Value for Money in UK-UA Programmes – Note for Partners

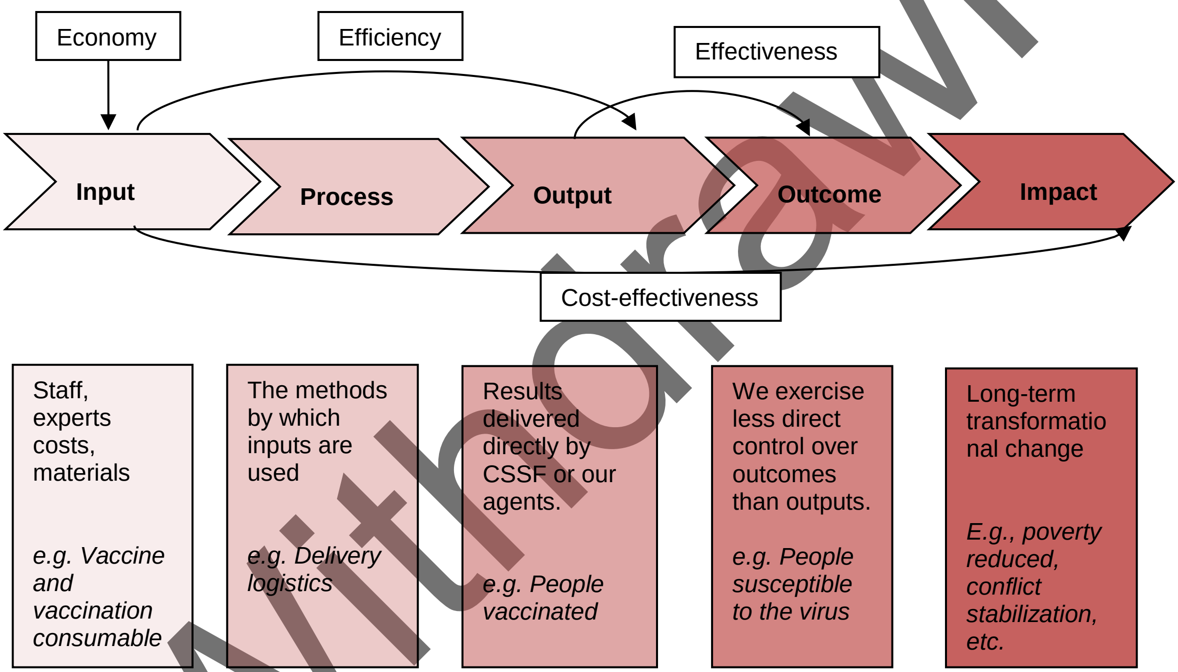
1. Value for Money (VfM) in UK-UA programming is about maximising the impact of each pound spent to deliver the programme and project objectives.

2. In assessing VfM it is important to look not only at the costs of an intervention, but the results it delivers and the context in which the intervention takes place.

3. CSSF's approach to VfM is based on the four Es (4Es): Economy, Efficiency, Effectiveness and Equity. These in turn relate directly to the results frameworks – logframes – that UK-UA programmes use to assess the performance of its programmes. Clearly articulating the results we want to see from a programme – the outputs and outcomes – is a necessity to understanding and delivering VfM in programmes.

This is demonstrated in Figure 1.

Figure 1: The 4Es of VfM along the Results Chain



The '4 Es'
Economy *- Are we (or our agents) buying inputs of the appropriate quality at the right price?*
Efficiency *- How well are we (or our agents) converting inputs into outputs? ('Spending well')*
Effectiveness *- How well are the outputs produced by an intervention having the intended effect? ('Spending wisely')*
Equity - *How fairly are the benefits distributed? To what extent will we reach marginalised groups? ("spending fairly")*

Cost-effectiveness *- What is the intervention's ultimate impact on the long-term transformational change, relative to the inputs that our agents or we invest in it?*

4. **Economy** assesses whether UK-UA projects are getting the ***inputs*** (e.g. staffing, resources, materials) for its programmes at the **best possible value** (i.e. lowest cost given a certain level of quality). Where appropriate and feasible, UK-UA programmes will therefore look to select implementing partners and procure resources through **competitive tenders.** It will also expect its partners to **procure inputs and resources competitively** as appropriate. For key cost drivers, we expect to see that actions are being undertaken to manage these costs.

