

# **Value for Money: Current Approaches and Evolving Debates**

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# Executive Summary

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NGOs have increasingly been asked by donors to demonstrate their Value for Money (VfM). This report analyses this demand across a number of dimensions and intends to lay out the interpretation of different stakeholders. After contextualising the debate internationally and nationally, a conceptual discussion of possible ways of defining and measuring VfM is conducted, followed by a technical analysis of different approaches and measurement techniques adopted by stakeholders. Finally, opportunities and caveats of measuring VfM are discussed. The report draws heavily on information gained through a total of seventeen interviews with representatives of NGOs, consultancies, think tanks and academic institutions.

### Contextualising the VfM Debate

While the term VfM has been increasingly emphasised in the UK context, the demand for development agencies to prove their effectiveness and efficiency is far from new. The Aid Effectiveness agenda and the current push for Results-Based Management underline this trend. This report discusses similarities as well as tensions between the Aid Effectiveness and VfM agendas. In the UK, past efforts to improve public sector management and recent budget cuts exempting UK development assistance have reinforced the demand towards proving VfM.

### Conceptualising Value

There are competing interpretations of what value is, or should be, and who ought to define it. Many stakeholders mention a Theory of Change as it reveals the organisations' understanding of value, illustrated through their rationale connecting inputs, outputs, outcomes and impact. Often, it is difficult to isolate the attribution or contribution of an intervention to outcomes and impacts, which makes the identification of the value of an intervention a complex undertaking. Stakeholders' definitions of VfM differ, but a combination of economy, efficiency and effectiveness seems to be at its core, complemented with good business practices, Option Appraisal and participation.

It is important to recognise that some development results are harder to measure while these results are often more transformative. Since NGOs operate in a competitive environment, this might entail a risk of the VfM concept shifting resources away from complex, transformative and innovative to easy, well-known and more quantifiable interventions.

Another risk is an increased push towards more upward accountability rather than downward accountability. The current discussions on VfM seem to have a strong focus on increasing accountability to donors rather than beneficiaries. However, both from an effectiveness and ethical perspective, participation of beneficiaries needs to play a role both in defining and measuring VfM

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## Measuring VfM

Building on the abovementioned conceptual insights, this report identifies a number of important dimensions and proposes a simplified framework to assess potential techniques for measuring VfM. According to this framework, measurement techniques differ mainly in their ability to measure what matters, to measure comparably, and to measure contribution.

To date, few NGOs have elaborated a specific response to VfM. A common response is to reconsider the quality of M&E, financial reporting and organisational efficiency. Although these responses are not fully addressing the important dimensions identified to measure VfM, they are necessary first steps towards measuring it on the output level.

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To include effectiveness and extend the measurement towards outcomes and impacts, a number of NGOs have experimented with different modifications and developments of (Social) Cost-Benefit Analysis, such as Social Return on Investment or Basic Efficiency Resource. The HIV/AIDS Alliance has piloted the most elaborate example of the SROI methodology, concluding that the process was much more valuable than the final number. SROI seems to be better applicable in interventions that focus on service provision rather than softer and less quantifiable outcomes, and might be easier to implement for single-issue organisations. Another interesting modification of SCBA is the BER approach, which has been developed by Oxfam GB to evaluate the Global Climate

Change Campaign. Using stakeholder feedback, BER assesses the comparative performance of units in achieving maximal outcomes.

Furthermore, a case study on measuring empowerment from Bangladesh shows another approach to quantitatively measure outcome and impact with high levels of participation and at a comparatively low cost. Potentially, the methodology of estimating Quality-Adjusted Life-Years could also be modified and applied in the development sector. In practice, it will be important to modify and combine different techniques, as all levels from economy, efficiency to effectiveness should be covered. A similar approach proposed by ITAD could be applied, using a VfM scoring sheet that provides indicators on what represents a specific VfM score at each level and combines these scores to a total VfM score. When designing such an approach, the varying potential of each technique to measure across the identified dimensions should be taken into account.

## Opportunities and Caveats

On a sector-wide level, the debate on VfM entails a number of opportunities and caveats. First, the concept risks a very quantitative interpretation, but the findings suggest that NGOs have the opportunity to shape the debate and to include a qualitative aspect. Second, if VfM is to be used to inform Option Appraisal, it has the potential to either lead to negative competition or be channelled into collaboration and specialisation of NGOs. Third, there is a danger that the comparability focus of VfM results in a race to the

bottom towards the easy, quantifiable and traditional interventions. However, this is again an opportunity for NGOs to justify what else represents 'value' and to improve the ways of measuring it. With regards to participation, VfM could lead to less downward accountability, but also just to the opposite if NGOs engage actively in promoting the voice of beneficiaries in defining and measuring value. While many NGOs express concern about yet another layer of administrative burden, VfM is finally an opportunity to enhance organisational efficiency and monitoring.

All NGOs face these opportunities and caveats, but each organisation's values and structures

require a specific response. The rights-based, child-centred and multi-sectoral approach of Save the Children UK makes it particularly important to advocate a broad, participatory and collaborative approach to VfM that combines quantitative with qualitative aspects. Therefore, it is crucial for SCUUK to engage early and constructively to be able to shape the debate in a meaningful way, and to collaborate with other stakeholders to advocate a reasonable sector-wide response to the demand for VfM. Rather than only mitigating risks, such a strategy would improve and communicate the value of SCUUK's efforts in creating effective change.

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# Purpose of Assignment and Methodology

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## Purpose of Assignment

Engaged in the evolving discussions among non-governmental organisations on measuring Value for Money (henceforth VfM), Save the Children UK assigned a graduate student consultancy group from the London School of Economics to conduct research on the topic. The main purpose of the assignment was to identify and document the various approaches that have been taken by different stakeholders to measure VfM. In addition, interpretations of VfM in the broader context of aid effectiveness and impact evaluation were to be identified, respecting SCUK's values and principles as well as the requirements of the UK Department for International Development.<sup>1</sup>

## Methodology

The assignment was executed through a combination of research methodologies. First, an extensive literature review was conducted. In addition to a number of policy papers and agencies' internal documents used, academic literature was heavily drawn on for the purpose of contextualising the current developments in the larger debates in the development sector.

Second, a total of seventeen semi-structured interviews<sup>2</sup> were held over February and March 2011. The majority of the interviewees were staff members of NGOs partially funded by DFID. In addition, individuals from a number of coordinating bodies, consultancies, think tanks

and academic institutions were consulted. Given the evolving nature of the debate, contributions from some of the interviewees as well as members of the academic community were also followed on blogs and other online discussions.

Third, an event organised by the Overseas Development Institute and the UK Aid Network entitled 'Aid effectiveness and value for money: complementary or divergent agendas as we head towards HLF-4' was attended.

## Caveats

The majority of the individuals identified for the interviews by SCUK represented the NGOs' Monitoring and Evaluation teams. Their responses are, therefore, not representative of the organisations as a whole, nor reflective of the wider debates taking place in various policy arenas. Instead, they reflect the views of the individuals interviewed from the particular viewpoints of their departments and areas of work. Moreover, the impact of the VfM debate on local civil society actors and country-level stakeholders was not identified, as it was not possible to speak with the local actors.

Since the interviews were conducted in a semi-structured manner, questions were not always addressed in an identical order. Furthermore, the interviewees were given substantive freedom to elaborate on issues of particular importance and interest to them, and thus all questions were not weighed evenly in all interviews. This is likely to have affected the results and responses, and therefore any conclusions regarding the stance of

a particular agency derived from the interviews should be observed with caution.

Finally, it was not possible to directly consult the UK Department for International Development during the interview process of the report. The following discussion, thus, rather reflects the various stakeholders' diverse interpretations of the Department and the broader VfM endeavour.

# I. Contextualising the VfM Debate

## I.1. International Context: Aid Effectiveness and VfM

While the catch phrase VfM has been increasingly emphasised in the arena of UK development assistance following the recent nation-wide budget cuts, the concept itself is far from new. Already in the 1980s and the 1990s were development organisations across the world involved in discussions regarding efficiency and effectiveness, Option Appraisal, and multiple paths to achieving outcomes.<sup>3</sup> The proliferation of non-governmental organisations (NGOs) as development actors over the last decade of the millennium entailed intensified scrutiny of their purported effectiveness in the provision of aid.<sup>4</sup>

In tandem with intra- and inter-organisational demands to demonstrate results arrived the academic community's increased interest in whether aid as a whole works or not, and under which conditions.<sup>5</sup> In addition, the development sector's enhanced interest in Results-Based Management and the launch of the Millennium Development Goals in 2000 further increased the demand for more rigorous ways of demonstrating results and progress.

