http://www.bond.org.uk) (accessed 23 April 2012); Independent Commission for Aid Impact, 2011, *ICAI's Approach to Effectiveness and Value for Money, Report No. 1 – November 2011*, Independent Commission for Aid Impact.

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 LINEAR CONCEPTION OF 'VALUE FOR MONEY'<sup>5</sup>


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However, Bond, while not moving away from this 3 Es comprehension of value of money, emphasises that the links are not so straightforward. It views these three elements as being present, but weighted differently, in three interrelated activities that NGOs need to balance in order to achieve VfM in their work: managing, comparing and demonstrating value for money. The usefulness of this approach is that it signals how different methods need to be used in each of these activity domains. For example, *'managing'* for VfM requires cost control via good procurement and financial control systems, the accumulation of robust evidence on practice via monitoring, evaluation and learning (MEL) frameworks, and the construction of evidence-based theories of change on which programming decisions can be made.

*'Comparing'* for VfM requires establishing methods whereby like-for-like comparisons between activities or providers can be made, e.g. benchmarking staff salaries or establishing costs per beneficiary. *'Demonstrating'* VfM focuses on employing methods that can robustly connect the findings of effectiveness evaluations with costs, e.g. Cost-benefit analysis, social return on investment analysis, or any other method whereby 'robust quantitative and qualitative evidence of outcomes and impact [are combined with] strong evidence of economy and efficiency on the cost side'.<sup>6</sup>

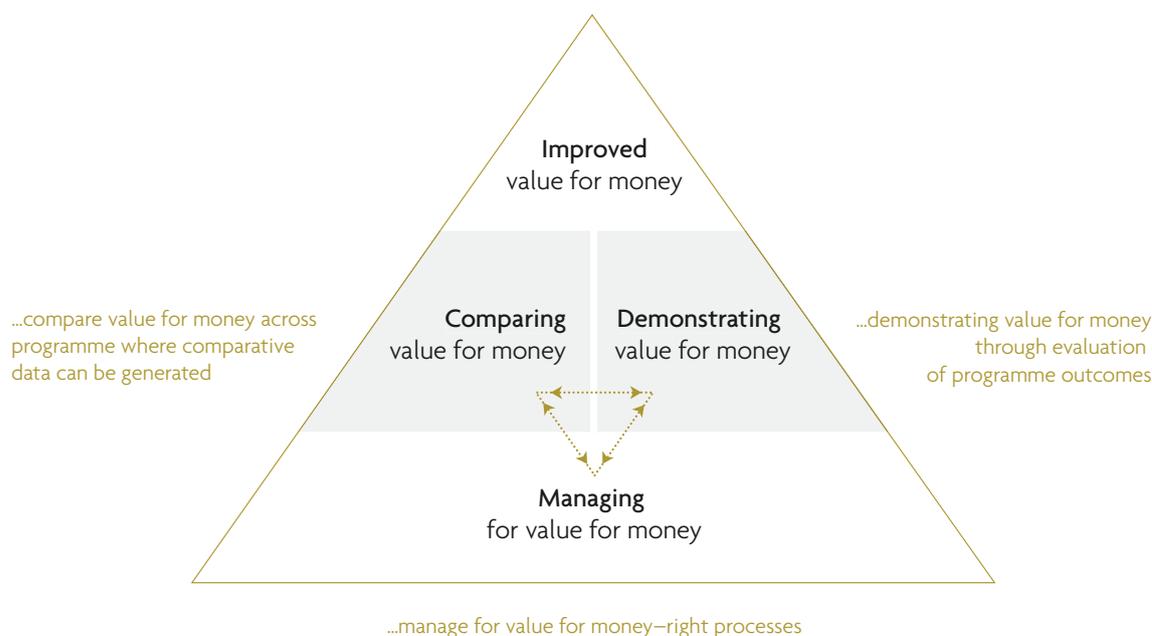
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<sup>5</sup> Emmi et al., May 2011, *Value for Money: Current Approaches and Evolving Debates*, London School of Economics, p. 15.

<sup>6</sup> Bond, *Value for money: what it means for UK NGOs*; Bond, 2011, *Integrating value for money into the programme cycle*, online at [www.bond.org.uk](http://www.bond.org.uk) (accessed 23 April 2012).

## Defining and measuring 'Value for Money' *continued...*

### BOND 'VALUE FOR MONEY' FRAMEWORK



The Bond approach indicates at various points the limits of attaining appropriate data, but doesn't engage fully with the complexity that many international development initiatives have to address, and which are only inadequately described by linear theories of change.<sup>7</sup>

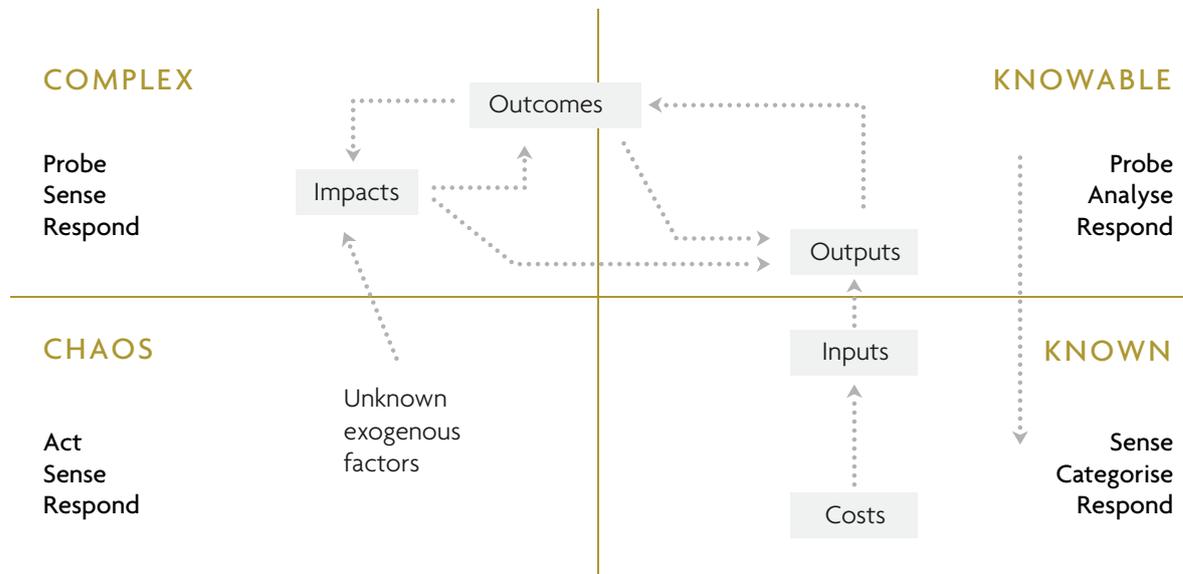
The clarity of a 3 Es approach usefully pushes development actors to question what real value – in terms of longer-term effectiveness – is produced by the cost of interventions. It does not, however, sufficiently reflect the political, social, geographic, sectoral and philosophical difficulties inherent in establishing effectiveness in such a complex environment. The danger in this is that agencies may only seek to invest in those activities that they can reduce to simple, linear VfM measurements. This may privilege activities such as infrastructure development over more politically and socially complex initiatives.

It also misses an important normative element that is included in some evolving NGO conceptions of VfM as a 'fourth E', namely, *equity*.<sup>8</sup> This element, and the concept of economic justice embedded within it, is a core value of the vast majority of ANGOs working in international development and is also relevant in terms of developing VfM tools or definitions in the Australian aid context.

Given the complexity of international development, a more appropriate way for ANGOs and AusAID to define VfM is to acknowledge that there are limits to how well planners can establish causal connections between costs, inputs, outputs, outcomes, and impact (and so understand how economy, efficiency and effectiveness are best balanced).

<sup>7</sup> Emmi, Antinoja et al., 2011, *Value for Money: Current Approaches and Evolving Debates*, London 2011. London School of Economics, London; Ebrahim & Rangan, 2010, 'The Limits of Nonprofit Impact: A Contingency Framework for Measuring Social Performance', *Harvard Business School Working Paper 10-099*, Harvard Business School, Cambridge, Mass.

