



Value for Money

Introduction to DFID's approach to VfM

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What do we mean by VfM?

Value for Money in DFID's programme spend is about:

“Maximising the impact of each pound spent to improve the lives of the poor”

Make sure every penny counts...



A farmer in Ethiopia...

- Grows food and vegetables
- Earns extra cash from cattle, goats and sheep
- And uses them to save
- But every 5-7 years a real severe drought hits.
- He needs to sell livestock – and loses the future cash earnings from them
- Every penny helps...



DFID's aim: to fight poverty

- Entrusted by the UK taxpayer to do this job
- They can expect that our money is spent well
- As can the poor in Ethiopia
 - Shall we set up a safety net, relying on the state to ensure the transfer takes place where need is highest?
 - Shall we set up subsidised insurance that pays out when there is drought via the market?
 - Shall we rely on NGOs to organise relief when this crisis hits next?
 - Shall we arrange for microcredit so the farmer can build up a small business so that she does not need any of this drought?



Key: how to ensure value for money?

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- If one of these ensure more poor farmers don't have to sell their cattle than others, worth considering

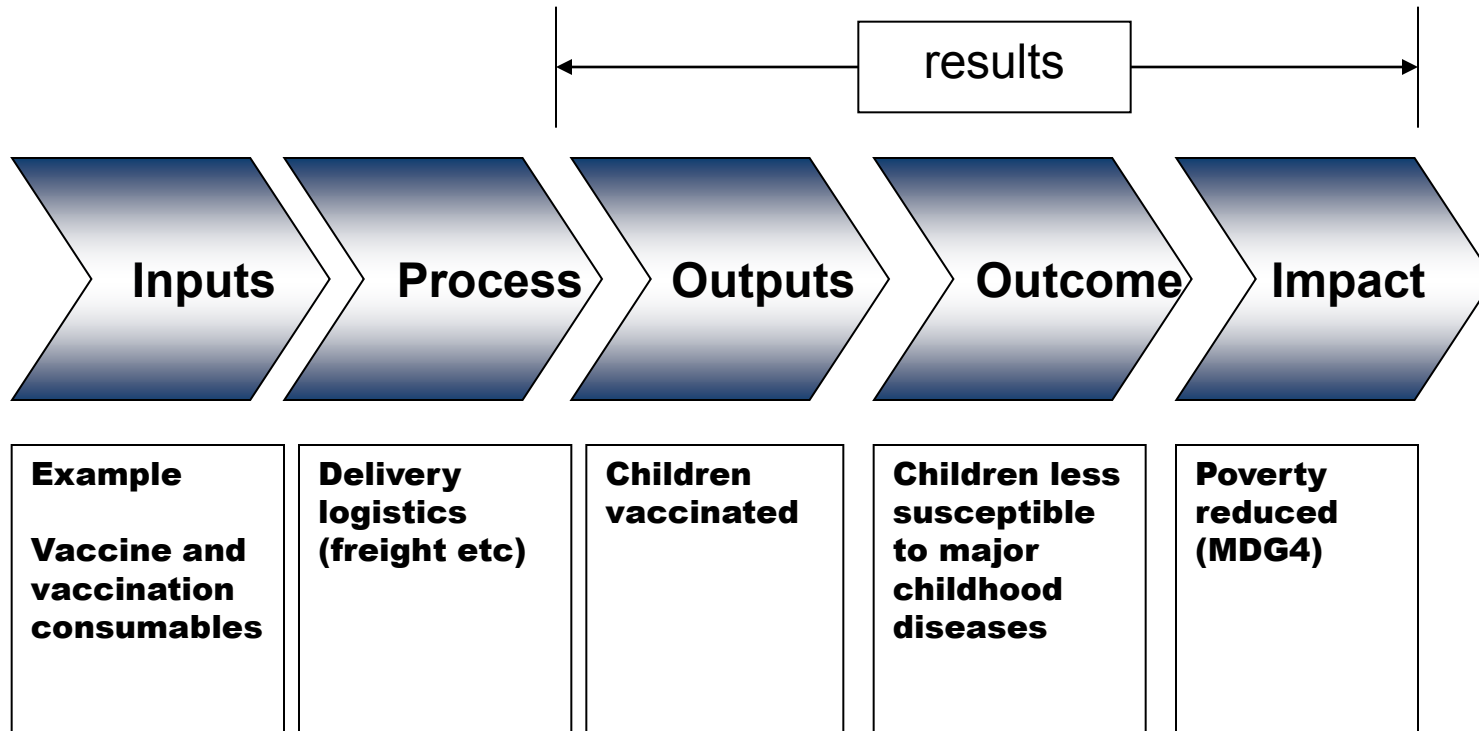


Our VfM cycle

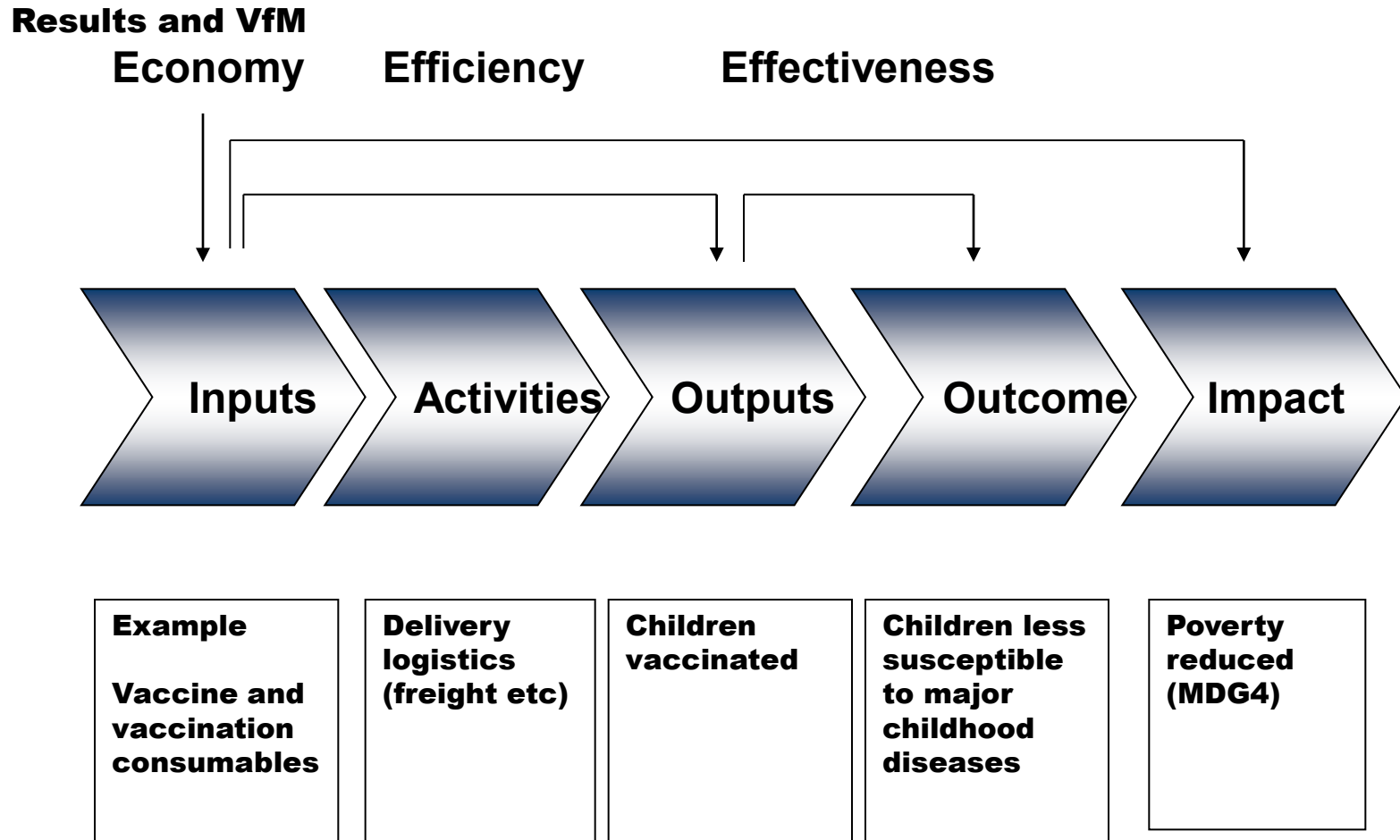
- DFID Business Plan – what and how
- Given our budget, Operational Plan (in a country, theme, etc.)
- Business Cases: proposals to spend
- Procurement: mechanisms to implement
- Monitoring and Management
- Evaluation and Learning
- Feeding back into Business Plan

- ? How to ensure VfM at each stage?