The wide-ranging interest in understanding and promoting Aid Effectiveness increased following the 2002 International Conference on Financing for Development in Monterrey and a series of

Roundtables and High-Level Forums leading to the Paris Declaration on Aid Effectiveness in 2005. The core philosophy of this international agreement is structured around five principles: ownership, alignment, harmonisation, results, and mutual accountability. Together these principles aim at balancing the donor-recipient relationship, increasing recipient governments' ability to influence the allocation of aid, and creating transparent and accountable management and coordination systems.<sup>6</sup>

Although the Paris Declaration Agreement mainly refers to bilateral aid relationships between donors and partner governments, NGOs are increasingly recognised as important development partners. Further, they are committed to, and engaged with, Aid Effectiveness endeavours through other agreements and frameworks, such as the Bond Effectiveness Framework.<sup>7</sup> And while not all Aid Effectiveness principles are as relevant to NGOs, notions such as accountability and Managing for Development Results are of universal importance.

On the one side of the Results-Based Management agenda, increased attention has been paid to the tightening of procurement practices and procedures. On the other, there has been an advanced interest in not only evaluating outputs and outcomes, but in developing methodologies that allow for a more rigorous evaluation of *impact*.<sup>8</sup> Among the international initiatives in support of impact evaluation are the International Initiative for Impact Evaluation and the Network of Networks for Impact Evaluation, initiated to

fund and carry out studies that will enrich and enhance the impact evaluation discourse.

Having established the international backdrop on Aid Effectiveness and the quest for results, the sector has not yet defined where in this diverse landscape of approaches the current debate on VfM positions itself. Some stakeholders and development practitioners interpret VfM to be synonymous to, or at least complementary with, the overall Aid Effectiveness agenda. It has been referred to as a ‘subset’ of the debate on Aid Effectiveness, particularly referring to the Managing for Development Results pillar of the Paris Declaration, suggesting that the way to ensure VfM is to use the Aid Effectiveness principles to guide all interventions.<sup>9</sup>

**12** On the other hand it was also noted that at closer scrutiny there are aspects of the Aid Effectiveness discourse that may not resonate with VfM as it is currently interpreted. Although both debates relate to good business practice in development and maximising development results, the principles of Aid Effectiveness such as ownership and alignment appear to be less present in the VfM context. These differences were elaborated on by Melamed of the Overseas Development Institute:

*“In some senses, effectiveness and value can be synonymous to each other. But Aid Effectiveness is broader, and tackles institutional and political issues and relationships which VfM doesn’t really address. VfM is a subset of Aid Effectiveness. Aid Effectiveness is about deciding what you want to do. VfM is about how to do it best”.*

In addition, respondents have highlighted that a UK- or even organisation-specific definition and operationalisation of VfM might pose challenges for local partnering agencies. In this respect, Shutt specifically emphasised the importance of reflecting upon how the approaches adopted will influence local partners, who often cooperate with multiple international NGOs. If different NGOs develop diverging approaches for measuring VfM, this can potentially intensify ‘transaction costs’. Subsequently, it is arguable that the principle of harmonisation should be taken into account when deliberating possible approaches to VfM.

## I.2. Domestic Context: Defending Development

*“This support is based on these organisations’ clear ability to deliver the results we all want to see. We expect these charities to work hard to prove to UK taxpayers that they will and can make a real difference to the lives of the poorest and deliver real value for money.”*

Mitchell, DFID<sup>10</sup>

*“DFID are certainly pushing the issue. I’m not sure if the sector would have been so focused on VfM if this were not the case.”*

Lloyd, Bond

Parallel to the discussions taking place in international development for a, there have been a number of advances regarding the abovementioned debates within the United Kingdom. With reference to the increasing demand for cost-effectiveness and Option

Appraisal, as well as recognition of numerous alternative ways to achieving desired outcomes, the HM Treasury's Green Book<sup>11</sup> - launched in 2003 - aimed at setting a framework for the appraisal and evaluation of all government policies, programmes and projects. It has since become an important source of information for VfM discussions, highlighting tools such as Cost-Benefit Analysis in deciding whether there might be better usages of the resources in question.

The case for more efficiency in the UK public spending was re-emphasised by Sir Peter Gershon in his Independent Review of Public Sector Efficiency in 2004,<sup>12</sup> in which the concept of VfM was extensively employed. Three years on, his recommendations were materialised in the HM Treasury's Comprehensive Spending Review.<sup>13</sup>

Most recently, VfM has re-emerged in the vocabulary of public spending as a backlash to the financial crisis. Despite wide-ranging budget cuts introduced across Government Departments the budget of The Department for International Development was ring fenced and set to increase 60 percent by 2013.<sup>14</sup> This has led DFID senior officials to place growing emphasis on the need to communicate to the increasingly sceptical public that the taxpayers' money is well spent. This recognition was highlighted by all interviewees of the study, and echoed in Secretary of State for International Development Andrew Mitchell's pledge to the taxpayers:

*"Our aim is to spend every penny of every pound of your money wisely and well. We want to squeeze every last ounce of value*

*from it. We owe you that. And I promise you as well that in future, when it comes to international development, we will want to see hard evidence of the impact your money makes. Not just dense and impenetrable budget lines but clear evidence of real effect."*<sup>15</sup>

According to ITAD, VfM is also a part of the Structural Reform agenda for DFID, and must be understood in the context of wider organisational changes following the election of the Coalition Government in May 2010.<sup>16</sup>

Despite reiteration of the importance of VfM, a uniform definition of the concept is yet to be pronounced. This appears to have generated a culture of confusion among NGOs on how they should tackle this question and respond to DFID's requirement. Moreover, there seems to be a general observation among NGOs' that DFID is speaking with 'multiple voices'. In other words, there is a perception of a lack of coherence between the public statements made by Secretary of State Andrew Mitchell and what is being communicated at the level of DFID civil servants. The complexities of defining and measuring VfM are elaborated on in the following sections.

## 2. Conceptualising Value

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One of the key issues that have to be dealt with in the debate on VfM is what constitutes ‘value’, how it can be measured, and what it means for each stakeholder.

### 2.1 What Kind of Value?

#### 2.1.1 Defining and Identifying Value

In the development sector, the task of defining value is not clear-cut, and there might be competing interpretations of what value is, or should be, and who ought to define it. This section of the report lays out some ideas on how the interviewees have conceptualised value.

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NGOs’ understanding of value can be revealed in their Theory of Change. That is “the causal logic or pathway through which a set of interventions is expected to lead to a long-term goal”.<sup>17</sup>In a results chain, impact is understood as the final stage following inputs, activities, outputs, and outcomes.<sup>18</sup>The evaluation of an intervention can be conducted at the level of outputs, outcomes or impact. Each of these is increasingly difficult to measure but also increasingly informative on the ‘value’ of what the intervention is doing; namely, on whether actions are impacting the beneficiaries according to the Theory of Change of that specific intervention, project or programme.

Moreover, defining outcomes and impacts is not easy, and the difficulty of achieving social change makes identifying and attributing causality difficult

to achieve. Following this, the operationalisation of Theory of Change, the Log Frame Approach, has been criticised for being overly rigid and falsely assuming linear paths to social change.

Several NGO respondents also emphasised that value is the contribution to achieving outcomes and impacts. However, many other factors in addition to a specific intervention could cause or modify results, and it is difficult to take these into account, especially if these factors are unobservable. Thus, when measuring the value of an intervention, it is crucial to both isolate and estimate accurately the particular contribution of an intervention and ensure that causality runs from the intervention to the result. The former requires the establishment of a counterfactual (or control group), identical to the treatment group. This counterfactual should theoretically be isolated from the treatment group to prevent spill-over or contamination effects.<sup>19</sup> The latter issue, causality, is equally complex, and requires eliminating potential endogeneity and reverse causality. Only if these issues of attribution and causality are properly addressed, can the value of an intervention be identified.

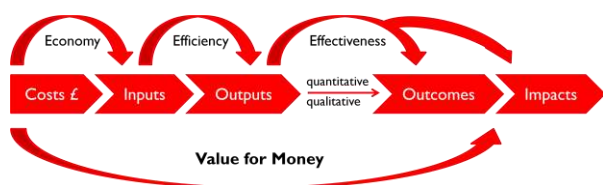
#### 2.1.2 Defining VfM

While the UK Department for International Development does not have a standardised definition of VfM, a combination of economy, efficiency and effectiveness is often stressed.<sup>20</sup>Ditchburn,<sup>21</sup> the Director of DFID’s VfM unit, confirmed this in a recent presentation by stating that VfM is the “determination to get the most impact for the money we have”.

In this framework, illustrated in Figure 2, economy relates to efficient procurement, efficiency to efficient delivery of outputs, and effectiveness to achieving the intended outcomes.<sup>22</sup> Thus, this definition entails both a quantitative and qualitative aspect. This is in line with the Treasury’s Green Book’s Five Case Model on VfM<sup>23</sup> – a framework for evaluating any proposal to spend public funds – in which only the Economic Case is entirely about the financial aspect of delivery, while the other cases are broader and open for qualitative interpretation and judgement. The economy, efficiency and effectiveness definition of VfM was also mentioned by a group of respondents, or implicitly agreed upon through organisational foci on linking inputs to impacts.