<sup>8</sup> Independent Commission for Aid Impact, 2011, *ICAI's Approach to Effectiveness and Value for Money, Report No. 1 – November 2011*, Independent Commission for Aid Impact, p 4; Kendall, Jeremy & Martin Knapp, 2000, *The third sector and welfare state modernisation: Inputs, activities and comparative performance*, London School of Economics, Civil Society Working Paper 14.

**CYNEFIN CONCEPTION OF 'VALUE FOR MONEY'**


Considering VfM as a complex social phenomenon that is context-bound and must be understood as a product of multiple interactions within a social system, is in keeping with recent moves in development evaluation to engage with complexity theory.<sup>9</sup>

One way to build a more complex conception of VfM is to examine it through the lens of ‘domains of knowledge’. An increasingly common way of ordering knowledge domains is under a ‘Cynefin’<sup>10</sup> quadrant, which pushes analysts to categorise their decision-making, or strategising, with reference to how well they understand the cause-effect relationships of a particular object of analysis. Translating linear VfM – with its clear results chain from costs to impacts – into a ‘cynefin’ approach highlights the degree to which the different links in the chain exist in separate knowledge domains. Mapped onto a quadrant it would look something like the diagram above, with the anti-clockwise arrows representing the formal direction of causality and the clockwise arrows representing the gradual transference of causal knowledge from one domain to another as a result of practical experience and evaluation-based learning.

Under this approach, the costs and inputs of a development intervention or policy can be categorised as known elements to which best practice is applied when measuring and causally linking them. The process whereby the appropriate best practice – such as accounting or IT processes – is located and applied is often framed as Sense (locate the issue)–Categorise–Respond (apply best practice). Outputs represent a slightly more complex set of phenomena that are not as easily understood via the application of best practice methods, and require some analysis as to their character and the most appropriate way of measuring and causally linking them to the other VfM elements (Sense–Analyse–Respond). The knowledge gained through this process gradually transforms some phenomena into being better known and able to be understood via best practice methods, i.e. there is a shift in knowledge from one domain to another.

<sup>9</sup> See Patton, Michael Quinn, 2011, *Developmental Evaluation: Applying complexity concepts to enhance innovation and use*, The Guildford Press, New York; Wood, Claudia & Daniel Leighton, 2010, *Measuring Social Value – The Gap Between Policy and Practice*, Demos, London.

<sup>10</sup> The ‘cynefin’ (Welsh for ‘sense of place’) framework was devised by Snowden as a way of representing the inherent uncertainty of complex systems, and mapping the evolution from complexity to certainty. See Snowden, David, 2000, ‘*Cynefin: a sense of time and place, the social ecology of knowledge management*’, in Despres, Charles & Daniele Chauvel (eds), *Knowledge Horizons: The present and promise of knowledge management*, Butterworth-Heinemann, Boston.

## Defining and measuring 'Value for Money' *continued...*

In the development context, outcomes largely fall in the 'complex' knowledge domain, and impacts, with their large array of potential causal variables, should be seen as completely located in this domain. Given the level of complexity it is necessary to first ascertain what should be the key elements of investigation (Probe) before categorising and seeking potential ways of explaining them (Sense–Respond).<sup>11</sup> Understandings of causality emerge after the fact, and as the result of ongoing evaluation. Once again, as elements of causality are confirmed, some outcome and impact knowledge will shift from complex to knowable domains.

A complex, non-linear VfM definition therefore recognises that the causes of impacts and outcomes will sometimes only partly be the outputs created by development agency inputs and costs. A full understanding of VfM may only emerge after some time, depending on context. A non-linear understanding of VfM thus emphasises the need to allow for experimentation and also some 'spillage' of costs when development agencies attempt to achieve complex outcomes and impacts.

This tension between linear and complex understandings of VfM produces risks for engagement in the process of which ANGOs, and AusAID, must be aware. Bond highlights four potential problems (set out in the box below).

### Bond: four 'value for money' risks

<b>1</b> <b>VfM focuses too much on cost savings</b> [Bond response: Such a narrow interpretation of VfM is not genuine VfM.]	<b>2</b> <b>VfM leads to competition between NGOs and other service providers</b> [Bond response: NGOs need to get better at compiling appropriate evidence and translating this into robust cases for how they deliver sustainable, long-term outcomes.]	<b>3</b> <b>VfM leads to competition with other NGOs</b> [Bond response: Too much competition, or the wrong sort, is negative, but there can be positive outcomes from competition, such as more creative cost-sharing via consortia.]	<b>4</b> <b>Demonstrating VfM is all about monetising outcomes</b> [Bond response: Monetisation done appropriately can drive clarity about what is being measured, but this is not always a good use of resources. NGOs should also look to other forms of evaluation, including participatory evaluation, where costs are still clearly defined and counterfactuals can be devised.] <sup>12</sup>
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To Bond's set of risks can be added others, which similarly emerge from overly narrow interpretations of VfM. Key among these is the question of 'value for whom?' This raises the issue of the role of development partners and communities in defining 'value'. As the DAC has acknowledged, VfM discussions are largely donor driven, but there may be some alignment between donor desires for value and those desires of the partners/recipients.<sup>13</sup> Given that long-term development impact is registered in changes in the lives of poor households and communities, accounting for subjective perceptions of impact is important, even accepting that some change can be defined and measured objectively, such as through alterations to health indicators. From both practical and moral (or rights-based) perspectives, however, a VfM definition that fails to acknowledge the central importance of partners/recipients falls short of being a full, appropriate definition.<sup>14</sup> As Leroy notes, however, the contract-like nature of VfM, and the unequal power relations between donors, NGOs and partners, makes genuine partnership around VfM extremely difficult.

<sup>11</sup> The relationship between 'complex' and 'chaos' quadrants is illuminated in the context of fragile states by Scott, Zöe, Claire Mcloughlin & Heather Marquette, 2012, 'Combining value for money with increased aid to fragile states: welcome partnership or clash of agendas?' in *Crime, Law & Social Change*.

<sup>12</sup> Bond, *Value for money: what it means for UK NGOs*, p. 10.

<sup>13</sup> Development Assistance Committee, 2011, Consultation Draft – *Value for Money and International Development: Deconstructing some myths to promote more constructive discussion*, Development Assistance Committee, OECD, Paris.

<sup>14</sup> For the difficulties of incorporating partnership in this sort of evaluation exercise see Brinkerhoff, Jennifer M, 2002, 'Assessing and improving partnership relationships and outcomes: a proposed framework' in *Evaluation and Program Planning*, Vol 25(3), pp. 215–231.

*Reduced to its essence, the emphasis on measurable performance that is at the core of “value for money” is based on a contract relationship between a customer and a supplier; that is a relationship in which the parties have opposing interests and, at bottom, do not trust each other ... to extend [contracts] into the field of development aid with its very unequal and asymmetrical relationship between donor and local partner is asking for dire consequences.<sup>15</sup>*

Another risk has its roots in one of the seeming advantages of VfM: its emphasis on establishing relative value. Comparison is at the heart of VfM as an aid to decision-making, but comparison on a like-for-like basis is not always possible or appropriate. One issue lies in the level at which comparison is being made. Like-for-like comparison of two NGOs, which may have different value systems, theories of change, and historical associations with partners, is more problematic than comparing two project activities that will be implemented in the same location and thematic sector. A second, related, issue is that the sort of aggregation of indicators required to enable like-for-like comparison of complex interventions or organisations often obscures the real value of different approaches to development.<sup>16</sup>

## ‘VALUE FOR MONEY’ RISKS AND OPPORTUNITIES

### RISKS

- Simple, linear understandings of how valuable impact is achieved will dominate and reduce the incentives for agencies to undertake more complex development initiatives.
- Agencies will lose sight of the fact that VfM should be about identifying which aspects of their work are known, knowable, complex or chaotic, and will focus on deriving numerical expressions of the cost-impact relationship.
- Value will only be expressed in monetised terms, or through quantitative scores.
- Partners and communities will be excluded from having real input into defining ‘value’.
- Decisions will be made on the assumption that like-for-like comparability exists, even when this is not the case, or is only made to seem so by inappropriate aggregation of monetary values of quantitative indicators.
- The underlying normative basis of ‘value’ can be lost in linear VfM definitions; explicitly including equity (the ‘fourth E’ in the definition reminds decision-makers of the fundamental importance of social justice in the development approaches of most NGOs).