For anything we do: Clear Results Chain I



Results Chain II





Implications?

- A clear articulation and recording of what success would look like, and a clear breaking down of steps where things can go right or wrong
- A basis for assessing progress, success, failure.



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Business cases: how to get VfM

- **Strategic case:** statement of need, what we want to do and what the results (outputs, outcomes, impacts) we expect to achieve
- Reporting of **evidence**
- **Theory of Change:** how will this work, what are the assumptions and risks?
- **Cost-benefit analysis** across options
- **Monitoring** plan but also **serious evaluation** plan (not compliance and audit but evaluation of impact)
- **Commercial case:** how to achieve economy and efficiency
- Full document publically released for total **transparency**



Further VfM

- Independent Quality Assurance at BC stage
- Random checking of smaller BCs and of Annual Reviews
- Yearly reporting on results on track or off-track
- Advanced impact evaluation techniques embedded (up to 200 state-of-the-art impact evaluations, including RCTs)
- Big investment in research on ‘what works’ for peer-reviewed academic literature
- Internal competition for funds
- Imposition on partners of similar procedures
- Novel procurement methods plus attacks on collusion in service providers and comparative costs data



Key: how to ensure value for money? Example from Ethiopia to avoid farmer to sell cattle

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Key: ensure we learn from success and failure

- Development has a terrible record of being **open** about what it achieves or not.
 - Massive advocacy and great stories.
 - Very little evidence.
 - Rarely if ever an impact evaluation worth the paper it is written on (properly assessing its impact, and what would have happened without the project)
- Impact evaluation and openness are slowly becoming embedded.
- We have no **history** in terms of what works in development.

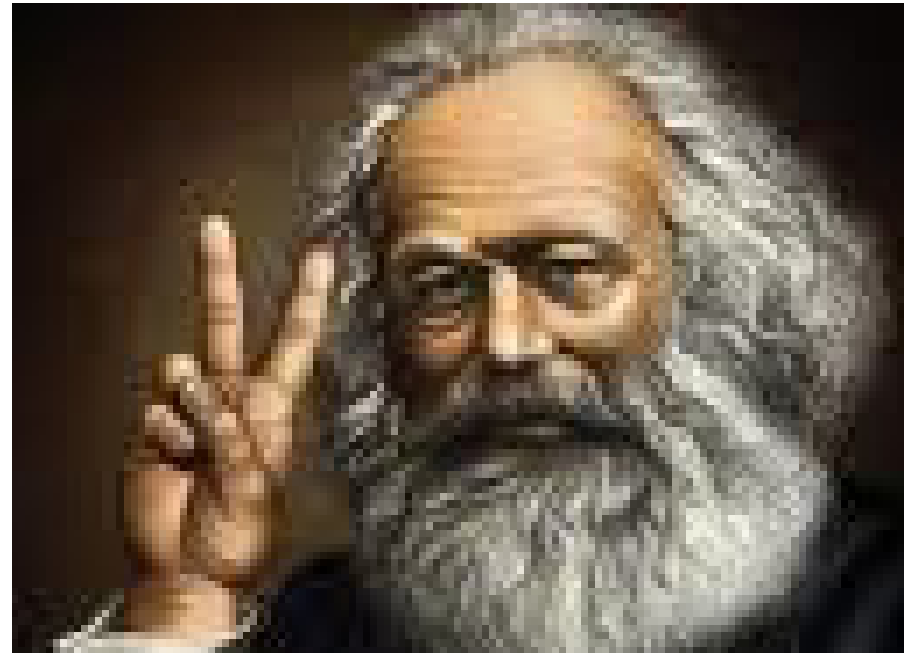


Critique?