On a similar note, some stakeholders conceptualised VfM as being primarily about good business practices. Jacobs conceptualised VfM as “NGOs showing a real commitment to achieving the most with their resources and continually improving their work”.

**Figure 2: Conceptualising VfM**



In addition, VfM is often perceived as a framework to prove that an organisation’s approach is appropriate and comparatively valuable, to justify choices and inform Option Appraisals. This is certainly a very important dimension if one is to agree with those who argue that the term VfM is only useful in a

comparative situation; an intervention can only be VfM compared to a different option, not by itself.<sup>24</sup> This issue will be returned to in Section 4.

Lastly, many interviewees have approached VfM from a perspective of participation and accountability, underscoring how VfM should start by considering what poor people want and value. While economy, efficiency and effectiveness try to capture the scope of VfM, participation comes to play in defining and measuring effectiveness. This is further discussed in Section 2.3.

## 2.2 Measuring Value

### 2.2.1 Measuring What Matters

*“Monetising things gives them a value. Better said, monetisation reveals the value of elements that are not reflected in the market price system. Without doing it, without taking these into account in investment decisions, the implicit value we give to non-marketed goods is zero. In short, not monetising intangible or less tangible goods is synonym of saying that they’re not important, that they’re not a criteria for decision-making, which should clearly not be the case.”*

Vardakoulias, NEF

If value is primarily to be seen on the levels of outcomes and impacts, measuring value requires measuring changes on these more complex dimensions. However, there is a strong focus on the quantifiable outputs rather than outcomes, in many current measurement systems.<sup>25</sup> For instance, progress is often reported in terms of

the number of bed nets provided or children enrolled in school, rather than providing a measure of how the health and education situation has improved.<sup>26</sup>

It is important to recognise that some outcomes are easier to quantify than others. Indeed, only a portion of development work and outcomes may be captured in quantitative terms.<sup>27</sup> Even though there are several innovative attempts at measuring so-called ‘soft’ or ‘harder to measure’ values and outcomes, as further discussed in Section 3.2, some scholars remain sceptical. Ebrahim and Rangan<sup>28</sup> argue that only a certain type of development assistance can be expected to fully account for its outcomes. This is particularly the case in situations where the Theory of Change is less complex and an operational strategy is clearly articulated.<sup>29</sup> In other words, the organisation must be able to show attribution in order to demonstrate good VfM. This is rarely the case in more complex and broader-ranging interventions.

These theoretical analyses resonate with interview findings. Single-sector service delivery NGOs expressed relatively little difficulty in measuring the results of their interventions. And indeed, single-issue NGOs such as the HIV/AIDS Alliance might find it easier to articulate a clear Theory of Change, in addition to which they operate in a sector with globally accepted benchmarks and measurements.

On the contrary, multi-mandate NGOs often mentioned the complexity and diversity of their operations and voiced concerns over measuring ‘soft’ outcomes with less tangible results. This is

understandable, considering that development interventions are increasingly involved in sectors and activities where targets are less easily defined, causal chains are blurred, and counterfactuals harder to establish.<sup>30</sup> Interviewees’ examples of this included advocacy work, eradication of violence against children, and healing broken relationships in post-conflict environments.

### 2.2.2 Tyranny of Indicators

*“Those development programs that are most precisely and easily measured are the least transformational, and those programs that are most transformational are the least measurable”.*

Natsios, former head of USAID<sup>31</sup>

Despite an interest in the social or ‘soft’ impacts of development work,<sup>32</sup> there is a persisting bias towards quantitative methods and ‘hard’ data.<sup>33</sup> They often allow for predictions and comparisons in ways that qualitative data do not, and are found to be easier to communicate with taxpayers and decision-makers.

Similar concerns were voiced by several interviewees, fearing that more complex and ‘high-risk’ interventions might lose out in the VfM discussion due to difficulties in demonstrating the precise value of such operations. At the ODI meeting, Killen, the Head of the Aid Effectiveness Department of OECD, expressed a concern about a bias against the ‘soft sector’. Other respondents confirmed this risk of delivering short-term outputs at the expense of long-term sustainable change. For instance, DFID’s



Comprehensive Spending Review measures performance by number of people lifted out of poverty,<sup>34</sup> potentially persuading NGOs to adapt similar evaluation standards. This is problematic, as it may inadvertently lead to more emphasis being placed on providing aid to beneficiaries that are easier to reach. If VfM is about low-cost interventions, certain groups may be excluded from the NGOs' scope as their geographical location, political status or other factors make it harder and more expensive to address their needs.

Moreover, the 'tyranny of indicators' is not only risking shifting resources to the easily quantifiable and less complex interventions, but also limiting innovation. It has been argued that donors are becoming less interested in funding more 'risky' and innovative projects as they prefer to finance interventions with pre-calculated outcomes that can easily be attributed to the donors' inputs.<sup>35</sup>

It has further been noted that this tendency might be exacerbated by the zero-sum game of DFID funding and negative competitiveness of NGOs. Although most NGOs have an interest in investing in innovative measurement techniques that can prove the value of their varying activities, the concern that DFID wants a certain type of evidence provides incentives to opt for the easier solutions.<sup>36</sup>

Together, all these concerns can be seen as a risk of a 'race to the bottom'. This danger of omitting activities that are truly bringing about transformation due to the difficulty of measuring them<sup>37</sup> is also one of the main reasons for the initiation of the Institute of Development Studies-

led movement The Big Push Back.<sup>38</sup> The movement is rising against the intensified donor demands for easily measurable and 'quick win' development interventions.<sup>39</sup> While still at its early stages, The Big Push Back is likely to take part in forthcoming discussions on VfM.

### 2.3 Value for Whom?

The debate on VfM raises several key questions. Who are non-governmental organisations providing value to – donors, taxpayers, or beneficiaries? Who defines value? And perhaps most critical: ideally, who should define value? This section examines these issues through the conceptual lenses of accountability and participation.

#### 2.3.1 Accountability

*“Upwards versus downwards accountability: can a results agenda strengthen both - can accountability improve accountability?”*

Green, Oxfam<sup>40</sup>

Although there is no common definition of the complex and multidimensional concept of 'accountability', at the heart of the concept is the process of holding actors responsible for their actions. For NGOs, there are many layers of accountability relationships. They are accountable to their donors, including DFID and private supporters, the UK taxpayers, local partners, and most importantly their beneficiaries. In addition, there are intra-organisational accountability hierarchies. Thus, NGO accountability must be understood as holistic and multidirectional.<sup>41</sup> While NGOs accountability to

the people whom their services are intended to benefit is most crucial, in reality upward accountability continues to receive more attention in the field.<sup>42</sup>

In order to be accountable, NGOs are required to provide information about their actions and justifications for their choice of intervention as well as “suffer sanctions from those dissatisfied”.<sup>43</sup> Upward accountability mechanisms ensure that NGOs meet these requirements: the former through rigorous reporting, monitoring and evaluation; and the latter through cuts in funding and worsening relationships.<sup>44</sup>

Downward accountability is understood as the relationship NGOs have with their local partners and beneficiaries.<sup>45</sup> NGOs need to be accountable to the beneficiaries whose lives are directly affected by interventions. However, due to weak enforcement mechanisms and in the absence of existing sanctions<sup>46</sup>, downward accountability mechanisms are weak. Indeed, as was succinctly observed by Jacobs of NGO Performance, “we get consumer feedback on Coca-Cola and toothpaste but not on development aid.” Due to consumer power present in competitive markets, private organisations like The Coca-Cola Company have the incentives to solicit feedback and be responsive to their consumers’ needs. On the contrary, the ‘consumers’ of aid agencies have limited ways to either end a partnership or voice complaints.

As highlighted by several interviewees, the existing power relationship and accountability mechanisms create few opportunities for beneficiaries to influence decision-making while

generating strong incentives for NGOs to strengthen relationships with donors. The current push for measuring VfM has the potential to further increase this trend.

### 2.3.2 Participation and Moral Obligations

*“We are operating in an inadequate space. Currently the value is being defined in London, whereas we should be able to listen to the beneficiaries.”*

Kent, CAFOD

Overlooking beneficiaries’ opinions and choices in the development process comes with a number of moral implications, and was judged by an interviewee as being “ethically wrong”.<sup>47</sup> This stems from the recognition that if active beneficiary involvement is not ensured at all project stages, outsiders’ values will be imposed.<sup>48</sup> Participation could thus be ensured in determining what constitutes VfM judged by the beneficiaries, reflecting their own values.

Asking the beneficiaries what they value and what they prioritise resonates further with their rights stated in a number of international agreements, such as the UN Declaration on the Right to Development.<sup>49</sup> As Theis<sup>50</sup> explains, participation is not only a right in itself but also an instrument to realise other rights. Since the ultimate goal of development is empowerment, participation has the potential to “link the means and the ends of development.”