### OPPORTUNITIES

- VfM provides an incentive to agencies to improve the impact of the resources they expend, much of which comes from taxpayers, donors and sponsors.
- Used appropriately, VfM frameworks enable agencies to put forward a powerful narrative of the real impact and value of their work with poor communities.
- For NGOs, the VfM discussion offers an opportunity to explain to donors and sponsors in a robust, evidence-based fashion, how their approaches to development are economical, efficient and effective.
- For partners and communities, good VfM processes assist their capacity to hold donors and NGOs accountable for their work.

<sup>15</sup> Leroy, Marcus, 2011, “‘Value for money’ or ‘Results Obsession Disorder?’” in The Broker, 7 December 2011.

<sup>16</sup> The ‘Reporting and Aggregating Results’ exchange on the *Big Push Forward* blog of 18 January 2012 offers an interesting, accessible way into this debate, at [www.bigpushforward.net/archives/1300](http://www.bigpushforward.net/archives/1300)

## Defining and measuring 'Value for Money' *continued...*

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### 'Value for Money' assessment tools

A variety of tools for assessing VfM exist.<sup>17</sup> Some come from the private sector and focus almost exclusively on establishing monetary value for all outcomes and impacts, while others attempt to establish other quantitative measures. A common theme running through all is that they attempt to enable comparisons within the activity domains of projects, programs, and, potentially, organisations. Another theme, which is most strongly expressed in analyses that attempt to establish social benefit, is the importance of establishing counterfactual scenarios as a way of improving measures of impact in complex cases.

As a caveat, it is important to note that what is being described here is not the wide range of quantitative and qualitative evaluation tools upon which ANGOs regularly draw. VfM assessment has considerable overlap with evaluation methods – with implications for the practical incorporation of VfM in monitoring and evaluation frameworks – but is seeking less to establish what is the most effective form of development, irrespective of cost, than to determine which development approach achieves the most for the cost inputs provided. In other words, the issue of 'spillage' of resources is a core focus for these modes of analysis.<sup>18</sup>

#### Scoring

Monetisation, usually via market pricing, is only one way of assigning a numerical value to outcomes and impacts. Stakeholder perceptions can also be quantified, such as with a Likert scale, and peer or expert assessments can likewise be recorded through ratings or scores. Objectives need to be disaggregated into activities and behaviours that can be scored by stakeholders, peers and experts, with agreed upon values of 'good' and 'bad' determined prior to the scoring. The scores can then be aggregated, and differentially weighted depending on the pre-determined criteria. Comparisons between programs and agencies may then be made on the basis of the aggregated total scores. As is discussed later, this approach has been used by both AusAID and DFID in assessing their funding of multilateral agencies.<sup>19</sup>

The issue of weighting scores may be of relevance to ANGOs that are interested in incorporating an assessment of equity in their VfM measures, and wish that assessment to reflect the centrality of equity/social justice concerns to their agency's values. The level of weighting requires, however, a clear assessment of the comparative importance of equity against the other VfM elements.

#### Cost-benefit analysis

Cost-benefit analysis (CBA) compares the costs and benefits associated with an activity as they occur through time. Analysis can be 'ex-post' (retrospective) or as part of a feasibility assessment prior to the commitment of activity resources. It requires that the assumptions underpinning the calculations are made transparent – especially in establishing a monetary value for benefits – and that the drivers of project value are identified. CBA is most useful when the sought after outcomes can be economically defined and then rendered in monetary terms.

One concern regarding the application of CBA to complex development initiatives is its tendency to base comparisons on relatively simple aggregations of monetary benefit. As McLeod notes, 'the distribution of benefits amongst stakeholders is often not explicitly considered in cost-benefit analysis. If benefits outweigh costs, then an investment maybe considered attractive despite the poor gaining limited impact'.<sup>20</sup>

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<sup>17</sup> For overviews of assessment tools, see Emmi, Antinoja et al., *Value for Money: Current Approaches and Evolving Debates*; McLeod, Ross, 2012, *Methodology Paper – Value for Money Analysis of the Australia Africa Community Engagement Scheme, 18 April 2012*, AusAID/AACES working paper.

<sup>18</sup> The term 'spillage' is borrowed from Arthur Okun's 'leaky bucket' metaphor in his classic 1975 work *Equality and Efficiency, the Big Tradeoff*, The Brookings Institution, Washington, DC, which highlighted the inevitability of efficiency losses when equity goals are sought, and sought to clarify the economic parameters of that 'tradeoff'.

<sup>19</sup> See as an example the criteria and weightings used to establish a 'scoring sheet' in Barnett, Chris et al., 2010, *Measuring the Impact and Value for Money of Governance & Conflict Programmes, Final Report, December 2010*, ITAD. Also see AusAID, 2012, *Australian Multilateral Assessment (AMA) Methodology*, Australian Agency for International Development; DFID, Canberra; *Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations, March 2011*, Department for International Development, London.

<sup>20</sup> McLeod, Ross, *Methodology Paper – Value for Money Analysis of the Australia Africa Community Engagement Scheme*, p 16; see also Independent Evaluation Group, 2010, 'Cost-Benefit Analysis in World Bank Projects' in *Fast Track Brief, June 4, 2010*, The World Bank, Washington, DC.

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It is worth noting efforts in other sectors to provide adjusted cost weightings for programs that are expensive to deliver, but which have strong equity rationales for proceeding. One example is the attempt by public health academics to assess cost differences between providing health interventions to Australian Indigenous communities via Indigenous primary health care services versus providing the same interventions by mainstream services. The differences indicate the sort of cost weighting that needs to be accounted for in making future comparisons. 'Applying this weight to the costs of subsequent interventions deflates the costs of provision via Indigenous health services, and thus makes comparisons with mainstream more equitable when applied during economic evaluation.'<sup>21</sup>

### Cost-effectiveness analysis

Cost-effectiveness analysis (CEA) attempts to measure the incremental (or marginal) utility of positive outcomes and impacts against the costs of achieving those marginal improvements. Unlike CBA, it looks to describe outcomes in non-monetary, though still quantitative, terms. For example, in the health sector, Disability Adjusted Life Years (DALYs) and Quality Adjusted Life Years (QALYs) are commonly accepted 'utility scales' for measuring health intervention impacts. These measures have evolved over time within the sector as like-for-like data has been accumulated. Cost-effectiveness can therefore be expressed as a ratio in terms of costs per DALY or QALY gained, and compared to either benchmark ratios or other intervention options that have been implemented or are being considered.<sup>22</sup>

### Social return on investment analysis

Social return on investment (SROI) analysis seeks to overcome some of the limitations of the previous methods described. It sets out to facilitate like-for-like comparison of options by monetising the social value of interventions. In establishing this monetary value it works both from secondary data (usually pre-existing statistics) and primary sources, including qualitative, and subjective ratings from stakeholders.<sup>23</sup>

It is a multi-step process that first requires the key stakeholders to a program or activity be identified. Then there must be established the theory of change, or anticipated results chain, on which resourcing decisions are based. The outcomes of the resource inputs are then established and measured through a combination of available quantitative and qualitative data; the robustness of existing monitoring and evaluation processes become especially important here.

It is at this point that attempts are made to monetise outcomes by reference to market valuations and the valuations of stakeholders, something that is often established through economic experimental techniques as well as peer and expert social and environmental evaluations.

SROI goes beyond just establishing outcomes in monetised terms; it also looks to determine the causal link between inputs and impact in a rigorous fashion. It begins by calculating the gross impact by multiplying outcome incidence with outcome monetary value. This gross figure is then refined by establishing attribution (what value of impact has been caused by the intervention and what value by other factors) and the impact of counterfactuals, such as what would have happened if the intervention did not occur (also known as the 'dead weight'). An attempt is also made to assess 'displacement', or the net benefit of change once potential transfers of benefits (as opposed to collective improvement in benefit) are taken into account. Finally, the longevity of the benefit, and whether it will be felt most fully in the short versus long term, is calculated and usually expressed as the 'discount rate'.