- (1) “We know what works. We work with the people and we are the experts. We have done this for a long time.”
- (2) Development activity needs trust and relationships. We have dedicated and well-meaning staff. Why question us?
- (3) Development is systems, transformation, change, new institutions, new norms



Development as transformation



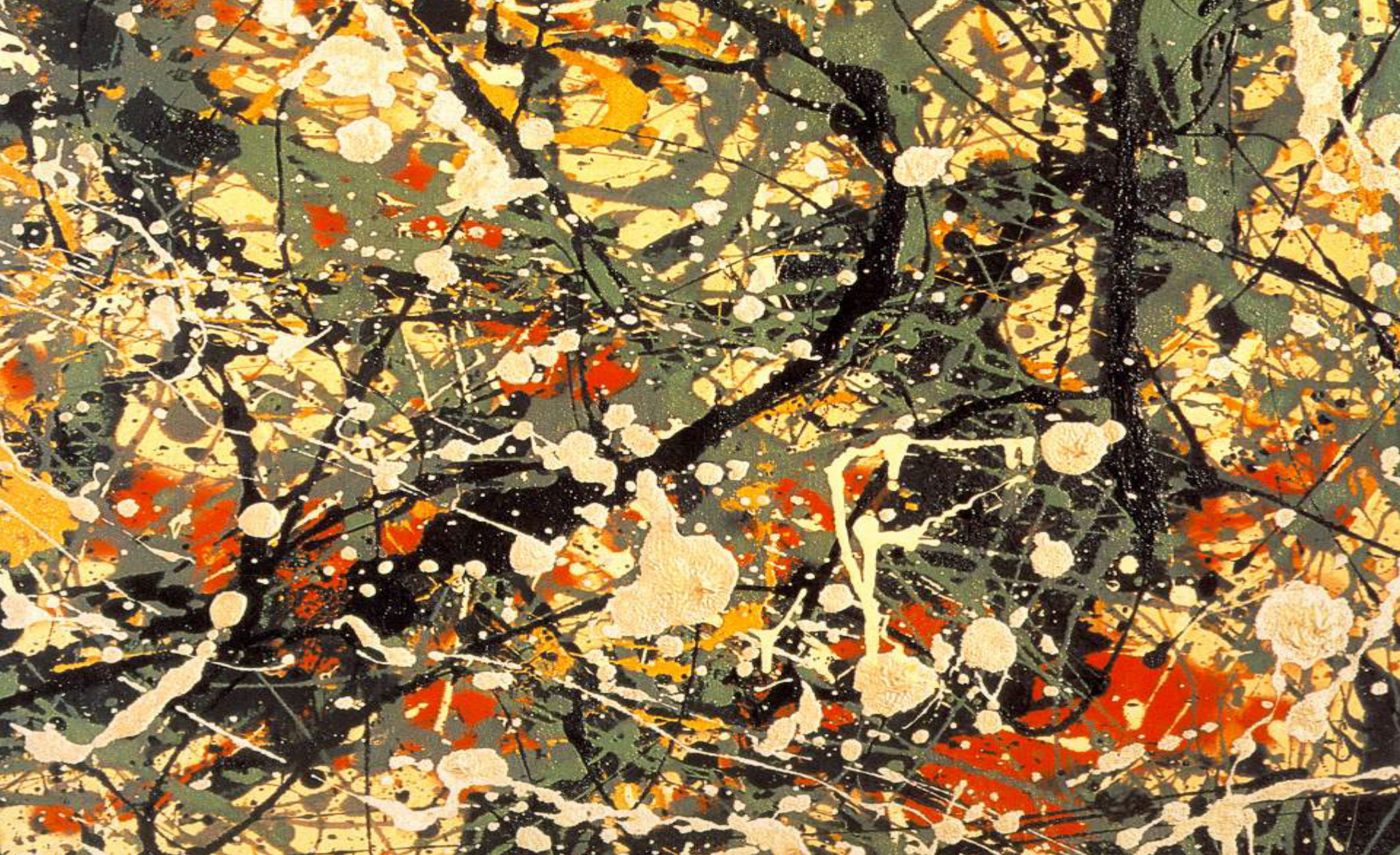


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- (3) Development is systems, transformation, change, new institutions, new norms
 - ? How can you have value for money in influencing?
 - ? How can you have value for money in long-term change?
- (4) Development cannot be reduced to financial and economic measurement... It is not a business.
- (5) It will stop all risk taking and makes us afraid of failure.



