# HOW CHRISTIAN AID ASSESSES VALUE FOR MONEY IN ITS PROGRAMMES

POVERTY

## Introduction

Christian Aid is committed to seeing an end to poverty. In order to achieve this, we need to focus on attaining results for women and men living in poverty. To maximise our impact and bring about changes at the scale to which we aspire, we need to focus on using our resources as effectively as we possibly can – literally, achieving the best value for money (VfM). While we need to manage financial and other resources sensibly and efficiently, what really matters is using them to bring about as significant a change as possible for poor and marginalised women and men.

We need to be clear on our approach to and understanding of VfM within our programmes, to ensure that colleagues and partners are able to understand and effectively factor this into their work. We must be clear about what our approach to VfM is not, as well as what it is, to avoid programmes focusing on bottom lines at the expense of delivering results. We need to be confident and robust in defending and demonstrating the legitimacy and credibility of our position, as we explain below.

## How Christian Aid understands value for money

Christian Aid's approach to VfM is about achieving the best results we can with the money and resources we have. In defining the 'best' results, we are concerned with **scale** (numbers of people benefiting), **depth** (intensity and sustainability of change) and **inclusion** (in other words, a change has greater impact if it benefits people who are more excluded and marginalised).

The paper on VfM produced by the Independent Commission on Aid Impact (ICAI) presented the usual three 'Es' of economy, efficiency and effectiveness, and added a fourth 'E' of 'equity'. In that framework, Christian Aid's approach is weighted towards **effectiveness** (the results achieved for a given investment) and **equity** (who is included/who benefits from these results), rather than economy (the total cost of an activity) or efficiency (the cost per 'unit' of activity). The latter two factors are also relevant, of course – if two approaches deliver the same level of effectiveness and equity, then the one that costs less per person is better VfM. But if one approach is cheaper per person (that is, it's more economical) but doesn't achieve the same results (it's less effective), then for Christian Aid this does not represent VfM.

Our assessment of VfM could be represented as:

$$\frac{\pounds}{\text{People affected} \times \text{significance of change} \times \text{level of exclusion}}$$

So for Christian Aid, VfM is not about seeking the cheapest possible option, unless this is also the most effective and inclusive option. And it is not about development work reaching the greatest number of people for the lowest per capita cost, unless this also delivers meaningful and lasting change. We explicitly recognise the trade-offs involved in our work – reaching more marginalised people tends to mean a higher per capita cost – and factor these into our assessment of VfM.

This is not to say that our programme staff need to start plugging numbers into equations; quite the opposite, in fact. It's more the case that the formula above represents what programme staff and partners are implicitly doing anyway. An assessment of VfM is simply a formal process of asking the questions 'to what extent is this an effective intervention?' (in terms of achieving deep, lasting

**For Christian Aid, VfM is not about seeking the cheapest possible option, unless this is also the most effective and inclusive option**

christian aid

and meaningful change for poor and marginalised women and men), and 'does that level of effectiveness justify the resources invested?'.

While there are technical approaches we can use to inform these assessments, ultimately, it is a question of judgement by the relevant staff and managers, based on their local knowledge and expertise.

## Value for money as a management issue

What this means for us as an organisation is that we need to ensure that all staff maintain a very clear and consistent link between money invested and results achieved, or in other words the **cost-benefit ratio**, rather than a cost-output/cost-efficiency approach, which merely looks at what we have bought rather than what we have done with funds.

**We believe that simplistic, standardised measures such as unit costs are not an effective guide to VfM, as costs will tend to vary significantly in different contexts**

We believe that the best way to achieve this is for staff and managers consistently to link results to resources. Fundamentally, this is about **comparing** different options, and asking two key questions:

- Could we achieve the same level of change/results with fewer resources?
- Could we achieve greater change with the same resources?

Underlying this approach is a recognition that VfM needs to be assessed in a pragmatic, flexible and context-specific way. This mirrors current moves in the development sector to manage development processes in a more realistic way – using theories of change to include a wide range of external factors, stakeholders and assumptions – and VfM must be approached and managed in a similar way. There is no benefit in having a rigid set of rules applied to a programme, for VfM or anything else, as this is simply not how development works in complex, dynamic environments.

This is why we believe that simplistic, standardised measures such as unit costs are not an effective guide to VfM, as costs will tend to vary significantly in different contexts, thus making comparison difficult or misleading. It may be possible to apply unit cost analysis to similar projects based in the same location, but even then we would need to link costs to results for a meaningful assessment of VfM.