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<sup>21</sup> Ong, Katherine S et al., 2009, 'A cost-based equity weight for use in the economic evaluation of primary health care interventions: case study of the Australian Indigenous population', in *International Journal for Equity in Health*, Vol. 8, p. 34.

<sup>22</sup> Gift, Thomas L & Mazarro, Jeanne, 2007, 'Cost-Effectiveness Analysis' in Aral, Sevgi O & Douglas, John M Jr (Eds), *Behavioural Interventions for Prevention and Control of Sexually Transmitted Diseases*, Springer; Edejer, T, Tan-Torres et al., (eds), *Making Choices in Health: WHO Guide to Cost-Effectiveness Analysis*, World Health Organization, Geneva.

<sup>23</sup> Information for this section is taken from Brouwers, Jan, Ester Prins & Menno Salverda, 2010, *Social Return on Investment: A practical guide for the development cooperation sector*, Context, international cooperation, Utrecht; The SROI Network, 2012, *A Guide to Social Return on Investment, January 2012*, The SROI Network; Cabinet Office, 2009, *A Guide to Social Return on Investment*, UK Cabinet Office, Office of the Third Sector; Biswas, Kaushik et al., 2011, *Social Return on Investment: Chaha Programme*, International HIV/AIDS Alliance, Hove, UK.

## Defining and measuring 'Value for Money' *continued...*

There are assumptions underlying all of these steps, but SROI advocates argue that the method at least pushes decision-makers to address methodically those assumptions and to determine real impact in complex social settings.

At the end of the SROI process, a monetary figure is produced that describes the value of social impact for every dollar of investment in an intervention. Critiques of SROI usually focus on the rubbery nature of that monetary figure, dependent as it is on the availability of evidence, the quality of stakeholder involvement, and the robustness of assumptions such as discount rates. As the differing availability of data will make one SROI figure more or less robust than another, the SROI findings do not always facilitate like-for-like comparability. Advocates argue, however, that there is still real benefit for NGOs to employ this technique as part of their evaluation processes as it provides incentives to improve the quality of data gathered from stakeholders, and pushes them to determine real impact, even if only roughly.

### Basic efficiency resource analysis

A basic efficiency resource (BER) analysis sets out a quadrant analysis for evaluating complex multicomponent programs, campaigns, or activities. It builds on basic VfM concepts, and includes some of the qualitative methods of SROI to evaluate a unit's impact as compared to its resources, and then offers a relative perspective on performance when judged in comparison to other units within the organisation or joint activity.

The BER model is not a stand-alone analytical method. Rather, it provides a helpful piece of evidence which can assist triangulation, and which encourages the use of a wide variety of data sources. It can be used in group processes and during the feedback stage of evaluations, to initiate discussions on why a particular unit is performing in an unexpected way.

TABLE 1: BER ANALYSIS CONCEPTUAL MODEL

INPUT	High	Below average efficiency	Average efficiency
	Low	Average efficiency	Above average efficiency
		Low	High
		OUTPUT	

<sup>24</sup> Cugelman, Brian & Eva Otero, 2010, *Basic Efficiency Resource: A framework for measuring the relative performance of multi-unit programmes*, September 2010, Leitmotiv & AlterSpark; Cugelman, Brian & Eva Otero, 2010, *Evaluation of Oxfam GB's Climate Change Campaign*, March 2010, Oxfam Great Britain, Oxford.

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## Method issues

- No author suggests a one-size-fits-all approach to the use of VfM tools; there is, however, an imperative to determine the nature of the activity to be assessed and, on that basis, what may be the most appropriate tool to employ
- Irrespective of how they are established – via comparative case-studies or SROI use of secondary data – counterfactuals are critical in locating causality and attribution when evaluating outcomes and impact
- Planning for VfM evaluation in activity and MEL design (especially conducting baseline surveys and establishing availability of secondary data) is critical
- Availability of secondary statistics in countries that lack effective national bureaus of statistics can be problematic: the sharing of data between agencies is one way to compensate for this
- Claims about monetised impact ratios to costs need to be ameliorated by clear explanations of the assumptions underlying the calculations, and the extent to which aggregation can obscure real differences in data quality
- The question of research ethics is not explicitly considered in much of the methodological literature, even though it is a central concern in development partnerships with poor communities where reporting and evaluation requirements can sometimes overwhelm the capacities of local actors.

## 2. ‘Value for Money’ and aid policy

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### AusAID

AusAID has yet to arrive at a consolidated position on VfM, although it does have a long history of seeking efficiencies through the use of competitive tendering for a whole range of goods and services. A combination of policy and political forces are, however, beginning to push policy makers and managers towards engaging with this issue.

The 2011 [Independent Review of Aid Effectiveness](#) argues that the fundamental operational principle of the Australian aid program should be value for money. It suggests how this principle might be reflected in the program’s strategic decision-making, but is less clear on the process of making specific VfM choices at the activity level.<sup>25</sup>

The review seeks to integrate geographic, sectoral and delivery method considerations in ensuring that VfM is achieved in the overall aid program, although differing levels of quantitative and qualitative rigour are evident in the respective areas. There are also a number of assumptions built into the aid allocation decisions that result from bringing the three ‘considerations’ together. For example, the review proposes that decisions on geographic distribution be determined by the ranking – high, medium, low – of each country against three key indicators: poverty (with some multi-dimensionality reflected in the range of secondary data drawn on); its importance to Australian national interest; and the capacity of the aid program to make a difference. These would then be aggregated into numerical values from 1 to 5.<sup>26</sup> By comparison, the suggested approaches to decision-making on sectoral support and delivery method are based more on pre-existing normative policy positions, although a form of ranking is used in both to enable some aggregation with the geographic distribution findings in order to arrive at prescriptions for aid allocation.

The [Government response to the Independent Review](#), *An Effective Aid Program for Australia*, agrees with the Review’s general proposal regarding VfM. The Government stated that ‘a “value for money” perspective – one that balances effectiveness, efficiency and economy in decision-making – will drive improvements across the aid program. This focuses on results and returns for poor people, rather than just input costs.’<sup>27</sup> However, the Government deferred a detailed response until the release of the *Helping the World’s Poor through Effective Aid: Australia’s Comprehensive Aid Policy Framework to 2015–16* ([the CAPF](#)), which was released in May 2012. What little the initial Government response to the independent review explicitly says on VfM prior to the release of the CAPF, is focused on procurement and the results of the [Joint Adviser Review Report](#).<sup>28</sup>

The CAPF provides overarching guiding principles on VfM, predominantly through seeking increased competition, accountability and transparency as well as robust risk and fraud management strategies.<sup>29</sup> Similarly, AusAID has a long history of seeking efficiencies through the use of competitive tendering for a whole range of goods and services, as with all Commonwealth agencies.

The CAPF also makes the broad claim that budget strategy allocations, and also strategic level decisions on country, regional and global programs, will be based on four criteria:

- Poverty
- National interest
- Capacity to make a difference
- Current scale and effectiveness<sup>30</sup>

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<sup>25</sup> Independent Review of Aid Effectiveness Review Panel, 2011, *Report of the Independent Review of Aid Effectiveness*, Commonwealth of Australia, Canberra.

<sup>26</sup> Independent Review of Aid Effectiveness Review Panel, 2011, *Report of the Independent Review of Aid Effectiveness*, pp. 117–127.

<sup>27</sup> Australian Government, *An Effective Aid Program*, p. 20.

<sup>28</sup> Commonwealth Government of Australia, 2011, *An Effective Aid Program for Australia: Making a real difference – Delivering real results*, Commonwealth of Australia, Canberra.

<sup>29</sup> Australian Government, *Helping the World’s Poor*, p. 27.

<sup>30</sup> AusAID, 2012, *Helping the World’s Poor through Effective Aid: Australia’s Comprehensive Aid Policy Framework to 2015–16*, Australian Agency for International Development, Australia.