### 2.3.3 Participation for Effective and Appropriate Interventions

*“Development institutions’ effectiveness relies on a degree of inclusiveness and responsiveness to ‘the poor’ whose lives are affected by their work.”*

Ebrahim and Herz<sup>51</sup>

In addition to the ethical perspective, consulting local stakeholders can increase the effectiveness, appropriateness, ownership and sustainability of development interventions. Development interventions have sometimes failed to understand the needs of local populations, resulting in ineffective operations and resource waste.<sup>52</sup> Allowing beneficiary demand to inform development supply would, therefore, result in what the National Audit Office visions as good VfM: optimal use of resources.<sup>53</sup>

Participatory methodologies can also enhance the success of development operations while producing qualitative as well as quantitative data. This, in turn, allows for more effective communication with donors and decision-makers. Sections 3.2.3 and 4.1.4 further discuss such participatory methodologies.<sup>54</sup>

The abovementioned discussions are testament to the exciting developments currently shifting the focus to the values that matter. While VfM is about optimum use of resources, an aspect that has been reiterated many times, this current round of interest provides an opportunity for NGOs to reconcile good business practices with the agenda for greater stakeholder inclusion.

Nevertheless, some have raised concerns<sup>55</sup> with regards to participatory methodologies being time-consuming, resource-intensive and token. Scholars have also discussed issues like who participates, “the myth of community” in representing the poor,<sup>56</sup> and challenges concerning the technical knowledge of the poor.<sup>57</sup> While these challenges must be acknowledged, innovative approaches may overcome such difficulties, the nature of which will depend on the local context and needs. When applied correctly, participatory methodologies maybe employed to ensure good VfM by allowing development practitioners to respond to locally identified needs.

## 3. Measuring VfM

### 3.1. Measurement Techniques

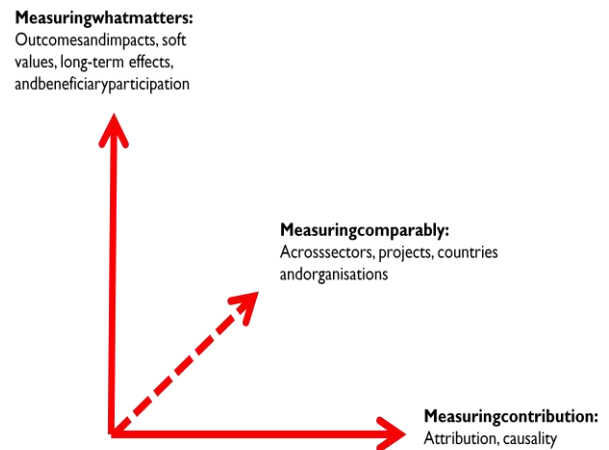
In response to the growing debate on VfM, a number of potential measurement techniques have been discussed and tested. This section intends to elaborate on how potential measurement techniques differ. While an exhaustive list of all techniques is beyond the scope of this report, a simple framework is developed to better understand and locate different measurement techniques deemed by the interviewees as relevant for measuring VfM.

#### 3.1.1 Dimensions of Different Measurement Techniques

Potential techniques to measure VfM differ across various dimensions. Each of the conceptual issues discussed in Section 2 of this report translates into such a dimension: the ability to measure outcomes and impacts, long term effects and soft values; the ability to measure across different sectors, projects, countries and organisations; the ability to robustly measure the attribution and contribution of an intervention by employing experimental or quasi-experimental techniques; the ability to include beneficiaries and other stakeholders in the measurement procedure; and lastly, the cost of implementing each technique. Summarising the most important dimensions under broader headings and leaving out the issue of costs<sup>58</sup> leads to the simplified framework illustrated below. According to this framework, measurement techniques differ mainly in their

ability to measure what matters, to measure comparably, and to measure contribution.

**Figure 3: Simplified Dimensions of Potential Measurement Techniques**



#### 3.1.2 Requirements of Measurement Techniques

*“When we talk with NGOs, we first ask them of their Theory of Change: What evidence do they have on the outcomes they believe they produce? What data do they have to support that evidence?”*

Sarah Keen, NPC

Another way of analytically separating different measurement techniques is to examine information and data required to implement them. This allows approaching the different features of such techniques from a more practical perspective.

The most essential information needed for any measurement of VfM is the cost of an intervention, broken down into operational and administrative costs to estimate overheads and funds spent directly on implementation. In many

cases, even this first step is a challenge for NGOs and their local partners. Once information about costs is available, the next step is to identify the number of beneficiaries reached and estimate the unit costs of an intervention, and thus the efficiency of an intervention. Therefore, having standardised unit costs is often seen as a first important step to be able to compare interventions and embark on measuring VfM. However, this is often very challenging given the way financial reporting is conducted.

To include effectiveness within the measurement, it is necessary to go beyond this step and measure outcomes and impacts. This can be done through qualitative, quantitative and monetarised methods, including low or high levels of stakeholder and/or beneficiary participation. Stated Preference Methods is an important tool to measure the value of outcomes and impacts by comparing subjective preferences.<sup>59</sup> For instance, they are the starting point of techniques such as QALY discussed in Section 3.2.3.

The final step is to estimate the counterfactual of the outcome and impact; this is how the situation would be different if no intervention had happened. The most robust way to estimate the counterfactual and address the question of attribution and contribution is to conduct a Randomised Control Trial,<sup>60</sup> promoted by the likes of the MIT Poverty Action Lab. Using such an experimental design with both a treatment and a control group is the ‘cleanest’ way of isolating the impact of any intervention. It can, however, be used for a limited type of programmes and projects and has the potential for creating

perverse incentives, thus the issue of causality and attribution remains a challenge.

### 3.2. NGOs’ Technical Response

#### 3.2.1 Improving M&E Systems, Financial Reporting and Organisational Efficiency

*“VfM should be about economy, efficiency and effectiveness. However, the debate is mainly focusing on economy, including efficiency at its best. Effectiveness is largely ignored.”*

Claire Hutchings, OXFAM GB

A key finding from the interviews was that most NGOs are yet to decide on how VfM translates into practice. The most common response has been to improve the quality of the M&E systems, financial reporting as well as organisational efficiency as a whole. As put by ITAD, with these measures “the focus is on the process rather than the product”.<sup>61</sup>

Although these responses are not targeted responses to VfM, they are necessary first steps. Improving organisational efficiency, mostly centred on the enhancement of procurement systems and administrative procedures, is covering the aspects of economy and efficiency, whilst not addressing the dimension of effectiveness. At the same time, improving own and partners’ M&E systems and financial reporting will provide more regular, more standardised and more outcome-based data, which are necessary preconditions for measuring VfM. Current efforts in improving procurement systems by SCUK and others as well as attempts to calculate standardised unit costs by the HIV/AIDS Alliance

and Plan UK can be seen as examples of such strategies, just as improving the capacity of Monitoring and Evaluation systems mentioned by WaterAid, CAFOD and NPC.<sup>62</sup> However, it has been argued that these approaches are “unlikely to be sufficient to satisfy current pressures to attain VfM within DFID”.<sup>63</sup>

### 3.2.2 Experimenting with Different Social Cost Benefit Analysis Approaches

*“Organisations have to have mastered sound outcomes evaluation before they can consider SROI, and the ambitious SROI agenda risks organisations attempting to run before they can walk.”*

Wood and Leighton<sup>64</sup>

*“SROI has the potential to be an incredibly useful tool for understanding and increasing charity effectiveness. However it is held back by the low levels of evidence in the charity sector”.*

NPC position paper on SROI<sup>65</sup>

Among NGOs interviewed, the HIV/AIDS Alliance, WaterAid and OXFAM GB have piloted specific technical responses to VfM. These approaches are all different modifications of Social Cost-Benefit Analysis (SCBA), an approach for quantifying and comparing as many of the costs and benefits of an intervention as feasible. SCBA is a widely used tool for social decision-making, aimed at facilitating more efficient allocation of societies’ resources.<sup>66</sup>

Within the current debate on VfM, the most prominent development of SCBA is Social Return

on Investment (SROI). It examines change in relation to social, environmental and economic outcomes, and bases the assessment of value on stakeholders’ perceptions and experiences.<sup>67</sup> The underlying distinction between different types of SCBA, SROI and other modifications of such can be interpreted as the extent to which outcomes and impacts are quantified and monetised, counterfactuals are properly established and measured, and which methodology is used to obtain the financial value required. From a broad perspective, SCBA can thus capture all potential measurement techniques while the devil lies in the detail of the approaches’ manifold variations.

To date, the HIV/AIDS Alliance has piloted the most elaborate example of the SROI methodology.<sup>68</sup> Evaluating the Indian CHAHA programme, which provides direct and indirect services to children affected by HIV, the study quantified social and health returns of a typical Alliance care and support programme. Following NEF guidelines, a four stage approach was adopted: 1) setting the boundaries of the study; 2) stakeholder consultation and the establishment of outcome maps; 3) data collection and developing the economic model, which includes determining the outcome incidence, monetising the outcomes, determining the impact of the programme, and estimating how long outcomes last; and 4) calculating the SROI ratio and benefits breakdown. Following this methodology, a SROI ratio of 1:4 was eventually estimated.<sup>69</sup> A more detailed description of the pilot can be found in Appendix 4.

