Value for Money (VfM) at the IRC

Humanitarian and development needs arising from conflict, disaster, and the climate crisis are high, while financial resources to meet those needs are limited[i].

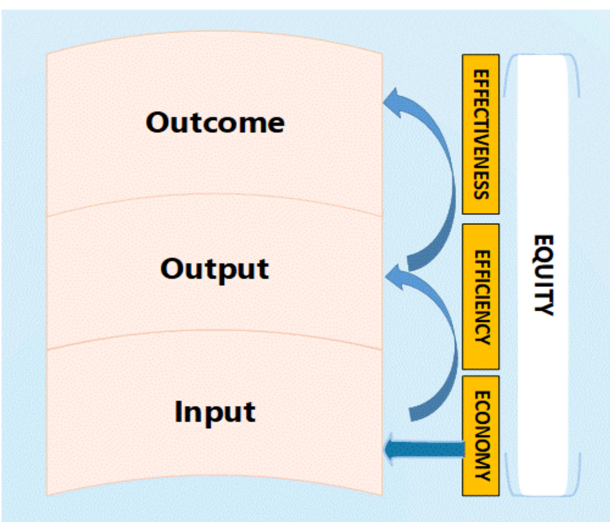
Value for Money (VfM) is about maximising the impact of each unit of spending to improve people's lives[ii]. Under resource-strapped conditions, this means ensuring that programmes can deliver meaningful impact for high numbers of people in need within frontline communities to achieve long-term, transformational change within those communities.

The IRC and partners are committed to designing and implementing evidence-based programme interventions that produce the most impact for the most people in need. Understanding how resources are spent to achieve impact and reach can help inform programme decisions for learning, adaptation, and improvement[iii].

This guidance note outlines the best practices on how to measure, monitor, and report on Value for Money (VfM). Each project varies in context, size, and scope, therefore please adapt the guidance accordingly. For any questions or support on interpreting and applying lessons from VfM, please contact ramzy.magambo@rescue.org or costanalysis@rescue.org

1. The 4E Framework

The 4E Framework (Equity, Effectiveness, Efficiency, Economy) can be used in project delivery to assess the value for money (VfM) of specific interventions to identify areas for programme learning, adaptation, and improvement. The 4E Framework is aligned with the programme Theory of Change and logical framework.



Source: adapted from DFID 2011[iv]

EQUITY

How fairly are the benefits distributed? To what extent will we reach marginalised groups?

- **Logframe equivalent:** Gender, age, disability, and other disaggregation
- **Example indicator:** Percentage of clients served who belong to specific marginalised groups.
- **How to ensure VfM:**
    - Design the programme to deliberately reach and include marginalised groups that are most affected by social exclusion, discrimination, and inaccessibility, including women and girls.
    - Highlight the specific programme activities and lessons to engage with marginalised groups and reduce their barriers to accessing services.

EFFECTIVENESS

How well are the outputs achieving the intended outcome?

- **Logframe equivalent:** Outcomes
- **Example indicator:** Change in outcomes; client satisfaction measures
- **How to ensure VfM:**
    - Design and contextualise the Theory of Change according to client needs, priorities, preferences, and feedback.
    - Select and design interventions which have been proven to make the greatest difference in outcomes, compared to other alternative interventions aimed at similar outcomes[v,vi,vii].
    - Mainstream adaptive management as an intentional way of making bold decisions and rapid adjustments to interventions in response to new information within volatile contexts. Implementing course correction measures in real-time can maximise the likelihood of achieving high effectiveness.
    - Highlight the specific programme activities and lessons to improve programme quality, impact, and sustainability.

EFFICIENCY

How well are we converting inputs into outputs?

- **Logframe equivalent:** Outputs
- **Example indicator:** Cost per output of an intervention
- **How to ensure VfM:**
    - Select and design delivery modalities that are likely to maximise reach per unit of spending alongside considerations of local contexts, quality, timeliness, and responsiveness to client needs.
    - Work as equal partners with local organisations who have strong relationships with local communities to maximise reach and coverage, while adding value to programme implementation through a strategic division of complementary roles based on respective strengths.
    - Compare the cost per output with available benchmarks in similar contexts to ensure that we are converting inputs into the desired outputs with high quality standards[viii].
    - Highlight the specific programme activities and lessons to improve reach and coverage.

ECONOMY
Are we buying inputs of the appropriate quality at the right price?