In measuring whether aid allocations are effectively responding to these criteria, it also established a three-tiered results framework against which aid program performance will be assessed, with implications for budgeting. Tier 1 results measure progress against the Millennium Development Goals (MDGs). Tier 2 results ‘articulate the contribution of Australian aid to development outcomes in partner countries’ as measured by the impact on five strategic goals: saving lives; promoting opportunities for all; sustainable economic development; effective governance; and humanitarian and disaster preparedness and response. It is under the Tier 3 results heading – operational and organisational effectiveness – that VfM is explicitly raised, but methods for ascertaining the broader value of activities (beyond linear or procurement based notions of VfM) are, once again, not considered. Instead, VfM here refers to a set of efficiency goals around procurement, adviser remuneration, staff movement, delivery through partner government systems, and consolidation of activities.

## AusAID, ‘Value for Money’ and a ‘theory of change’

Neither the Independent Review, the Government’s response, nor the Comprehensive Framework clearly provide an agency-wide ‘theory of change’ against which ‘effectiveness’ and ‘value’ can be defined. Underlying assumptions around economic growth and capacity development can be discerned, although there remains the complicating element of ‘national interest’ that doesn’t connect with, and may be antithetical to, a development ‘theory of change’. Likewise, nowhere is there a full explanation as to how balancing efficiency, economy and effectiveness considerations will result in value for money, although, once again, elements of an answer can be read into some sections of the documents, especially the CAPF. There is also little explanation as to how partner government and community understandings of ‘value’ will be incorporated in VfM assessments. Finally, the question of how VfM is appropriately applied at the activity level focuses, at this stage, on the issue of procurement. Overall, these documents provide limited direction for AusAID partners and managers on what VfM means in operational terms in relation to complex initiatives.

AusAID’s initial organisational response to these policy shifts has been to include the Agreements and Value for Money (AVM) Branch within its Program Effectiveness and Performance Division. The restructure of the AVM Branch has included the establishment of a section specifically dedicated to commercial analysis and the broader implications of ensuring that VfM is achieved, which at the current time includes improving procurement and fraud risk management systems.

It is worth noting that AusAID’s [Civil Society Engagement Framework](#) (CSEF) includes the following references to achieving VfM: that working with CSOs is an efficient delivery option and that CSOs make optimal use of resources in achieving intended outcomes (value for money);<sup>31</sup> engagement will be informed by greater attention to value for money;<sup>32</sup> and, enhance(ing) methodologies for assessing value for money in respect of AusAID CSO grant funding, to promote confidence that results achieved are commensurate with resources allocated in differing operating environments.<sup>33</sup> These will apply from 1 July 2013.

The CSEF will be implemented in collaboration with ACFID so that the Australian NGO sector is better informed to adapt agency operations to demonstrate VfM, especially where it is clear through the CAPF that VfM will be a key influence in funding allocation decision-making across Australia’s aid program.

<sup>31</sup> Australian Government, *AusAID Civil Society Engagement Framework*, pp. iv.

<sup>32</sup> Australian Government, *AusAID Civil Society Engagement Framework*, p. 5.

<sup>33</sup> Australian Government, *AusAID Civil Society Engagement Framework*, p. 11.

## ‘Value for Money’ and aid policy *continued...*

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Several country or regional program initiatives have been, or will be, tested for their value for money. *VfM* reviews of the AusAID-funded Solomon Islands NGO Partnership Agreement (SINPA) and the Pacific Leadership Program (PLP) have been conducted but are not yet publicly available. It is the authors’ understanding that the methods of *VfM* analysis employed in these assessments proved to be problematic when it came to capturing the adverse effects of political and social contexts on delivery costs.

The Australia Africa Community Engagement Scheme (AACES) is a recently initiated AusAID-funded program that brings together ten ANGOs in partnership with AusAID. These ANGOs then work through local NGO and community partners on the ground. It has incorporated in its program design a requirement that there be some assessment of program/project *VfM*, although the precise nature of this assessment has been left open (noting that provision has been made for independent consultants to conduct mid-term and final evaluations if required). The AACES steering group has met to consider how to approach *VfM* given the complexity of the community empowerment and partnership activities with which each ANGO is engaged. There has been an agreement to clarify costs – such as staff salaries and other inputs, ratios between local and international staff, administration – and also to better define the management costs incurred by AusAID in facilitating a highly partnership-oriented program. Partner and stakeholder surveys, along with implementer self-assessments of impact, will be undertaken. The MEL framework will also be reviewed to determine whether it can provide the sort of information that can overcome secondary data shortfalls in the African countries in which AACES is operating.<sup>34</sup>

A more formalised approach to *VfM* assessment has been trialled in the Australian Multilateral Assessment, released in March 2012. Under this process, 42 multilateral organisations and funds were assessed against four criteria: poverty orientation and impact; capacity to make a difference; value for money; and alignment with Australian development objectives. These were disaggregated into seven components (three of which refer to ‘results and relevance’, and four of which relate to ‘organisational behaviour’), which are further disaggregated into several criteria each. Against these criteria, the multilateral agencies received a ranking of 1 to 4 (with 1 being ‘weak’ and 4 being ‘very strong’). The evidence was primarily qualitative and obtained via consultations with all relevant stakeholders, and the examination of available documentation, such as annual reports and secondary data. Scores were aggregated and compared on a two-dimensional (‘results and relevance’ and ‘organisational behaviour’) scattergram. The report was subjected to several peer review processes. The rankings are to be used to inform future core and non-core funding of multilaterals, although core funding will not, at this stage, be cut from under-performing agencies without further analysis.<sup>35</sup>

Finally, the ANCP already requires that some elements of *VfM* be demonstrated by the NGOs funded.<sup>36</sup> Efficiency, economy and effectiveness criteria already exist in the application process, and comprise aspects of the reporting requirements. If these fall short of a *VfM* approach, it is because they are not required to be linked in such a way as would be seen in a business case, nor is comparability sought. A possible move to clearer *VfM* considerations can be deciphered in the recently reformed Monitoring, Evaluation and Learning Framework (MELF) for the ANCP, but even this does not explicitly refer to *VfM*, and is, in any case, still in its pilot stage.<sup>37</sup>

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<sup>34</sup> AACES/AusAID, 2011, *Australia Africa Community Engagement Scheme Program Design Document*, AACES, Australian Agency for International Development, Canberra.

<sup>35</sup> AusAID, 2012, *Australian Multilateral Assessment*, March 2012, Australian Agency for International Development, Canberra; AusAID, *Australian Multilateral Assessment (AMA) Methodology*.

<sup>36</sup> AusAID, 2010, *AusAID–NGO Cooperation Program Guidelines*, Australian Agency for International Development, Canberra.

<sup>37</sup> AusAID, 2012, *AusAID–NGO Cooperation Program Monitoring, evaluation and Learning Framework*, May 2012, Australian Agency for International Development, Canberra.

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## Department for International Development (UK)

DFID adopted a broad VfM indicator for its bilateral program under the agency's 2003–06 Public Service Agreement. This two-part indicator held that DFID would achieve value for money when:

- a) 90% of the bilateral program was going to 'low income' countries; and
- b) there is a 'sustained increase in the index of DFID's bilateral program's evaluated success'.<sup>38</sup>

More recently, and on the back of increased political focus on the UK aid budget's exemption from 'austerity' cutbacks, DFID has sought to expand and deepen its approach toward VfM. In its 2011 **Approach to Value for Money** policy paper, it argued that VfM should underpin all its work: resource allocation, procurement, performance management, program design and implementation.<sup>39</sup> In 2010–11 it also conducted reviews of its multilateral and bilateral programs.