WaterAid has also experimented with SROI through a pilot which NEF carried out on behalf of DFID. As only existing data was used, it became clear that the paucity of available data is a core concern when conducting SROI. Although noted as a useful pilot, SROI did not seem to be a stand-alone tool to measure VfM, and its main benefit lay in the process rather than the end product.

While other NGOs interviewed have so far not experimented with SROI, many expressed an interest in trialling it in the future. SROI's attractiveness appeared to lie in its participatory nature and ability to assign financial proxies to qualitative values. However, the latter has been questioned by the subjectivity of the numbers generated. The concern on subjectivity is two-fold. First, non-robustness of data leads to bold assumptions not grounded in evidence. Second, the method can be used as a tool for self-promotion, emphasising beneficiary inclusion and basing data on biased judgements.<sup>70</sup>

Other disadvantages of the SROI approach include its resource-intensity and its suitability mainly for service-delivery activities. Therefore, a potentially fruitful future use of SROI is to standardise its use for a particular intervention, such as the distribution of non-food items. In doing so, organisations can come together to develop and standardise more objective benchmarks and assumptions in assigning the financial values.

Another modification of SCBA is the Basic Efficiency Resource approach, which has been developed by Oxfam GB to evaluate their Global

Climate Change Campaign.<sup>71</sup> The BER applies the basic concept of comparing inputs to outcomes and uses a relative perspective in doing so. More precisely, the performance of units in achieving maximal outcomes with minimal inputs is identified. This is done in a comparative and participatory way, comparing units across a multi-unit programme by using stakeholder feedback. Operationally, BER applies a matrix divided into four quadrants to summarize all information in a simple and visible way.

Figure 4: BER analysis conceptual model

|       |      |                          |                          |
|-------|------|--------------------------|--------------------------|
|       | High | Below Average Efficiency | Average Efficiency       |
| Input | Low  | Average Efficiency       | Above Average Efficiency |
|       |      | Low                      | High                     |
|       |      | Outcome                  |                          |

Building on stakeholders' assessments of outcomes, soft values and long-term effects, BER is able to measure what matters. Furthermore, it is also a very cost-effective technique as it only uses data that is already available. However, the qualitative nature of the BER imposes limits on the comparability of the achieved measurements and on measuring the contribution of the intervention. The technique is generally very suitable for measuring the VfM of interventions that are otherwise difficult to quantify. The BER was highlighted by several respondents as an interesting approach.

### 3.2.3 Exploring Other Approaches

The technical response of NGOs to VfM has primarily focused on the approaches outlined above. However, there is a wide range of other approaches that have not been used in the

context yet, but were highlighted by informants as potential sources of new ideas.

For instance, the Swedish International Development Cooperation Agency discusses an experimental evaluation technique entitled Measuring Empowerment, piloted in Bangladesh.<sup>72</sup> The method illustrates how a quantitative analysis of qualitative outcome and impact assessments can be undertaken with relative ease and at low cost. The evaluation process is conducted on two levels. First, qualitative information is generated by the people themselves through community-level self-assessment exercises. On the second, Results-Based Management level, the information is then quantified through a method which weights and aggregates the data to show distributions, trends and correlations.

Although differing in the methodology, this technique is very similarly located to the BER approach and shares comparable advantages and disadvantages. It is potentially suitable for measuring VfM in programmes where empowerment, capacity building and realisation of rights are intended outcomes that are otherwise very difficult to quantify. Like BER, however, it is limited in generating comparable measurement and in measuring the contribution of an intervention.

Another interesting example, as discussed by Melamed of ODI, is how the methodology of estimating Quality-Adjusted Life-Years through Patient Reported Outcome Measures used in the UK health sector could be modified and applied in the development sector. Correspondingly, the

HIV/AIDS Alliance is planning on including QALY when working with unit costs. Resembling the abovementioned approaches, QALY relies on the inclusion of patients' perceptions in measuring the cost-effectiveness of health interventions. Although initially designed for the health sector, the concept could be used to evaluate other types of development work, too. For instance, a survey similar to PROMs could be used to allow beneficiaries to define the education-related quality of life.

Clearly, there are more approaches that could potentially be modified and used to measure VfM. Exploring them in detail, however, is beyond the scope of this report. It is important to note, however, that all possible approaches are likely to be modifications or developments of what has been described above.

In practice, it will be important to modify and combine different techniques, as all levels from economy, efficiency to effectiveness ought to be covered. This is in line with the approach proposed by ITAD in their report on Measuring the Impact and Value for Money of Governance & Conflict Programmes,<sup>73</sup> giving VfM scores on all levels and combining them to a total VfM score. To operationalise this, ITAD has developed a VfM scoring sheet providing indicators on what represents a specific VfM score at each level.<sup>74</sup> A similar approach could be undertaken once an organisation has defined VfM and how it could be measured.



## 4. Opportunities and Caveats

Taking into account the lessons learnt throughout the study, this concluding section identifies and reiterates the opportunities and caveats of measuring VfM. The Section is structured around five core questions of the debate that should be taken into account when further developing VfM approaches and ideas. In addition, Save the Children UK –specific aspects of the debate are discussed.

### 4.1 Sector-Wide Implications

#### 4.1.1 Is VfM Only About Numbers?

Given structure of the current VfM debate, there is a risk of over-emphasising the importance of numbers. From a communications perspective, it must be recognised that quantitative indicators have more power and potential to influence decision makers as well as to communicate change and results. However, this is not to say that the ‘tyranny of indicators’ is inevitable.

There have been numerous developments signalling the potential of quantifying people’s voices, as discussed by Chambers,<sup>75</sup> Jacobs,<sup>76</sup> and Jupp and colleagues.<sup>77</sup> Such methods might be useful in reconciling the current focus on numbers with the need to listen to and understand local voices.

Indeed, as has been indicated by the Director of DFID’s VfM Department, VfM is not only about

numbers.<sup>78</sup> DFID staff often has a background in NGO development work and are as aware and sympathetic as anyone about the complexities and challenges in this debate. Furthermore, if VfM is to be understood as a subset of Aid Effectiveness, principles such as ownership and accountability clearly point towards evaluations that go beyond simple numbers and figures.

#### 4.1.2 Is VfM About Comparability?

*“The advantage of VfM is to be able to compare across types of interventions and make decisions about how to best spend your money”<sup>79</sup>*

Nicholles, NEF

*“We have to encourage comparisons. We’re going to lose some nuance – that’s OK. We cannot make decisions without losing some nuance”.*

Jacobs, NGO Performance

The question of comparability seems to be crucial, if VfM is to be used to inform Option Appraisals. Defining the VfM of a single intervention tells us little about the *relative value* of this intervention. This can be exemplified with the numbers generated by SROI projects, where the final numbers are recognised to be of limited significance as they are highly subjective and not generated through standardised procedures. However, the information value of the final number would be greater if the methodology was standardised and scaled up for a specific service delivery.

Similarly, the idea of standardising unit costs also has the purpose of achieving greater comparability of costs of similar outputs and outcomes. Using unit costs to locate inefficiencies and strive for greater effectiveness depends on information about relative value, thus pointing back to the issue of comparability.

Nonetheless, confusion remains regarding what exactly is to be compared and according to what standards. Comparing interventions, sectors or NGOs are all very different things. However, discussions with interviewees, as well as the analysis of the methodological underpinnings of VfM, suggest that one purpose of VfM could be to compare interventions with the same desired outcome. As such, VfM would refer to a way of achieving the same outcomes with more efficient use of inputs.

Further developing the idea of comparability leads to the concept of NGOs specialising in their comparative advantages. Adams of WaterAid underlined the opportunity that VfM presents in terms of demonstrating each organisation's added value, not only in terms of value added versus a counterfactual but with regard to organisation-specific capacities. This illustrates how VfM can be seen in the wider context of an organisation's 'added value' rather than primarily as a cost comparison.

An interesting discussion was put forward by Timlin and Cook of Christian Aid, who emphasised the importance of recognising the value of social capital inputs in programme implementation in addition to financial inputs. For example, the relationships of trust and mutual

understanding built up through years of cooperation are crucial to the appropriateness and sustainability of development projects executed in collaboration with local partners. Such social capital is a part of the organisation's added value and comparative advantage, and should therefore not be underestimated.

Instead of entailing stifling competition, the push for VfM could thus be embraced as an incentive for increased collaboration and specialisation. This would make the overall sector more efficient without running the risk of ruling out interventions in expensive sectors, countries, or aiming at outcomes that are more difficult to measure.