- **Logframe equivalent:** Inputs
- **Example indicator:** Cost per unit of input (e.g., staffing, items procured), or the top cost categories.
- **How to ensure VfM:**
    - Procure goods and services of the highest quality at the lowest price without corruption or fraud[ix]. Compare between local, regional, and international procurement to reduce transportation time and costs. Leverage discounts from consolidated bulk procurement and keep track of market price changes to ensure that costs are competitive.
    - Design the project team structure to be agile and effective in programme management and delivery. Retain existing national staff members with institutional and contextual knowledge, or recruit through a competitive process.
    - Initiate a procurement plan and a recruitment plan at the start of the project to ensure that the money spent can reap benefits over the full project duration. Identify ways to streamline work between project teams and supply chain to avoid siloing of work.
    - Ensure that the highest spending areas (e.g., top cost categories) of each strategic intervention also provide high value given the programme structure and context.
    - Highlight the specific programme activities that led to cost savings that were realigned to improve reach and impact.

2. Embedding VfM in the Project Cycle

Inception Phase
Within the 4E Framework, develop VfM indicators that align with the logframe indicators and budget lines by programme intervention (or “intervention package” or sub-outcome)[x]. To assess whether an intervention was worthwhile, the money spent on that intervention needs to be compared with what was delivered (outputs) and achieved (outcomes).

When measuring and monitoring VfM, focus on strategic interventions (or “intervention package” or sub-outcome) that represent the greatest proportion of the budget since those may offer the greatest potential for efficiency and effectiveness gains. Do not measure VfM of all interventions within the project, as this requires more staff time and effort but decreases marginal benefits on programme learning, adaptation, and improvement, therefore reducing the overall VfM of the project. Do not resort to measuring the cost per person of the entire project, because it is more meaningful and practical to compare across interventions (or “intervention packages”) than across projects.

Once the VfM indicators within the 4E Framework have been established and agreed upon, measure them consistently throughout the project lifecycle[xi].

Implementation Phase
At least every quarter, conduct review meetings with key programme staff to monitor the continuous progress of logframe achievements and budget spending. Identify any areas for course correction in case of underachievement or variance in spending.

Do not report on VfM indicators every quarter, because quarterly fluctuations on outputs and procurement will cause large variations in VfM results which are not actionable for programme adaptation; important changes to the implementation approach and budget to improve VfM are usually only actionable at one or two key decision points in each implementation year. Quarterly VfM reporting also requires more staff time and effort but decreases marginal benefits on programme learning, adaptation, and improvement, therefore reducing the overall VfM of the project.

At the end of each implementation year, analyse the VfM indicators and identify any areas for adaptation and improvement to provide more impact to more people in the following year. Data for some indicators (e.g., Effectiveness) may not be available in the early stages of implementation Share the VfM results, lessons learned, and areas of programme adaptation in the annual narrative report.

Based on the areas of improvement identified, realign the project budget, logframe targets, and/or implementation approaches to improve reach and impact in the following year.

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[i] Development Initiatives (2023). Global Humanitarian Assistance Report. Available at: https://devinit.org/resources/global-humanitarian-assistance-report-2023

[ii] The UK National Audit Office (NAO) defines value for money as, 'the optimal use of resources to achieve the intended outcomes. Available at: https://www.nao.org.uk/successful-commissioning/general-principles/value-for-money/

[iii] Laws E and Walter C (2021). Value for Money and Adaptive Programming. Approaches, Measures and Management. Working Paper 572. Available at: https://odi.org/en/publications/value-for-money-and-adaptive-programming-approaches-measures-and-management/

[iv] DFID (2011). DFID's Approach to Value for Money (VfM) available at https://assets.publishing.service.gov.uk/media/5a78a9ee40f0b632476992f1/DFID-approach-value-money.pdf

[v] https://www.rescue.org/cost-analysis

[vi] https://oef.rescue.org/

[vii] https://www.rescue.org/cost-analysis

[viii] The Dioptra cost-efficiency analysis tool (https://www.dioptratool.org/) may be used to conduct cost-efficiency analysis using industry-standard methodology and generate cost per output results that can be meaningfully compared across countries and organisations. For more information on the cost analysis methodology at the IRC, refer to https://www.rescue.org/report/cost-analysis-methodology-irc

[ix] The Chartered Institute of Public Finance and Accountability (2021). A guide to support Value for Money (VfM) analysis for public managers. University of Oxford

[x] Barr, J and Christie, A (2014). Better Value for Money. An organising framework for management and measurement of VFM indicators. ITAD. Available at. http://www.itad.com/wp-content/uploads/2014/11/Itad-VFM-paper-v21.pdf

[xi] INTRAC (2020). Value for Money. Available at http://www.intrac.org/wpcm/wp-content/uploads/2017/01/value-for-money.pdf