The **multilateral aid review** attempted to quantify and then compare on like-for-like measures, via a pair of composite indices, the impact of DFID-supported multilateral agencies on UK development objectives and the organisational strength (e.g. cost consciousness, and partnership behaviour) of those agencies. DFID then decided on whether to provide ongoing financial support on the basis of agencies' comparative aggregate scores. In building a comparison index, DFID sought to measure the relationship between costs, inputs, outputs and outcomes. Where direct measurements were not available, which was often the case for outcomes, proxy indicators were employed. In addition to quantitative, largely secondary, data, qualitative information was gathered via consultations with partner governments and other stakeholders on perceptions of impact and value.<sup>40</sup>

The **bilateral aid review** built on the 2003–06 VfM indicator and worked from the policy presumption that the bilateral program needed to focus on fewer countries, yet improve the impact of aid within those countries. It defined priority regions and countries on the basis of development need, potential effectiveness of assistance, and strategic fit with UK Government priorities. To assist this, a 'need-effectiveness index' was constructed from secondary data that established multidimensional indicators of country poverty and fragility and the structural capacity of the country to utilise aid (World Bank measures were used in assessing the latter). DFID country units were then asked to submit 'results offers' that set out the results that 'could realistically be achieved from April 2011 to March 2015, what this would cost, and what delivering these results would represent in terms of value for money'.<sup>41</sup> After comparing the initial prioritisation and the results offered, the review recommended the closure of 16 country programs by 2016.

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<sup>38</sup> Poate, Derek & Christopher Barnett, 2003, *Measuring Value for Money? An independent review of DFID's Value for Money (VFM) Indicator, Public Service Agreement 2003–2006*, DFID Evaluation Report EV645, p. 2.

<sup>39</sup> DFID, 2011, *DFID's Approach to Value for Money (VfM), July 2011*, Department for International Development, London.

See also DFID, 2011, *Briefing Note: Indicators and VfM in Governance Programming, July 2011*, Department for International Development, London.

<sup>40</sup> DFID, *Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations*.

<sup>41</sup> DFID, 2011, *Bilateral Aid Review: Technical Report, March 2011*, Department for International Development, London, p. 8.

## DFID, VfM and NGO funding

DFID has applied VfM criteria to the selection process for at least one of its key funding streams for NGOs, the **Programme Partnership Arrangement (PPA)**, which has many similarities with the Australian ANCP. It includes an explicit VfM component that NGOs must address in the application process and also in their evaluations of the impact of PPA funding on their work. Applicants must demonstrate their effectiveness in this area against six criteria:

- How do you control administrative costs?
- How do you achieve economy in purchase of programme inputs?
- How are rates of return and cost effectiveness used in decision-making?
- Is funding performance-based?
- Robust financial accountability and auditing arrangements
- Appropriate financial management systems<sup>42</sup>

In addition to proposal forms, NGOs are required to submit logframes that make explicit the results chain between inputs and outcomes. They must also complete a VfM questionnaire that focuses on procurement processes; this is then subjected to a due diligence check by KPMG, who are contracted in by DFID for this purpose. It is worth highlighting what KPMG investigates:

The reports which KPMG produced focused on each PPA applicant’s Internal Governance, their Financial Management and other areas and included a substantial section entitled ‘Value for money and procurement capacity and effectiveness’. This section described each PPA applicant’s primary measures of value for money and its baseline procurement capacity in relation to its organisation. The section tabled the PPA applicant’s Primary Objectives, Key performance indicators, set a baseline for performance for the start of the PPA and set targets for improvements over the lifetime of the PPA.<sup>43</sup>

In the business cases that NGOs present to DFID, objectives are explicitly linked back to theories of change. In establishing the VfM of the activities that aim to achieve these objectives, NGOs must not only establish the capacity of their systems to deliver VfM, but also show how they will achieve further VfM savings over the lifetime of the PPA funding. NGOs are also expected to submit mid-term and final reviews of the impact of PPA funding on their work, including whether the PPA funding has represented good value for money.

While DFID requires NGOs responses to VfM questions to be evidence-based, the author could find no documentation stating that DFID insists that certain analytical modes be used, e.g. cost-effectiveness analysis or social return on investment analysis.

<sup>42</sup> DFID, 2010, *Programme Partnership Arrangement (PPA) Proposal Form*, Department for International Development, London.

<sup>43</sup> IPPF, 2010, *Intervention Summary – The Programme Partnership Arrangement International Planned Parenthood Federation (IPPF)*, p. 14.

<sup>44</sup> Independent Commission for Aid Impact, *ICAI’s Approach to Effectiveness and Value for Money*.

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Finally, the UK Government has established an Independent Commission for Aid Impact (ICAI) that is separate from DFID and reports directly to the parliamentary International Development Select Committee. The ICAI's first report, in November 2011, entitled *ICAI's Approach to Effectiveness and Value for Money*, argues that effectiveness and value for money are inextricably linked.<sup>45</sup> It supports a definition of VfM that sees it as a balance between efficiency, economy and effectiveness (the 3 Es). The report raises a number of difficulties in assessing and achieving results-based management and VfM in complex situations, most notably the problem of 'measuring difficult-to-measure, long-term outcomes', obtaining verifiable data, determining attribution and causality, and getting appropriate input from the intended beneficiaries. It briefly canvasses robust economic methods such as Randomised Control Trials, but ultimately adopts a pragmatic approach that favours a mix of qualitative and quantitative methods depending on the nature of the activity or program. Its general VfM criteria include:

- Does the programme have realistic and appropriate **objectives** and a clear plan as to how and why the planned intervention will have the intended impact?
- Does the programme have robust **delivery** arrangements that support the desired objectives and demonstrate good governance and management through the delivery chain?
- Is the programme having a transformational, positive and lasting **impact** on the lives of the intended beneficiaries, and is it transparent and accountable?
- Does the programme incorporate **learning** to improve future aid delivery?<sup>45</sup>

## BOND and UK NGOS

Bond has published material from a series of consultations and roundtables on VfM involving NGO members, DFID and think tanks such as the Overseas Development Institute, but its most comprehensive statement on the issue has been the background paper *Value for money: what it means for UK NGOs*. In this paper, Bond attempts to highlight both the positives and negatives of VfM for NGOs and, through that, notes ways in which NGOs can both improve the VfM of their work and 'make a strong and defensible case to funders for their continued support to civil society'.<sup>46</sup>

While the UK NGO community is generally in favour of DFID improving its ability to meet the Paris Declaration goals, and also to monitor and evaluate activities appropriately, Bond has documented a clear concern that a narrow focus on measurable VfM will encourage DFID to avoid supporting 'complex and challenging' programs.

A case in point is the Catholic Agency for Overseas Development (CAFOD) and its experience with the DFID-led Zimbabwe Protracted Relief Programme. While the agency notes that, at a policy level, DFID is emphasising a broad, complex understanding of VfM, the actual translation of VfM to the country-program level has proven to be more restrictive. In CAFOD's case, it argued that DFID managers pre-emptively reduced support for the Zimbabwe program in anticipation of an adverse VfM assessment – a decision that may not have been justified, and had a clear, negative impact on program sustainability.<sup>47</sup>

As a counter-argument, Barder notes that there is yet to be any strong evidence that DFID is inappropriately applying VfM assessments in its programs (even though there should still be considerable risk management exercised regarding this issue):

Before the recent DFID bilateral aid review, several people working in DFID expressed privately fears that the money would flow mainly to superficial but easily-measurable projects with little transformational or systemic benefit; all told me afterwards that those fears had proved unfounded. DFID has made intelligent, nuanced choices about what to support, and through which aid instruments, which suggest that they have not lost sight of the key objective of long term, sustainable, systemic change.<sup>48</sup>

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<sup>45</sup> Independent Commission for Aid Impact, *ICAI's Approach to Effectiveness and Value for Money*, p. 12.

<sup>46</sup> Bond, *Value for money: what it means for UK NGOs*, p. 3. See also Bond, 2011, *Integrating value for money into the programme cycle*, online at <http://www.bond.org.uk> (accessed 23 April 2012).

<sup>47</sup> Pollard, Amy, 2011, 'What does "value for money" really mean?' in *The Networker*, Aug–Oct 2011, p. 98.

<sup>48</sup> Barder, Owen, 2012, 'Evidence-Based, Politically Savvy Ways of Doing Development Aid', in *NORAG News*, Vol. 47, April 2012, pp. 25–30.