#### 4.1.3 Is There a Risk of 'a Race to the Bottom'?

One of the most frequently voiced concerns associated with measuring VfM is that of the so-called 'race to the bottom' discussed above in Section 2.2.2. Negative competition could affect both development activities and the (potential) beneficiaries, as cheap, clearly defined and less transformational interventions could be prioritized.

Despite these possible pitfalls, this study also identified strong voices reiterating that the debate on VfM provides a unique opportunity for NGOs to be explicit about how they define value, and to measure it accordingly.

Certainly, as revealed in this study, the concerns and reflections are widely shared among different stakeholders. It is no doubt that NGOs could benefit from further mutual cooperation as well

as consulting with other actors involved in the debate. This would allow them to reach consensus on what is valued, and how this debate could be taken forward in the most fruitful way.

Correspondingly, it is important that UK NGOs acknowledge the risk of developing diverging or even contradictory approaches that might undermine efforts at harmonisation and complicate matters for local partners. Although this is largely a UK-specific debate as of now, it should be kept in mind that potential measurement tools and methodologies will impact on partner NGOs.

#### **4.1.4 What is the Relationship between VfM, Accountability and Participation?**

There are voices arguing that participation and downwards accountability should play a key role in the debate. This argument is based on three observations: First, the perception that the VfM agenda is being pushed by DFID and that the discussion is largely dominated by development practitioners, academics and decision-makers, thus skewing accountability upwards and tilting the ownership of the debate away from beneficiaries. Second, since the beneficiaries are directly affected by agencies' work, and since empowerment is one of the prime aims of development, beneficiary participation cannot be circumscribed. Third, there is evidence that involving local stakeholders in project design and evaluation can improve both the effectiveness and appropriateness of an intervention, thus ensuring good VfM.

In order to not be perceived as engaging in self-promotion or focusing on participation to avoid scrutinising management procedures, NGOs must address the issue of participation seriously and combine such efforts with good business practice. In this combination lies the uniqueness of VfM. Whereas it might be argued that participation is not an inherent aspect of VfM as initially introduced, the way the debate is currently evolving in the UK provides an opportunity that NGOs cannot afford to miss.

#### **4.1.5 What is the Value of VfM?**

In a number of ways, the current debate on VfM is yet to generate system-wide, substantial changes. Firstly, there is a perception that many NGOs are yet to engage constructively in the debates, but rather are simply providing DFID with the minimum they have asked for. Some actors also seem to suspect that the request for proving VfM is just another donor trend that will peter out in a couple of years when the financial climate improves and new development buzzwords emerge. In addition, a future change of government could shift the focus to new arenas.

Secondly, in order to address VfM with any rigour certain data is required, which often do not exist. Furthermore, the debate spurs the question of local partners' capacities, as they are often already overwhelmed with cumbersome data collection.<sup>80</sup>In this respect, VfM might simply add yet another layer of administrative burden. On a related note, it was mentioned that for partnership-based agencies, making VfM judgements requires inviting implementing partners' perspectives, but as with any new

reporting criterion, asking for this involves a careful balancing act as it risks undermining relationships of trust with them, built up through years of mutual understanding and cooperation which are invaluable to the effectiveness of the agency's activities.

Despite these potentially counterproductive tendencies, it has been emphasised by the majority of respondents that the debate has been a highly beneficial learning process both intra- and inter-organisationally. The NGOs that have constructively engaged by piloting different measurement techniques all underline the value of these pilot processes. Many deem the current debate very useful in terms of thinking profoundly about their intervention strategies and improving organisational efficiency as well as M&E systems. This is clearly a unique opportunity, especially since that part of the debate has been going on for years and many questions remain unanswered. Learning and improving quality might be time and resource intensive, but are nevertheless crucial to achieve long-term sustainable success.

## 4.2. SCUK-Specific Opportunities and Caveats

In addition to the above, there are certain organisation-specific characteristics that Save the Children UK should take into consideration when crafting an appropriate approach to measuring VfM. These particularities fall under three main themes: SCUK's Rights-based Approach to development, its work as a child-centred agency, and its activities across multiple sectors.

### 4.2.1. Rights-Based Approach

The Human Rights-Based Approach to development is a conceptual framework that is normatively based on international Human Rights standards and operationally directed to promoting and protecting Human Rights. If Save the Children UK's programming is to be guided by Human Rights, this has implications for its approach to VfM.

First, a Rights-Based Approach implies that all individuals have the same rights to different aspects of development, regardless of some of them being less costly to reach and some rights more costly to be fulfilled. Therefore, any prioritisation of aid on the basis of cost-effectiveness is potentially very difficult to reconcile with a Rights-Based Approach. However, a Rights-Based Approach also suggests that the most vulnerable populations should be targeted first. Thus, it is crucial for SCUK to promote an approach to VfM that places additional emphasis on targeting such populations.

Secondly, pursuing a Rights-Based Approach also suggests an increased role for participation. According to the common principles of the Rights-Based Approach identified by UN agencies in 2003, "development cooperation contributes to the development of the capacities of 'duty-bearers' to meet their obligations and/or of 'rights-holders' to claim their rights".<sup>81</sup> The capacity of rights-holders to claim their rights is clearly related to their ability to participate in development interventions that impact on the fulfilment of their rights. Therefore, a Rights-Based Approach necessarily calls for an important

role of participation in all aspects of SCUK's work, including that on defining, measuring and delivering VfM.

### 4.2.2. Child-Centred Agency

SCUK's work is firmly grounded in the United Nations Convention on the Rights of the Child, which firmly states every child's right to information as well as to expressing his or her views and being involved in the decisions that affect them.<sup>82</sup>In fact, the Convention's origins are rooted in the work of Eglantyne Jebb, the founder of Save the Children Fund.<sup>83</sup>In line with the Convention, Save the Children's vision is "a world in which every child attains the right to survival, protection, development and participation."<sup>84</sup>Furthermore, SCUK has made a significant commitment to children's participation in its ten-year strategic plan 'Change for Children'.

This implies not only a Rights-Based Approach, but also a Child Rights Programming approach that supports children's involvement in policy change, programme planning, implementation, and Monitoring and Evaluation.<sup>85</sup> Consequently, SCUK should further explore the options of including children's participation in the process of defining as well as measuring VfM.

As noted by Lansdown,<sup>86</sup> some argue that children lack the ability to participate due to their lack of knowledge and experience. However, even small children can tell us what they like or dislike about their experience in schools, homes, and other aspects of life.<sup>87</sup> If children are provided with adequate support and "allowed to express

themselves in ways that are meaningful to them – pictures, poems, drama, photographs, as well as conventional discussions, interviews and group work"<sup>88</sup> children's participation can be meaningful.<sup>89</sup>

This presents a great opportunity for SCUK to take the lead and pilot a child-centred way of addressing VfM. In this respect, cooperation with like-minded agencies becomes, again, vital as a way of promoting inter-organisational learning and maximising innovation. In this regard, Plan UK could be of relevance.

### 4.2.3. Operations across Multiple Sectors

Save the Children UK works in the following eight sectors: child poverty, child rights, climate change, education, emergencies, health and HIV, hunger, and protection.<sup>90</sup>

Needless to say, the operational realities for such a multi-sectoral organisation are more complex than those for a single-issue agency working solely in one sector, such as health or water and sanitation. Not only are certain types of interventions more challenging in terms of impact measurement than others, but the sheer variety of missions undertaken unavoidably complicates the task of developing an organisational understanding of VfM. This implies that SCUK could take the lead in either experimenting with sector-wide approaches or even standardised universal methodologies, or adopt a more flexible approach to VfM. Clearly, all of these are risky endeavours, but also allow SCUK to shape the debate in a meaningful way.

Indeed, since SCUK has such organisation-specific values, it is of vital importance that it engages in the VfM discussions early and constructively, so that further development of the debate is compatible with the organisation's specific needs. If the debate is allowed to be shaped entirely by other stakeholders, the concept of VfM might develop in a direction that is of less relevance to SCUK.

### 4.3 Concluding Remarks

Going back to the roots of VfM, it is clear that the issue itself is not entirely new. To a large extent, VfM is about the long-standing ambitions of improving existing systems, optimal use of resources, and continuous capacity building and learning.

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This time around, however, the open-endedness of the debate provides an opportunity to link and reconcile what has previously been understood as conflicting interests. The broad interest in involving participation, signalled by the majority of interviewees to this study, is testament to this trend. Even so, it is important to understand the political pressures confronting the DFID. Rather than understanding VfM as a construct of conflicting agendas, the way forward should be through cooperation and collaboration to improve and to communicate the value of UK NGOs' efforts in creating change.

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## Appendix I. Terms of Reference

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**Title:** Approaches to Measuring Value for Money

**Duration:** December 2010 - May 2011

**Starting Date:** December 7<sup>th</sup> 2010

### Background

Save the Children's purpose is to save children's lives, to fight for their rights and ensure they fulfil their potential. Save the Children UK operates in nearly 50 countries in Africa, Asia and Latin America. Our four breakthrough strategies for children for our overseas work are: Dramatically fewer children die under the age of five; Children caught up in crisis can now expect to get a basic education; Children will be provided with good alternatives to institutional care; Children and their carers are able to hold governments and aid agencies to account.