We aim to incorporate **management of VfM** into all areas of programme practice, and all stages of the programme cycle. This needs to be led by managers – at organisational and country-level – throughout the programme and project cycle, from design to evaluation, but must also be a habit in day-to-day management and practice. It is important that we develop concrete ways to ensure that this thinking becomes an explicit part of our practice, using tools and resources that can help programme staff to understand our approach to VfM, assess it confidently and consistently in all their decisions, and record their VfM assessments consistently. These tools need to support both specific, immediate decisions such as procurement and longer-term strategic decisions on impact and direction.

## Empowerment, transparency and accountability

'Value for money' as a phrase throws up a key question: whose values? Women and men living in poverty are the people whose judgement matters most when it comes to assessing whether a change has happened, how significant that change is and whether it is, ultimately, worth the money invested. So for Christian Aid, a key part of establishing VfM in our work involves asking poor and marginalised women and men whether they think a particular intervention has delivered benefit to them, and whether that benefit was worth the money invested.

Assessing whether a given result was worth the money invested typically involves comparing the project's activities with other, similar activities elsewhere, and the relative results they achieved. Where people have limited information on a project, this assessment is much harder to make. Can a local council or community, for example, decide that £5,000 spent on a borehole represents good VfM without knowing what other, similar projects cost?

Conversely, though, how does an agency spending £5,000 know that it is getting good VfM if it doesn't consult with the community before investing this money, or find out whether there are not cheaper and better local options, or even assess if a borehole was needed in the first place?

Therefore a key element of our approach to establishing VfM is to promote greater empowerment, accountability and transparency around our resources, what we spend and how decisions are made on expenditure so that communities can make an assessment of whether the results were worth the money. This requires careful facilitation and understanding of particular contexts in order to explore the value of a project's results and to enable people to understand the resources that were invested to deliver these results. As a Humanitarian Accountability Partnership (HAP) certified organisation we are committed to ensuring that the communities we work with participate in the planning, design, implementation, monitoring and evaluation of our programmes. HAP also requires us to be transparent in terms of who we are and what we do, including sharing programme objectives, progress reports and financial information.

For Christian Aid, with our focus on equity and inclusion in all our work, including VfM, it is also vital that we ensure that we are reaching particularly marginalised and excluded women and men, and that their voices and opinions are effectively incorporated into our planning, delivery, management and evaluation.

Our experience demonstrates that the effective use of **participatory methods** enables community members to help ensure effectiveness and VfM. Such methods create opportunities for poor and marginalised women and men to set priorities based on their perspectives and local knowledge, thus ensuring that resources are invested in the right things. When extended from project design into management and monitoring, they also enable community members to monitor expenditure and quality – ensuring that resources are used in the right way – and to control costs and corruption or misuse of funds, ensuring that the best use of resources is made. Similarly, if Christian Aid and our partners use systematic feedback and complaints mechanisms, this will highlight weaknesses in programme management, allowing us to rectify mistakes early, ensuring that unnecessary money and resources are not wasted.

For example, in Burkina Faso, Christian Aid supported a community that had lobbied the local government to construct a new school. A local building company was contracted to do the work. Previously, contractors had been left unsupervised, leading to delays, poor quality work and failure to deliver. This construction project was overseen by a community monitoring committee, established with support from our local partner. The monitoring committee checked the quality and the cost of the work, and was able to ensure that supplies were procured locally at a lower cost. They also oversaw the construction workers to ensure that they worked the hours that they were contracted to do. Where the committee deemed work to be sub-standard, it went directly to the local government to challenge this. As a result, the project was delivered on time, to a high standard and within budget.

## Partnership

Christian Aid works exclusively through partner organisations, in all our development, humanitarian and advocacy work in the South. This approach reflects our values and is also a strategic and considered choice to maximise our effectiveness, relevance, reach and inclusiveness. As such, we believe, and strive to ensure, that working with partners represents good VfM in and of itself.

Working in partnership can expose us to the criticism that we are simply adding another layer of bureaucracy between the donor and the eventual recipient. However, we strongly feel that the benefits in terms of contextual knowledge (relevance and effectiveness) and community engagement (inclusion and equity) outweigh the possible costs, in terms of economy.

