Farm Africa's approach to value for money

What is VfM?

The concept of value for money (VfM) has become an increasing focus in international development, but the concept itself is far from new. Put simply, VfM is about achieving the best possible results with finite resources, where 'best' is determined by the objectives of those spending the money. In general, it means maximising *something* for each £1 spent.

Different organisations seek to maximise different things, such that VfM will always subjective to some extent (i.e. value for whom?). Commercial businesses generally focus on maximising profit; governments, on the other hand, might be more interested in maximising 'social welfare'.

If what is meant by VfM depends on the objectives of the organisation spending the money, it is perhaps not surprising that there is no standard definition. However, two commonly cited definitions in the UK include those of the National Audit Office and DfID (Box 1).

> **Box 1: Definitions of Value for Money**
>
> "*We define good value for money as the optimal use of resources to achieve the intended outcomes*."
> National Audit Office[1]
>
> "*We maximise the impact of each pound spent to improve poor people's lives*"
> DfID[2]

While these general themes of *maximising* or *optimising* resources provide a useful starting point for thinking about VfM, they do not explain how an organisation like Farm Africa might use them to develop an **implementable** approach to embedding VfM in our work.

How do you measure VfM?

As VfM is essentially a **way of thinking about how we use resources to deliver our own particular objectives**, there are no hard and fast rules about how a given organisation should measure it. This means there are no off-the-shelf manuals or tools that we can just apply to our work. However, a broad consensus has emerged among development organisations to ground their systems in some form of the "three Es" framework. While not without its shortcomings, this framework does provide a useful starting point.

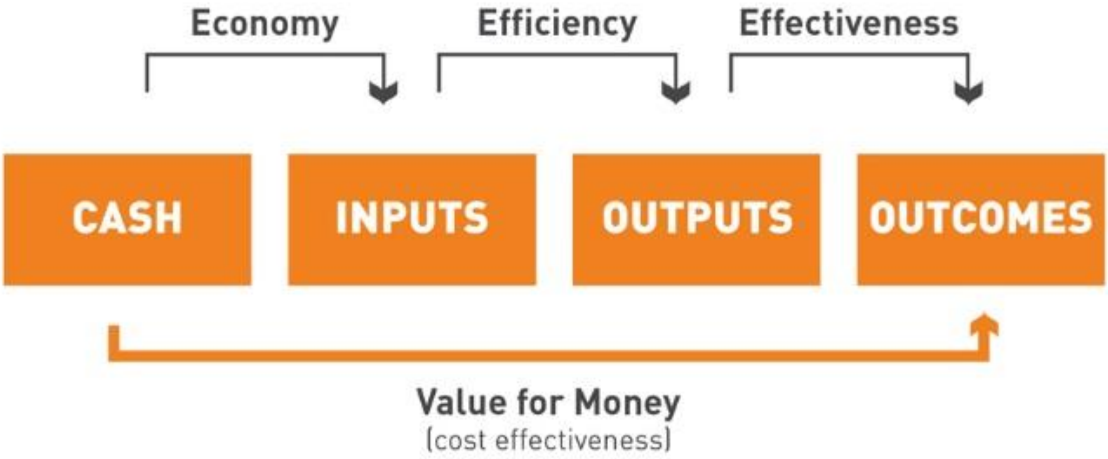
The 'three Es'

The original three Es (3Es) are **economy, efficiency and effectiveness**, and these are now sometimes supplemented with a fourth E, **equity**. Equity is obviously a critical consideration for Farm Africa, but how we capture it within a VfM framework is open to discussion (see below). Although abstracting away from some of the complexities of our own projects[3], the

[1] https://www.nao.org.uk/about-us/our-work/value-for-money-programme/what-is-a-value-for-money-study/
[2] DFID, 'DFID's Approach to Value for Money (VfM)', July 2011
[3] A common critique of the 3Es is that, in reality, there is rarely such a simple linear relationship between inputs, outputs etc. This is of course true, and most donors, even those heavily pushing VfM, are well aware of the limits for decision making.

diagram below provides a useful way of thinking about the 3Es, and some version of this can be found in much of the literature.