Increasingly donors, in particular DFID, are asking us to demonstrate our value for money, without providing much guidance on how to do that, to date. We see this as an opportunity to develop our own approach, or approaches, to measuring value for money, recognising that there is experience out there that we want to draw upon.

As a child centred, rights based organisation we want to be able to develop an approach to measuring value for money that respects our values and principles, and thus involves stakeholders meaningfully, where possible.

We hope that this piece of work will identify a number of different approaches to measuring value for money to provide us with different options we may be able to pilot in 2011. We recognise that there will be approaches to try in head office and those that can be piloted in country offices, some will rely on existing organisational data and others will involve more participatory work with stakeholders and collecting new data

There are a number of initiatives that are being undertaken by the NGO community to start to 'reclaim' value for money and we hope that this piece of work will draw up on those.

### Purpose of assignment

1. To identify and document the different approaches that are being taken by different stakeholders to measure value for money
2. To identify options to address VfM respecting Save the Children UK's values and principles and DFIDs requirements in the broader context of aid effectiveness and impact evaluation

### Scope of work

A literature review will be required to gather current thinking and debate in the Value for Money arena, as well as talking to a variety of INGOs, Academic Institutions, Non-Profits, Consultancies and Think Tanks.

It will be important to draw on thinking from the Department for International Development's Value for Money team and the Treasury as well as a number of other stakeholders, both within and external to Save the Children.

## Methodology

This assignment will likely be conducted through an extensive literature review and interviews with other agencies, both NGO, statutory, and for profit that have experience with this type of assessment / measurement, as well as Save the Children staff. Save the Children will suggest a number of organisations to interview, among them might be BOND, WaterAid, Christian Aid, VSO, Oxfam, International HIV/ AIDS Alliance, NEF, New Philanthropy Capital, Institute for Development Studies, INTRAC, the Treasury and DFID. A more comprehensive list of organisations and individuals to interview will be provided to the students.

It is expected that additional sources of information will be identified by the students over the course of the research.

Questionnaires and other data collection tools should be developed and shared with Save the Children prior to conducting any interviews.

## Key deliverables

A 20-30 page report detailing the findings from the above activities.

The report should include:

- Executive Summary
- Methodology
- Contextualising the debate
- Findings, including literature review and stakeholders' views
- Recommendations
- Annexes including Terms of Reference; List of interviews; Bibliography

## Management arrangement

The consultants will be managed by Jo Feather, Learning and Impact Assessment Advisor, Effective Programmes.

## Process and timeline

The project should take place between December 2010 and May 2011.

A mid-term review and meeting with Save the Children UK should be held in late March 2011.

## Appendix 2. List of Abbreviations and Acronyms

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**3ie** International Initiative for Impact Evaluation  
**AAA** Accra Agenda for Action  
**BEP** Bond Effectiveness Programme  
**BER** Basic Efficiency Resource  
**CAFOD** Catholic Overseas Development Agency  
**CBA** Cost-Benefit Analysis  
**DALY** Disability-Adjusted Life Year  
**DFID** Department for International Development  
**INTRAC** International NGO Training and Research Centre  
**MfDR** Managing for Development Results  
**MIT** Massachusetts Institute of Technology  
**NAO** National Audit Office  
**NEF** New Economics Foundation  
**NICE** National Institute of Health and Clinical Excellence  
**NONIE** Network of Networks for Impact Evaluation  
**SROI** Social Return on Investment  
**QALY** Quality-Adjusted Life Year  
**ODI** Overseas Development Institute  
**OECD** Overseas Development Institute  
**PD** Paris Declaration  
**RBM** Results-Based Management  
**SCUK** Save the Children UK  
**UNCRC** United Nations Convention on the Rights of the Child  
**VfM** Value for Money

## Appendix 3. List of Interviewees

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**BOND** Rob Lloyd, Manager of the Bond Effectiveness Programme. Telephone interview, 9 March 2011.

**CAFOD** Ivan Kent, Programme Monitoring and Evaluation Adviser. London, 28 February 2011.

**CARE UK** John Lakeman, Monitoring and Evaluation Manager. London, 15 March 2011.

**CHRISTIAN AID** Aidan Timlin, Corporate Strategy and Performance Manager. London, 22 March 2011.

**CHRISTIAN AID** Hannah Cook, Corporate Planning and Reporting Coordinator. London, 22 March 2011.

**Catherine Shutt** Independent Consultant. Telephone interview, 17 March 2011.

**INTERNATIONAL HIV/AIDS ALLIANCE** Liza Tong, Monitoring and Evaluation Manager. Telephone interview, 2 March 2011.

**INTRAC** Janice Giffen, Principal Consultant. Telephone interview, 7 March 2011.

**NEW ECONOMICS FOUNDATION** Natalie Nicholles, Strategic Advisor. London, 18 March 2011.

**NEW ECONOMICS FOUNDATION** Olivier Vardakoulias, Analyst. London, 18 March 2011.

**NEW PHILANTHROPY CAPITAL** Sarah Keen, Research Analyst. London, 15 March 2011.

**NGO PERFORMANCE** Alex Jacobs, Author of [www.ngoperformance.org](http://www.ngoperformance.org) and Consultant to the Joffe Charitable Trust. Telephone interview, 28 March 2011.

**OVERSEAS DEVELOPMENT INSTITUTE** Claire Melamed, Head of Growth and Equity Programme. London, 24 March 2011.

**OXFAM** Claire Hutchings, Global Advisor - Monitoring, Evaluation & Learning (Campaigns & Advocacy). Programme Performance & Accountability Team. Telephone interview, 17 March 2011.

**PLAN INTERNATIONAL UK** Paola Castellani, Learning and Impact Assessment Manager. London, 22 February 2011.

**PLAN INTERNATIONAL UK** Jake Phelan, Learning and Impact Assessment Officer. London, 22 February 2011.

**SAVE THE CHILDREN UK** Jo Feather, Learning Impact Assessment Advisor. London, 16 March 2011.

## Appendix 3. List of Interviewees

**SAVE THE CHILDREN UK** Jessica Espey,  
Development Policy Advisor. London, 16 March  
2011.

**WATER AID** Jerry Adams, Head of Programme  
Effectiveness Unit. London, 3 March 2011.

## Appendix 4. HIV/AIDS Alliance and SROI<sup>91</sup>

The HIV/AIDS Alliance India and HIV/AIDS Alliance secretariat planned and conducted a SROI study in October 2010 on the CHAHA programme which provides direct and indirect services to children living with or affected by HIV. The purpose of the study was to develop and test a simplified methodology to value and quantify social and health returns of a typical HIV/AIDS Alliance care and support programme in order to determine a ratio for return on investment for a) understanding cost effectiveness b) application in programme decision making. The period over which the SROI was calculated is from 2007 to October 2010 and a 4 step approach was adopted following the NEF recommendations.

1. The first step consisted in “setting the boundaries of the study” this included delimitating the area of study and the time frame.

2. The second stage consisted in “the stakeholder consultation” and the establishment of “outcomes maps”. Given the nature of the CHAHA programme consultation with ultimate beneficiaries - HIV infected children- was challenging, however a simplified workshop approach was developed and refined as the team gained more experience. Beneficiaries of the programme were consulted over a period of three days. During this time two parents’ and caregivers’ groups and two children’s groups took part in a four hour facilitated discussion on the programme. A total of 72 ultimate

beneficiaries were consulted and 20 to 25 NGO staff. During the consultation “outcome maps” were developed by the beneficiaries. This concept often related to the “theory of change” is simply a way of mapping how the beneficiaries understand the outputs and outcomes they experience and how these derive from inputs and activities. For instance it came out that staff, logistic and funding (**inputs**), lead to nutritional support (**activity**) and that, beneficiaries received food rations and nutritional education (**outputs**) which in turn they experienced as improved physical health for children and parents (**outcomes**).

3. The third phase “data collection” and “developing the economic model” is the key phase of the SROI methodology, it breaks into 4 activities: determining the **outcome incidence**, then **monetising the outcomes**, determining the **impact** of the programme, that is, how much of the outcomes are due to the programme and finally estimating how **long outcomes** last beyond the timeframe of the programme. The survey covered 1,500 children living with and affected by HIV and their parents/caregivers.

3.1. The **outcome incidences** were estimated during the community consultation and. The outcome incidence was calculated for both identified stakeholders against each outcome, using target and actual populations reached, and for cases where no data existed stakeholders in the community were asked to provide an estimate of percentage of stakeholder population who experienced this outcome.



3.2. Each **outcome was monetised** using a financial proxy or direct cost. The financial proxies were developed during the community and NGO consultations. For instance the improved health status outcome presented above was financially described as “avoided costs of travel for health support and medicine” for younger children and as “increase in earning potential through income-generating projects” for older children.