**We believe, and strive to ensure, that working with partners represents good VfM in and of itself**

We would also challenge the assumption that partnership working necessarily involves higher transaction costs as a result of our funding our own work and that of partners. Many of our country teams have a very small number of staff/low staffing costs because we draw on partner expertise and capacity rather than buying in our own, while local partners typically pay staff and procure on local market terms that are often significantly cheaper. Meanwhile, the benefits of such partnership working can be clearly seen in humanitarian responses, such as that which followed Cyclone Nargis in Burma. In this case, many agencies were unable to respond in the critical early days because the government would not allow them to fly in specialist staff or equipment, while our local partners were able to begin providing life-saving support immediately.

However, there is an important issue related to transaction costs, in that donor insistence on minimising administrative and overhead costs can lead to local partners effectively having to subsidise project funding from their own resources. Working out ways of more accurately and transparently identifying the full costs of interventions, including those borne by partners and communities, is a significant VfM challenge for Christian Aid.

Our approach to managing partners' work is rooted in our programme and project management cycle (see next section). In addition, each partnership is governed by a formal Partnership Agreement that sets out expectations for the partner and Christian Aid, in terms of overall role, contribution to results and mutual accountability. The agreement therefore helps to frame specific project funding agreements in terms of effectiveness and equity.

## Internal tools to support VfM

### Programme management

Christian Aid sees VfM as primarily a management issue. We have therefore taken steps to build VfM into each stage of our programme and project management cycle.

Christian Aid's project management systems and processes explicitly require programme staff to assess, monitor and review performance/results and VfM at inception and throughout the life of each project. Concerns automatically trigger a review, and may lead to suspension of funding until resolved. Each project is governed by a formal Funding and Reporting Agreement, which sets out the expected results and budget. It also gives guidance on required processes and standards for procurement and budget reallocation, and how Christian Aid will manage any suspected misuse of funds. As such, the agreement embodies our approach to VfM – primarily linking resources to results, while also paying due attention to achieving economy and efficiency.

Given this approach, we don't believe that line-by-line cost control is the best way to achieve VfM. It is more important to help partners focus on achieving results, even if this requires a degree of flexibility on expenditure. However, programme staff are also required to assess and monitor the extent to which project activities represent good VfM (cost efficiency), and this assessment must be formally recorded at least once a year in PROMISE (see below). In our Kenya programme, project proposals and reports are jointly assessed by a member of programme staff, focusing on effectiveness and equity, and a member of the finance team, who considers whether the cost of activities is reasonable on efficiency grounds.

Reviewing and reporting on cost effectiveness are key to assessing VfM. For example, as well as an overall review of progress, Christian Aid's annual programme reporting process includes an assessment of the results achieved in a specific strategic area. This assessment can cover a period of several years, and includes information on expenditure over that period. The programme team also records its assessment of whether the reported results represent VfM when considering total expenditure, and provides an explanation for their assessment. The aim is to bring to the surface the thinking and criteria used in different programmes to assess a 'good deal', and to link these explicitly to results achieved over time.

In the latest reporting round there were encouraging examples of Christian Aid programmes demonstrating remarkable VfM (for example, policy gains and improvements to agricultural supply chains from a relatively limited investment in conservation agriculture projects in Zimbabwe), as well as of programmes making realistic assessments where less VfM was achieved, and beginning to identify potential improvements as a result.

PROMISE

Christian Aid's new programme information management system, PROMISE, systematises the programme and project management processes described above. In addition, it requires programme staff and managers to record their assessment of VfM at each stage in the cycle, using standardised scoring scales. For example, at the end of each project, staff assess the 'leverage' achieved, defined as the extent

**Reviewing and reporting on cost effectiveness are key to assessing VfM. For example, as well as an overall review of progress, Christian Aid's annual programme reporting process includes an assessment of the results achieved in a specific strategic area**

to which resources invested have generated results.

The 'leverage' scoring scale in PROMISE:

> There is evidence that the project has contributed to:
>
> - changes beyond the scope of the project
> - changes within the scope of the project beyond what could be expected, given the level of resources invested
> - changes in line with the level of resources invested
> - disappointing level of changes, given the level of resources invested.

At programme level, senior managers are similarly required to assess the degree of leverage achieved on an annual basis, drawing on the annual report submitted by each country team. Again, this is recorded using a standardised scale, based on a set of shared criteria for using resources to maximise effectiveness.