Figure 1: the basic 'three Es' approach



Definitions	**Example**
Economy refers to getting the best value inputs. This does ***not*** mean always choosing the cheapest inputs, but rather seeking the lowest cost for the required level of quality.	Were VSLA kits of the required standard produced and distributed at the lowest possible cost?
Efficiency refers to achieving the maximum outputs for a given level of inputs. Sometimes it is more appropriate to think of this as achieving a given output with the least inputs.	Given the number of VSLA kits distributed, how many people were able to make use of these for their intended purpose?
Effectiveness is about the extent to which the outputs deliver the desired outcomes.	Among those participating in VSLA groups, how much have their savings increased?

What about equity?
Equity is about how the benefits of an intervention are distributed and is a good example of why VfM should ***not*** be thought of as simply minimising costs. Much of Farm Africa's work consciously focuses on reaching marginalised groups, building equity considerations into the project from the design stage. Due to the complex reasons people find themselves in marginalised groups, more resources would usually be required to raise their standards of living, than for better off groups.

As VfM is about achieving the best results from limited resources, **where 'best' is determined by our own objectives**, a VfM approach does not make any judgement on the underlying objectives, but rather provides a way of thinking about *how* to achieve those objectives in the most cost effective way. In other words, it will not change the '**what**' of our interventions but can help us design the '**how**'.

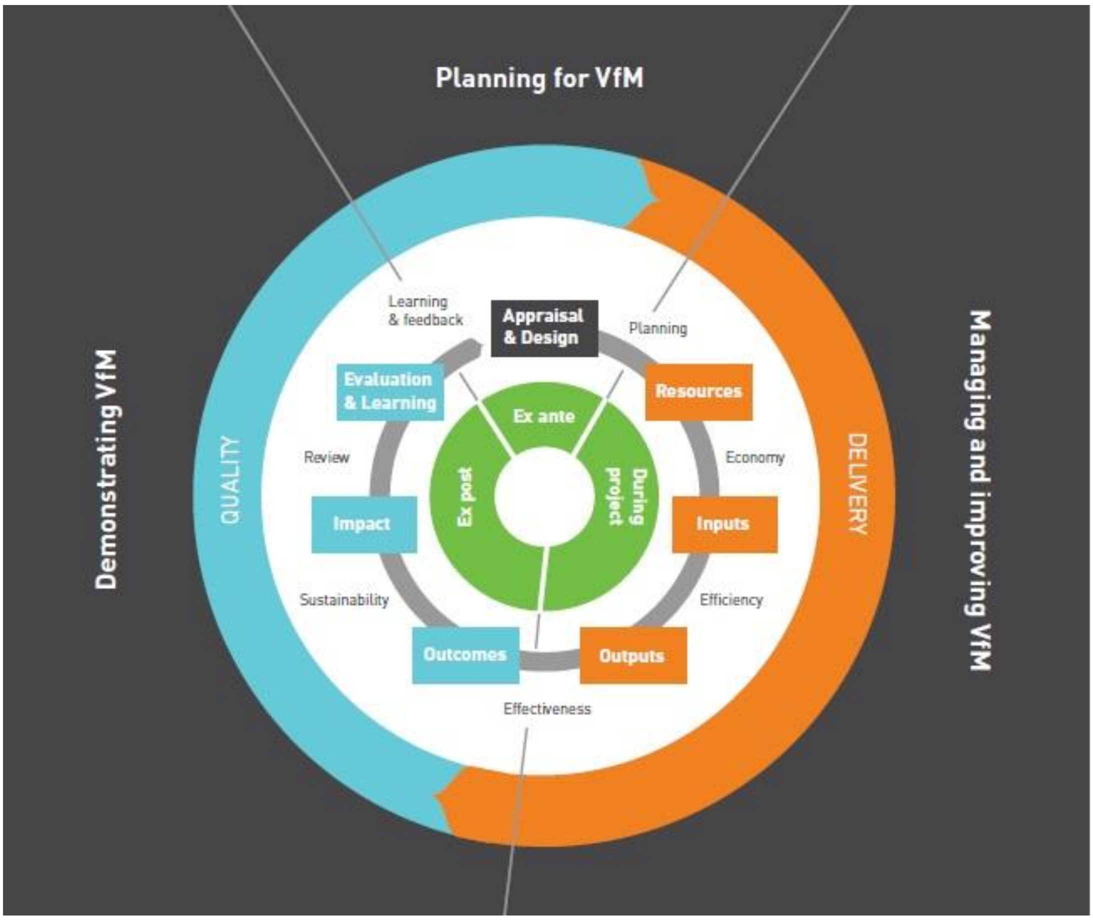
When incorporating equity within a VfM framework, we must distinguish between ends and means: does Farm Africa consider equity as a key part of what we do, or how we do it? The objectives of many of our projects make specific commitments to reaching the most marginalised groups; however, this is not uniform across our portfolio, with some projects taking a broader developmental approach. How much we prioritise equity considerations will vary from project to project, depending on the particular barriers we are trying to address. Equity considerations are therefore captured within a given project's objectives and VfM is about how we can achieve those objectives in the most cost-effective way.