3.3. To determine the **impact** of the programme the **deadweight** (what would have happened anyway) and the **attribution** (role of others in creating change) were taken into account. The deadweight was estimated at 5-10 % (which is low) as these stakeholders generally fell outside of the safety nets provided by formal health systems but look at “what would have happened anyway” for all the outcomes achieved. The attribution issue comes from the fact there isn’t a counterfactual for such NGO projects. Beneficiary consultations through focus group discussion provide some means of debate around likely contribution of the programme to achieving identified outcomes, and it is from these discussions, triangulated with discussions with NGO implementing partners and HIV/AIDS Alliance India staff that estimates of percentage attribution were provided for the model. For instance for the improved health statuses already discussed, it was estimated that 50% of the improvement was attributable to CHAHA, as CHAHA provides direct nutritional support to children, but links families and children to

Government nutritional schemes of achieving this outcome

3.4. Finally the **benefit period** and the **drop-off rate** for each of the outcomes was estimated. Because of the lack of data this was mainly done through consultation of stakeholders and NGOs. For instance the estimated duration of the improved health status benefit is five years for child beneficiaries.

4. The last phase consists in calculating the “SROI ratio and benefits breakdown”. The results were that the SROI ratio is 1:4. This means every \$1 invested in the programme between 2007 and 2010 generated \$4 of social, health and financial value. It is interesting to note that 52% of the value created is obtained by the parents/caregivers. This calculation uses a number of financial assumptions in particular in terms of net present value and currency equivalents. Many robustness checks were undertaken and the general conclusion was that ratio underestimates the value created.

The HIV/AIDS Alliance believes the SROI methodology is useful as a community consultative approach and it can be used as an evaluative and forecastive tool. The resulting ratio isn’t the main outcome of the methodology. More interesting is what is learnt from the work done in phases 2 and 3, and the possible comparison of ratios to determine relatively high and low value programmes.<sup>92</sup>

## Endnotes

- <sup>1</sup> See Appendix 2 for the Terms of Reference
- <sup>2</sup> See Appendix 3 for a complete list of individuals interviewed, their organisational affiliations and dates of interviews
- <sup>3</sup> Haider 2010
- <sup>4</sup> Lucas et al 2010
- <sup>5</sup> See for example the World Bank 1998, Burnside and Dollar 2000, Collier and Dollar 2002
- <sup>6</sup> OECD 2005
- <sup>7</sup> Lloyd, Bond 2009. The Bond Effectiveness Programme is an initiative which aims to help NGOs strengthen their evaluations work, their management procedures and impact demonstrations to ensure that NGOs live up to the standards they expect their donors to adhere to.
- <sup>8</sup> White 2008
- <sup>9</sup> In the ODI/UKAN meeting, the panelists emphasised the need to understand VfM as coinciding with the broader aims of the Aid Effectiveness agenda. However, there were mixed responses to this coupling, and issues about potential tensions were raised.
- <sup>10</sup> DFID 2010a
- <sup>11</sup> HM Treasury 2003
- <sup>12</sup> Gershon 2004
- <sup>13</sup> HM Treasury 2007
- <sup>14</sup> The Guardian 25.07.2010
- <sup>15</sup> Mitchell 2010
- <sup>16</sup> Barnett et al 2010
- <sup>17</sup> Ebrahim and Rangan 2010: 22
- <sup>18</sup> This report uses definitions as per OECD (2010: 23-28): *Output* as “The products, capital goods and services which result from a development intervention”; *Outcome* as “The likely or achieved short-term and medium-term effects of an intervention’s outputs”; and *Impacts* as “Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended”.
- <sup>19</sup> White 2002
- <sup>20</sup> DFID 2010b
- <sup>21</sup> ODI/UKAN event
- <sup>22</sup> DFID 2010b
- <sup>23</sup> HM Treasury 2003
- <sup>24</sup> According to Nicholles “the objective of understanding VfM is to make decisions and these are usually between more than one thing. This is powerful and useful within an organisation, but not necessarily between organisations because often it is hard to compare like for like.”
- <sup>25</sup> Kusek and Risk 2004
- <sup>26</sup> In a properly designed project the outputs should just form part of the tangible performance measures, accompanied by softer outcomes and impacts. They therefore provide a limited measure of project success that, within the context of broader assessments of impact *help* to measure that a project is progressing satisfactorily.
- <sup>27</sup> Ebrahim and Rangan 2010
- <sup>28</sup> Ibid
- <sup>29</sup> Ibid
- <sup>30</sup> Garbarino and Holland 2008
- <sup>31</sup> Natsios 2010
- <sup>32</sup> White 2008
- <sup>33</sup> Garbarino and Holland 2008
- <sup>34</sup> O’Neill 2008
- <sup>35</sup> Eyben and Guijt 2011
- <sup>36</sup> However, as specified in Purpose of Assignment and Methodology, it was not possible to directly DFID during the interview process of the report. The discussion, thus, reflects this missing voice.
- <sup>37</sup> Eyben and Guijt 2011
- <sup>38</sup> Eyben 2010 [blog]
- <sup>39</sup> Eyben and Guijt 2011
- <sup>40</sup> Green, From Poverty to Power [blog]
- <sup>41</sup> Bryant 2007: 170
- <sup>42</sup> Ebrahim and Weisband 2007; Jacobs and Wilford 2008
- <sup>43</sup> Goetz and Jenkins 2002:5
- <sup>44</sup> Ebrahim and Weisband 2007
- <sup>45</sup> Ebrahim 2003; Jacobs and Wilford 2008
- <sup>46</sup> Kilby 2006
- <sup>47</sup> Jacobs
- <sup>48</sup> Chambers 1997
- <sup>49</sup> UN Declaration on Right to Development 1986
- <sup>50</sup> Theis 2004
- <sup>51</sup> Ebrahim and Herz 2007: 4
- <sup>52</sup> Jacobs and Wilford 2008

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- <sup>53</sup> National Audit Office 2010
- <sup>54</sup> Chambers 2007 and Jupp et al 2010
- <sup>55</sup> Cooke and Kothari 2001; Brett 2010
- <sup>56</sup> Guijt and Shah 1998
- <sup>57</sup> Brett 2010
- <sup>58</sup> Costs – while an important factor – are left out of this framework as they are not a conceptual dimension of a measurement technique.
- <sup>59</sup> Pearce et al 2002
- <sup>60</sup> Leeuw and Vaessen 2009
- <sup>61</sup> Barnett et al 2010
- <sup>62</sup> There have also been efforts to widen the scope for unit cost measurement. For instance, the Global Fund has developed a model with 4 different levels of unit cost analysis, ranging from commodity unit prices to costs per output, costs per outcome and finally costs per impact (measured in DALYs gained). The fund is working to establish standardised unit costs, with the aim of creating benchmarks against which organisations can evaluate the VfM provided by their project (The Global Fund 2010).
- <sup>63</sup> Barnett et al 2010
- <sup>64</sup> Wood and Leighton 2010
- <sup>65</sup> NPC 2010
- <sup>66</sup> Boardman et al 2001
- <sup>67</sup> Context International Cooperation 2010
- <sup>68</sup> Biswas et al 2011
- <sup>69</sup> The HIV/AIDS Alliance, forthcoming
- <sup>70</sup> Barnett et al 2010
- <sup>71</sup> Cugelman and Otero 2010
- <sup>72</sup> See Jupp et al 2010 for a detailed description of the case study
- <sup>73</sup> Barnett et al 2010
- <sup>74</sup> However, this scoring sheet does not feature participation. As elaborated in section 2.3, there are many reasons to believe that participation should play a role in measuring effectiveness and assigning a VfM score to such.
- <sup>75</sup> Chambers 2007
- <sup>76</sup> Jacobs 2011 [blog]
- <sup>77</sup> Jupp et al 2010
- <sup>78</sup> ODI/UKAN event
- <sup>79</sup> Nicholles also added that the advantage is far broader than mere comparison: “The aim of vfm is about having a strong, effective organisation that uses its resources responsibly to create the desired change in people's lives.”
- <sup>80</sup> Ebrahim 2005
- <sup>81</sup> UN 2003
- <sup>82</sup> OHCHR 1990
- <sup>83</sup> [www.savethechildren.org.uk](http://www.savethechildren.org.uk)
- <sup>84</sup> Save the Children 2010
- <sup>85</sup> Theis 2004.
- <sup>86</sup> Lansdown 2001
- <sup>87</sup> Ibid
- <sup>88</sup> Ibid
- <sup>89</sup> Ackerman et. al. 2003, Lansdown 2001
- <sup>90</sup> [www.savethechildren.org.uk](http://www.savethechildren.org.uk)
- <sup>91</sup> This appendix is a summary from a document published by the HIV-AIDS alliance in December 2010 (Biswas et al 2010). Some of the text is directly taken from that document.
- <sup>92</sup> Biswas et al 2010