The aim is to systematise staff assessments of VfM, in order to enable managers, programme staff and partners to work to ensure that VfM assessment takes place on a daily basis.

By using a standardised scoring mechanism to assess a common issue – such as number of people reached – across all projects, PROMISE offers us the opportunity to develop comparative 'metrics' (standards of measurement) for VfM that still work in different local situations. With these, we can start to benchmark and compare different projects and approaches, and assess relative VfM. As the system becomes fully populated with data on completed projects, we can start to compare VfM assessments of projects addressing different themes, within different resource parameters/bands, or achieving different results. For example, we could look at all projects costing more than £100,000 per annum (pa), and compare the 'leverage' assessments for these projects with those for all projects costing less than £10,000pa. Ultimately, this kind of benchmarking will allow us to ask deeper and more strategic questions as to why differences occur and how they can be managed and planned for.

### Programme strategy reviews

In 2012, each of our country programmes will develop a new programme strategy, aligning with Christian Aid's new corporate strategy Partnership for Change. The current financial environment, as well as the increased need to demonstrate results, means that there are simply not enough resources for us to do everything we want to do.

While this is far from ideal, it is also a valuable opportunity for us to engage in organisation-wide VfM analysis, and ask the key questions 'Is this effective?' 'Do the results justify the resources?' 'Could we achieve more by putting our resources elsewhere?' about everything we do. Programme teams are being asked to stop less successful activities, thus ensuring a more focused programme of work that is much stronger and more able to deliver sustainable results and VfM.

## The way forward

We are constantly seeking ways to understand and apply VfM more effectively. As outlined above, PROMISE will allow us to do more internal assessment of our projects, but there is also the possibility for joining with other NGOs to conduct sector-wide assessments and benchmarking, accepting of course the challenge of finding projects across organisations that are sufficiently comparable to make this possible.

We are piloting some large-scale VfM work ourselves, using our Partnership Programme Agreement (PPA) funding from the Department for International Development (DFID). We are currently scoping a major research project to look at the VfM of our health work in Kenya, potentially using the Social Return on Investment (SROI) approach. We hope that both we and other NGOs will learn a great deal from this project.

We are also looking at other sectors for examples of good practice methodologies that we might borrow. For example, the health sector uses QUALYs – quality adjusted life years – to measure the impact of a particular medical intervention. As with Christian Aid's approach to VfM, this doesn't just look at the size – or in this case, length – of a benefit, but specifically at the quality as well. We are interested to see how this approach works, and whether there are specific tools that we might adopt.

Finally, we would like to conduct more follow-up reviews after projects have finished to see whether any benefits have been sustained – as we have started with the impact assessment of our Asian tsunami response, which ended in 2010. We want to explore sustainability and incorporate this into our understanding of VfM, especially for these very large programmes, as well as future project design.

## Conclusion

There are many different perspectives on VfM – including those of our supporters, the wider public, the UK government, other NGOs, and partners and people living in poverty. Each has its own idea of whether a project represents good value or not, and how to assess this, and we need to be able to respond to these different understandings. We have to be prepared, where possible, to quantify our work, or at least support qualitative assessments that consider project costs. This must be balanced with realism though, as we don't want to ascribe meaningless values we can't accurately define, such as unit cost, to benefits, or to evade the fundamental issues of context and 'whose value' (see above).

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

VfM is a widely discussed topic in the UK development sector, and indeed internationally. Beyond the debate as to what it really is lies the fundamental aim of making sure all of our work is as effective as possible for the poor and marginalised people we work for and represent. In reaching for this, Christian Aid is committed to taking this debate forward in practical and useful ways, and to working with others to find solutions that will benefit all.

### Endnotes

**1** *ICAI's Approach to Effectiveness and Value for Money*, 2011, http://icai.independent.gov.uk/wp-content/uploads/2010/11/ICAIs-Approach-to-Effectiveness-and-VFM.pdf

UK registered charity number 1105851 Company number 5171525 Scot charity no. SC039150 NI charity no. XR94639 Company no. NI059154 ROI charity no. CHY 6998 Company no. 426928



Poverty is an outrage against humanity. It robs people of dignity, freedom and hope, of power over their own lives.

Christian Aid has a vision – an end to poverty – and we believe that vision can become a reality. We urge you to join us.

Christian Aid, 35 Lower Marsh, London SE1 7RL
t. 020 7620 4444 christianaid.org.uk