## ‘Value for Money’ and aid policy *continued...*

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Rather than supporting any one measurement approach, Bond argues that it is broadly interpreting VfM to require that NGOs justify why their activities deliver better value to poor communities than other approaches they may have chosen. Bond adopts the 3 Es definition of VfM used by the ICAI (although it doesn’t include the fourth E – equity). It also sets up a model for improving VfM in NGOs that balances *managing* for VfM, *demonstrating* VfM, and *comparing* VfM (where appropriate data can be generated, and like-for-like situations exist).<sup>49</sup>

A recurring theme in the Bond literature is the necessity for NGOs to see their responses to the VfM agenda as part of a collaborative endeavour, and a working group has been set up to this end. This is not seen in advocacy terms, but rather as a sharing of techniques, data (including access to secondary data), and learning. There is also an expressed belief that the sector can collectively build up knowledge on input-output-outcome relationships (something that may also involve the evolution of proxy measures). Bond’s general emphasis is on UK NGOs embracing the overall concept of VfM, but avoiding its more ‘monetised’ elements when they are inappropriate.<sup>50</sup>

### Development Assistance Committee

The question of value for money was expected to be a central issue at the Busan High-Level Forum on Development Effectiveness (HLF-4), and it will be, by implication, a key concern of the new Global Partnership for Effective Development Cooperation, even though specific initiatives were not detailed. In preparation for this, the Development Assistance Committee of the OECD (DAC) prepared a consultation paper, *Value for Money and International Development*, that, in its own words, sought to deconstruct ‘some myths’ and ‘promote more constructive discussion’.<sup>51</sup> It also pointed out that, unlike most other areas of public sector activity, official aid program performance debates had largely been over the amount of expenditure (e.g. has the 0.7% of GNI target been met) and were less focused on the quality of expenditure. International changes, as in the Paris Declaration on Aid Effectiveness, and domestic budget pressures were forcing governments to increasingly concern themselves with VfM.

The DAC paper reiterates much of what is found in the ICAI and Bond publications, but increases the focus on donors improving their risk analysis and management – something which also came through in the Busan discussions – as a way of moderating the risk aversion that may accompany VfM.

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<sup>49</sup> Bond, *Value for money: what it means for UK NGOs*, pp. 11–15.

<sup>50</sup> See Bond’s Effectiveness Programme’s VfM site at [www.bond.org.uk/pages/bond-effectiveness-value-for-money-1069.html](http://www.bond.org.uk/pages/bond-effectiveness-value-for-money-1069.html)

<sup>51</sup> Development Assistance Committee, 2011, *Consultation Draft – Value for Money and International Development: Deconstructing some myths to promote more constructive discussion*.

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## Policy literature and ‘Value for Money’ risks

### VALUE FOR WHOM

- AusAID and DFID, to varying degrees, note the importance of getting input from partner governments and communities on the question of whether activities and programs have been effective. They are less rigorous in establishing VfM processes that ensure the same stakeholders have a say on the definition of value. The DAC paper argues that, ultimately, there may not be a significant difference between donors and partners on this question. Bond emphasises the need for stakeholder involvement, but also argues that NGOs ‘should help partners to adapt and respond to the challenges [of VfM]’.<sup>49</sup>

### VALUE BY WHEN?

- All of the documentation from the agencies covered is conceptually weak on this issue. The general time frames envisaged are those set by donors – usually three to five years – but there is little analysis as to whether these are always contextually appropriate.

### RATIONAL CAUSAL HYPOTHESES

- The underlying assumption in the VfM literature is that development organisations have at their core a set of rationally-derived causal hypotheses regarding how development is achieved (and, implicit in that, what development is). These may be expressed as impact objectives, results/outcomes chains, theories of change, or some other causal hypothesis.
- The available literature does little to resolve the dilemma of clashing rationalities (world views) between donors, NGOs and partners. It also has difficulty in engaging with the way core values, agency and stakeholder history, and community-level social structures, impact on NGO program decision-making.
- Official donor theories of change, against which ‘value’ can be defined, are often unclear.

### PARTNERSHIP

- There is little discussion in the VfM policy literature over how to value partnerships in the context of development (although this has been picked up in other public sector management writing around what comprises ‘good’ partnerships).

### ETHICS

- The VfM policy literature does not explicitly assess the ethics of impact evaluations as they relate to VfM assessments. Concerns around excessive extraction of data from local communities are not addressed in any detail.

<sup>49</sup> Bond, *Value for money: what it means for UK NGOs*, p.17

### 3. Australian NGOs and ‘Value for Money’

ANGOs currently represented on the DPC were asked the following four questions:

1. How has your organisation attempted to define and measure the ‘Value for Money’ of its work?
2. In general, how does your organisation interpret ‘value’?
3. How does your organisation approach the question of ‘theory of change’ or the connection between inputs, outputs, and impact?
4. How does your organisation approach the issue of value in relation to your partners, and also to your stakeholders?

Rather than setting out a summary of each ACFID member’s position, this paper synthesises the responses of the members to the above questions in an attempt to provide an overall characterisation of the sector’s engagement with VfM (with some examples provided). Recurring themes or issues from the responses are also identified.

All interviewed NGOs are aware that this is an issue of growing importance within the sector, even if the changes that have occurred in the UK, and the shifts in Australian aid policy, were not directly referenced. For many, the drive to focus on the VfM question is coming either from donor stakeholders other than AusAID, or from an internal organisational recognition that their organisation’s capacity to explain and justify its development approach to current and potential stakeholders can be improved. In this, the VfM discussion is framed as part of more general debates around MEL effectiveness and downward and upward accountability.

#### Engagement with ‘Value for Money’

All members, either explicitly or implicitly, had engaged with VfM in some form, most commonly at the strategic or programming level, but far less so at the level of direct evaluation and assessment. All members also acknowledged that the application of VfM principles to their work contained both opportunities and risks, with very similar points being raised in all interviews. Importantly, no agency saw itself as wishing to commit solely to making decisions on programming on the basis of VfM criteria, although all noted that they should continue to improve their ability to establish the long-term effectiveness of their activities.



**CARE Australia**, along with CARE UK, trialled SROI analysis of four CARE International programs in Asia; an external consulting firm conducted the evaluation. While not yet publicly available, this analysis will be one component in a broader impact report that is expected to be released publicly in the second half of 2012. Some methodological issues arose during this analysis, especially around the availability of appropriate data, processes of stakeholder consultation, and the rigour of the assumptions that underpin an SROI. While there were some interesting findings from the exercise, CARE has yet to decide how, or whether, to proceed with conducting this form of VfM analysis on a broader scale, with questions over the practical usefulness of outcomes expressed in monetised terms for program decision-making. In internal discussions over VfM issues and the SROI analysis, CARE staff have, however, positively responded to the ICAI’s four criteria for assessing effectiveness and VfM that are discussed above. Currently CARE Australia is undertaking a mapping process of its existing systems and procedures to determine the degree to which these already meet a broad notion of VfM, such as that expressed by the ICAI.



**Plan International** has trialled some cost-benefit analyses of several of its more quantifiably measurable activities, such as Water, Sanitation and Hygiene (WASH) projects where sanitation outcomes have been well-established. The Australian member of the Plan family has also held internal discussions about how to approach VfM in the context of its own programs. Thus far, despite an increased focus on development results, specific VfM changes to programming and evaluation have yet to be agreed upon. Plan International’s current systems and procedures clearly address a number of elements of economic value via the cost efficiency requirements, including the procurement guidelines, of its operational procedures. It has also moved to set clear performance benchmarks drawn from external rights instruments and the MDGs, and internal consultations with communities and partner organisations.

The degree to which the interviewed ACFID members had explicitly assessed how VfM approaches might link in with their existing programming and evaluation varied. At the very least, VfM had been the subject of informal discussion among agencies' managements, either in relation to altering MEL frameworks or the decision-making processes concerning investment in new programs/projects. Four of the agencies (CARE Australia, World Vision Australia, Plan International and Oxfam Australia) had had more formalised discussions over whether to bring elements of VfM into their programming and MEL frameworks, with two, CARE Australia and World Vision Australia, either trialling, or planning to trial, VfM analytical tools.