Applying the 3Es to fit Farm Africa's work

While the 3Es approach provides a useful starting point, delivering VfM for Farm Africa also requires consideration of both *sustainability* and *learning*. Sustainability is vital for achieving VfM in agricultural development and natural resource management. If a project's results do not last beyond our involvement, it cannot be said to deliver good VfM. We also recognise the importance of learning and feedback loops, believing that greater VfM will be achieved over time if learning from one context is shared and informs design in another.

The work has led to the development of a cyclical framework, which separates out the key aspects of VfM and incorporates them into each stage of the project cycle.

Figure 2: Farm Africa's VfM framework



Since 2013 we have been applying the VfM framework to track, manage and improve the value for money (VfM) of our work. The cyclical framework can be mapped to projects, systems and processes and helps us to identify any VfM gaps or where our work could be strengthened. An example of this in practice is our decision to increase our focus on organisational learning and allocate resources to research more strategically so that we can clearly identify, from the outset, what we want to learn from a new project.

Managing VfM

To manage VfM, it is important to understand our main cost drivers. This helps us to identify appropriate mitigating actions, keeping costs down. The table below summarises some of the key actions we have taken in 2014 against our major cost drivers:

Category	Drivers	Mitigating actions
Human Resources	• Competition from other agencies • Project locations – e.g. remoteness, environment	• Salary surveys • Developing salary scales • Revised HR handbooks with clear policies on benefits, per diems etc. • Investment in staff learning & development (e.g. leadership programme)
Travel	• Inflation • Security context • Accessibility of projects	• Robust fleet management procedures and journey planning; joint visits by staff • Environmental policy mandating a 4 night minimum stay in Africa • Use of Skype, conference calls and Yammer wherever feasible
Local office running costs	• Numbers of staff • Availability and location of suitable accommodation	• Clustering projects to share office facilities • Sub-letting office space from other charities • Desk planning to maximise space
External services and goods	• Local market (availability of goods and services) • Donor guidelines	• Utilising *pro bono* where possible • Rigorous budget monitoring procedures • Procurement policy embedded in induction procedures • Preferred suppliers list

Demonstrating VfM – successes so far

- **Economy** - the use of experienced audit volunteers within our internal audit programme is an example of a more economic approach to sourcing this function than engaging a consultant.
- **Efficiency** – testing tablet computers in Tanzania proved to be a more efficient approach to providing training and extension services to sesame farmers than that of a traditional farmer field school.
- **Effectiveness –** we introduced an SMS service to send free ‘tips’ to fish farmers in our aquaculture project, improving increases in net income

- **Sustainability** – in our work, this can mean economic, environment or institutional sustainability. One project that is attempting to address all three dimensions of sustainability is our REDD+ project in the Bale Eco Region of Ethiopia.
- **Learning –** one example of strengthened internal learning process has been the redesign of our project performance review (PPR) process to better encourage field teams to constructively challenge and critique.