This is not the reality of developing world



This is the developing world



Progress: the big gains

- A focus on results (everyone must make a value proposition and be explicit about its costs)
- Business Case process brings unity in developing programmes with much improved quality assurance
- A huge push on learning and on impact evaluation
- A greater awareness of how our partners and contractors operate and spend.
- A greater transparency and openness keeps us focused
- It is tax payers money meant for the poor we are spending...

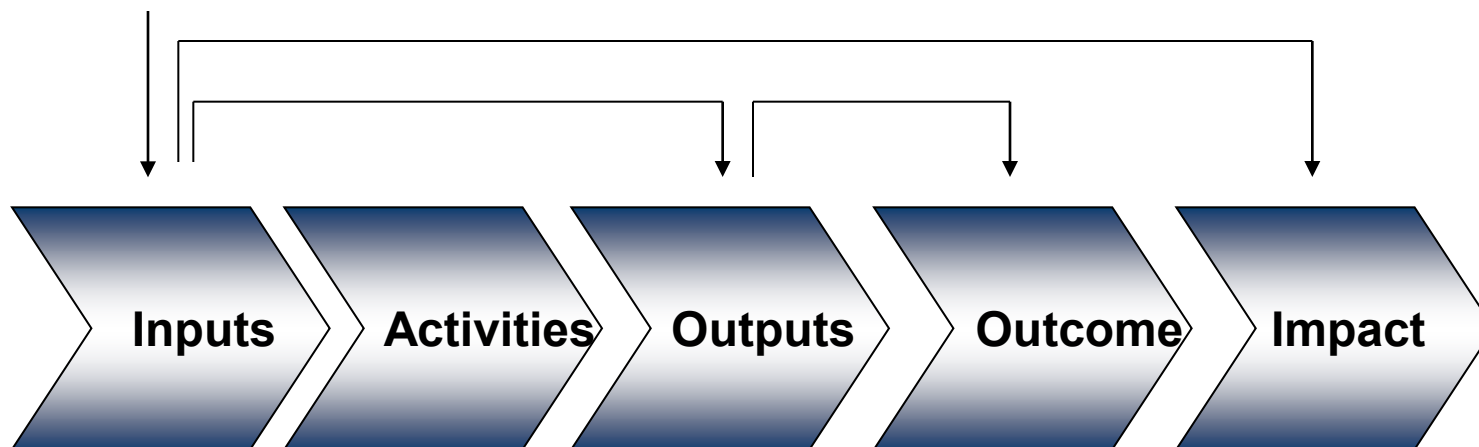
Bringing some structure allows us to manage