## Value and 'monetisation'

The question of whose interpretation of value should prevail was raised in most interviews. There was a strong appreciation of the potential danger that donor-focused visions of VfM would exclude NGO partners' interpretations of value, as well as a variety of under-recognised and under-appreciated definitions of value from some of the most powerless and poor. Linked to this was a clear concern with the perceived push by donors and stakeholders towards monetising outcomes and impact. It was felt that ANGO core values, history of engagement with specific partners and communities, and practical experience also needed to be considered in making decisions about development interventions.

None of the DPC members stated that any one tool would be used as a stand-alone measure of VfM. All, in a variety of ways, saw VfM tools as potential elements in establishing, and explaining, the value of their organisation's work, but regarded them as a way of making more robust existing organisational narratives rather than creating new 'value narratives'.

The other ACFID members who were interviewed for this paper all noted that cost efficiency was an integral part of their program decision-making, even if this was formalised in different ways. It was also recognised that some elements of VfM were at least informally part of program and partnership decision-making. Forms of peer and expert review were commonly incorporated in feasibility assessments (formal and informal) prior to decisions on resource expenditure being made. There was also a general focus on improving the rigour and quality of evaluations in order to be able to make decisions, including those relating to VfM, on the back of a more robust evidence-base.



**Oxfam Australia** (OAU) has gone slightly further than some other ANGOs in internally discussing the broader aid policy implications of AusAID's gradual shift toward VfM, and has begun the process of developing a coordinated agency position in order to engage in dialogue with AusAID, ACFID and other stakeholders about the issue. It is looking at a variety of avenues for broadening the sectoral discussion, such as working with the ANCP MELF process as a key partner and having input into the Big Push Forward advocacy. While no explicit VfM changes have been instituted in the organisation except for mapping, the agency is looking closely at other Oxfam experiences globally (such as Oxfam UK's work with BER analysis), and taking consideration of VfM issues into account in its overall MEL framework (particularly through its Seven Core Questions). OAU is currently reviewing how its MEL system can better link cost information to outcomes, and ensure that the data collected more coherently addresses the agency's underlying theory of change. This is in line with ongoing efforts through the use of advisers, training and MEL improvements to define and measure overall program impact.



**World Vision Australia** (WVA) is in the process of embedding a broad, evidence-based programming strategy. This seeks to improve the agency's overall understanding of how best to achieve the child well-being outcomes at the heart of its mission and 'theory of change', and to drive continuous learning in its programs. One of the four key building blocks of WVA's concept of good evidence is economic evidence, and, in pursuit of this, the agency is mapping a methodology that can be integrated into its established MEL framework. SROI analysis is the method that will be trialled, with staff training and planning already under way with a view to piloting some analyses in 2013. Much of the data for these studies will be drawn from existing MEL activities, and the analyses will focus on those programs that seem most amenable to greater quantification – probably health and economic development activities – although the agency has yet to finalise these.

## Australian NGOs and ‘Value for Money’ *continued...*

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### Partnerships

Given that partnership is a core value and delivery method among ANGOs, it is not surprising that the question of how to value it arose in several interviews, and was then pursued by the author in others. Most of the interviewed agencies attempted to gain an understanding, through formal surveys, reflection processes or evaluations, of their local partners’ perceptions of the partnership. The nature of these processes varied in line with the differing ANGO governance and delivery structures, but a general commitment can be discerned to establish, in some form, the value of partnerships to development effectiveness. Similarly, there is a general commitment to partner participation in project/program formulation, delivery and evaluation. Mirroring the Bond position, however, little appears to have been done by way of integrating the value of partnerships to a broad discussion of VfM. As the AACES VfM consultations highlighted, this may prove a complicated task given the range of reasons why ANGOs partner with certain organisations and groups rather than others: core mission and values, history, location, the population represented by the partner, and also the capacity of the partner to ensure a specific project or program is effectively devised and implemented. Partnerships are also important when considering other aspects of ANGO work such as our volunteering NGOs and the people-to-people relationships or partnerships, and the resulting capacity building, training, promotion of Australia and so forth, which do not fit easily into a linear form of calculating VfM.

### Comparability

All of the interviewed NGOs were clearly opposed to AusAID, or other donors, aggregating the impact and costs of NGO work into like-for-like comparisons at the agency level, thus facilitating selectivity between NGOs. There was some acknowledgement that at the activity level within NGOs, depending on the sector, some VfM comparisons may be worthwhile. Comparisons, however, would be made once a whole set of decisions had already been made based on organisational values and strategy that are not fully linked to VfM. The perceived value of VfM in this process was seen to be that it would force NGOs to be explicit about the criteria on which it made those decisions – assuming that VfM comparisons were not undertaken.

### Data and proxy indicators

Several agencies noted the difficulty in gathering sufficient appropriate data through their MEL frameworks in order to carry out rigorous, quantitative (and, in some cases, qualitative) VfM analysis. Concerns were also noted that, outside of health, there were often not well-developed proxy indicators that could be used to measure impact. These were being developed over time in some cases, such as WASH, but there were other forms of activity and engagement, especially relating to community empowerment, that were so context-bound it was difficult to see how proxy indicators could be of use. The political nature of development was hard to capture in this quasi-quantitative form.

### Cost of ‘Value for Money’ analysis

Several of the smaller ANGOs raised concerns about the cost of investing in expanded capacity for VfM analysis. For these agencies it is difficult to build sufficient in-house expertise, and the costs of outsourcing, especially for an SROI analysis, regarding which there is only a limited market of analysts, may be prohibitive. The potential for collaboration could be seen here, but was not explored to any great extent by interviewees.

Several agencies raised the issue of the cost to local communities of extensive data gathering for evaluations and VfM assessments. It was acknowledged that trade-offs often occurred between gathering data necessary for reporting and evaluation, and preventing communities from experiencing research overload.

### Sectoral collaboration

All the ACFID members interviewed expressed interest in hearing how other members were approaching the issue of VfM, although none spoke directly about the possibilities for ongoing collaboration around this along the lines of that promoted by Bond (NB this was not a question that was directly put to them by the author). Several of the interviewees noted the importance of ACFID putting forward a broad, policy-level position in any dialogue with AusAID on the VfM question. Some concern was expressed, however, about the peak body being overly prescriptive regarding specific VfM analytical tools. The possibility of building data knowledge, proxy indicators, and general technical learning on VfM analysis was not voluntarily raised by any interviewee.

# 4. 'Value for Money' Criteria for ACFID members



On the basis of the above analysis, several criteria are proposed to guide ACFID members in their approach toward 'Value for Money'.

## Criteria for ANGO use of 'Value for Money'

1. VfM should be used in its simple, linear form (where the economy-efficiency-effectiveness relationship is monetised) only when that is appropriate, i.e. the impacts and outcomes are known, their causes measurable and able to be linked clearly back to costs, inputs and outputs.
2. Where there are complex causal relationships between economy, efficiency and effectiveness, and, therefore, between costs and impacts, VfM assessments cannot be considered absolute and should instead be seen as part of the process of improving knowledge about what produces effective development.
3. Partnerships with local actors are fundamental to how ANGOs approach development. Partnerships must be used to help ANGOs define what VfM means in their work, and they must be ascribed a value themselves.
4. There is no one 'gold standard' VfM measurement tool that should be used in all circumstances. ANGOs need to make a choice about which, if any, tool to use on the basis of the context in which they are working.
5. Like-for-like comparisons between ANGOs on the basis of VfM are not supported because of the inherent problems in aggregating VfM indicators appropriately. Such VfM comparisons may be possible, however, at the activity level within ANGOs.
6. If VfM data collection is to occur, it should, where possible, be incorporated into existing AusAID and ANGO MEL processes.
7. All VfM measurement activities should accord with ACFID's Code of Conduct, which emphasises the need to ensure effective and efficient use of resources, implementing robust financial management and cost control systems.<sup>52</sup>
8. ANGOs should be transparent about the way they have attempted to assess VfM in their work. They should share VfM data (where possible, and ensuring that it is not in breach of confidentiality requirements) in order to build a sectoral store of expertise and information.

<sup>52</sup> The ACFID Code of Conduct is available online at [www.acfid.asn.au/code-of-conduct](http://www.acfid.asn.au/code-of-conduct)

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