Results and VfM

Economy

Efficiency

Effectiveness



Example

**Vaccine and
vaccination
consumables**

**Delivery
logistics
(freight etc)**

**Children
vaccinated**

**Children less
susceptible
to major
childhood
diseases**

**Poverty
reduced
(MDG4)**

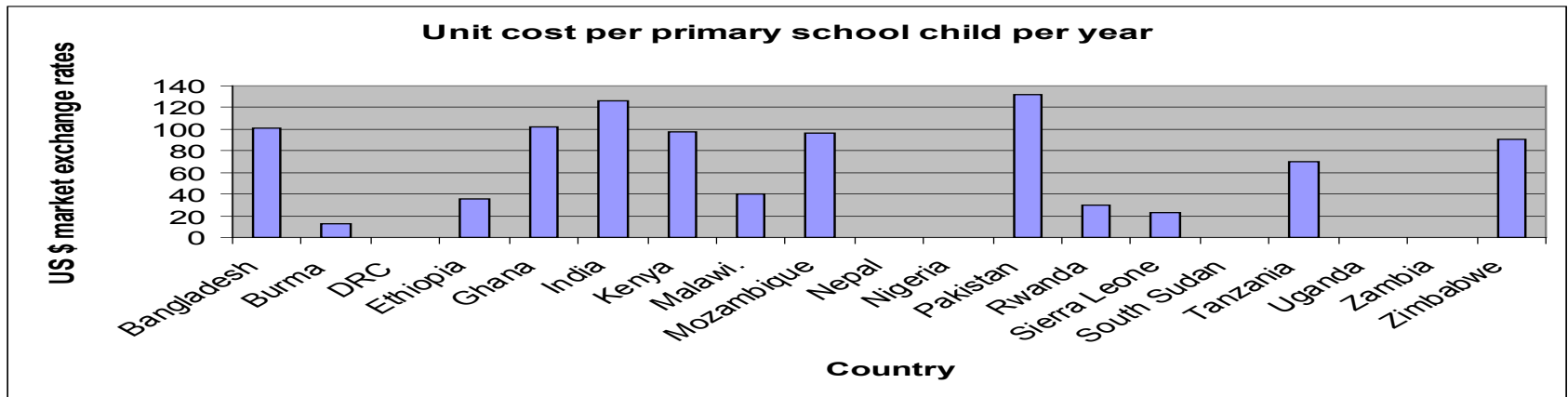
Understanding of actual VfM achieved is strong in the Education Sector

All DFID country offices with education spend in 2010/11, except Burma and DRC, are now able to report data against a full set of indicators to assess VfM in Education

Percentage of the 20 DFID country offices with education spend in 2010/11 that reported data on key VfM indicators (December 2011)

Unit cost per child per year at primary level	Teacher Salary	Average Cost of Primary School Textbook	Classroom Construction	Survival to Grade 5
14 (70%)	17 (85%)	13 (65%)	11 (55%)	17 (85%)

- Cost per year per child supported in primary school is a DFID Business Plan indicator and reported to Treasury on an annual basis. By end 2012 it is expected that this metric will be available for all countries



A set of practical initiatives are being taken forward in the **Education Sector** to strengthen VfM further

Improving Economy

- DFID staff are identifying opportunities to reduce unit costs, without compromising quality, using new guidance on unit cost drivers in procurement of school infrastructure, and learning and teaching materials;
 - For example, in Rwanda DFID worked with the Ministry of Education to reduce classroom costs by 45 per cent.
 - In Pakistan comparisons of construction costs highlighted potential savings from switching away from non-government provision. This has led to a shift in funding away from government providers.

Improving Efficiency

- DFID is funding a systematic review of evidence of 'what works' in improving teacher attendance. This will inform the design of programmes to reduce teacher absenteeism.
- In 18 out of 20 countries, DFID is planning or already supporting initiatives to raise public awareness on students' learning achievement in order that communities can hold schools and teachers to account on learning outcomes.

Improving effectiveness

- All new DFID business cases for education programmes now specify learning outcomes as a key results indicator, alongside evidence of how these will be improved;
- Interventions to support and monitor outcomes in early grade reading and mathematics are being designed and implemented in ten countries, with additional programmes to be reported by end of 2012

Next Steps: DFID is building a programme of work for generating complete sets of indicators to assess VfM in all sectors of our work where this is possible.

Two examples of what's changed at a practical level over the last year.

1. The **introduction of Business Case** based on the Treasury Five Case Model which:

- Brings VfM and results up front in the design of all interventions
- Incorporates the assessment of the quality of the evidence of what has worked or not in the past
- Strengthens DFID's commercial awareness to ensure VfM through procurement
- Is clear on the approach to monitoring and evaluation from the outset
- Integrates the existing technical appraisals into a single appraisal of the options
- Strengthens and integrates environmental and climate considerations into the single appraisal.
- Brings DFID in line with best practice across Whitehall.

2. **A new culture of transparency, which:**

- Exposes DFID decisions and performance to greater scrutiny
- Supports the drive to achieve and demonstrate results and VfM
- Ensures citizens can hold governments and donors to account
- Reduces scope for corruption, waste and duplication.

We are addressing this through:

- The UK Aid Transparency Guarantee – publishing detailed information on projects, transactions and performance.
- Internationally, through the International Aid Transparency Initiative, and international agreements G8, Busan etc.
- And, through civil society organisations and partner countries.