5. **Efficiency** assesses how the inputs of a programme are turned into ***outputs*** (the tangible results that are delivered by the activities of the programme). At a minimum, this will look at the management, **overhead or operating costs** to deliver the programme; UK-UA programmes team expects to see a **breakdown of these costs** so that they can be justified. Other measures of efficiency will also be considered; for example if an output of the programme relates to the number of beneficiaries reached, then an efficiency measure could assess the **cost per beneficiary reached**.

6. **Effectiveness** is how well outputs are translated into ***outcomes*** (the specific objective for the project). Outcomes are generally not completely attributable to the activities of the programme, so the effectiveness of an intervention will also depend on how well the theory of change of the intervention stands up in practice, and often how it aligns with other interventions. Assessing the effectiveness of the intervention is important to understanding whether this intervention has been the **most appropriate way to achieve the desired objective**. The **cost-effectiveness** of an intervention is broader than just effectiveness; it links the inputs of the intervention to the *impact* (a much broader shared vision or objective, for example poverty reduction).

7. **Equity** runs throughout the whole consideration of VfM; it assesses **who is benefitting from a programme and how fairly the benefits are distributed**. It is important to consider equity in inputs (e.g. in how implementing **partners are chosen**, and ensuring they do not perpetuate inequalities); how outputs, outcomes and impacts are measured (e.g. by **disaggregating beneficiaries** by gender, age, location, disability, vulnerability); and also how economy, efficiency and effectiveness are assessed. For example, an efficiency measure may assess the cost per beneficiary reached; but it is important to understand who these beneficiaries are, and to **ensure that the most marginalised and vulnerable individuals are not excluded** from an intervention solely to increase the total number of beneficiaries.

8. A formal assessment of VfM is made during UK-UA Porrgammes **Annual Reviews**. During this process, we ask our implementing partners for **evidence that they are delivering VfM**, and how they are delivering economy, efficiency, effectiveness and equity. **Indicators** will generally have been agreed in the **results framework** for these measures, but we also welcome **examples that demonstrate that VfM is part of day-to-day considerations of our partners**.

9. **Transparency of reporting** is a key element in understanding and demonstrating VfM. It is necessary to identifying the **major cost drivers** of a programme and the links between inputs, outputs and outcomes; it can therefore help to **highlight where cost savings can be made**, and where greater economy, efficiency, effectiveness and equity could be realised.

10. The variety of countries and contexts in which UK programmes work means that delivering VfM through our programmes is a process of continuous improvement and learning. It is important to **set benchmarks for future programming for your country and the region**, and to demonstrate VfM and justify the interventions and programmes undertaken.

Good practice examples and VfM Savings

3Es and Equity	Good practice	Evidence / Example	VfM saving
Economy (Lowest price for inputs of required quality)	Negotiating contracts or grants		
	Use of **best practice procurement** processes for big ticket items.		
	Bulk procurement of goods and services to get discounts.		
	Timing procurement to get low prices		
	Procurement arrangements to get timely delivery.		
	Reviewing salaries against the **local market**		

	Outsourcing functions which can be done more cheaply externally		
	Building **capacity** of implementing partners in procurement		
Efficiency (Inputs produce Outputs of required quality for lowest cost)	Selecting the most appropriate types of Inputs balancing cost and quality		
	Selection and monitoring of partners according to their efficiency of delivery		
	Minimising training costs by using a **training of trainers approach**		
	Minimising costs using remote working / meeting tools		
	Consolidation of similar interventions to benefit from **economies of scale**		
	Ensuring quality of Outputs through quality assurance and monitoring		
Effectiveness (Outputs achieve Outcomes)	Choosing Outputs to tackle a problem in a **holistic way**		
	Ensuring that goods and services are **targeted** (geographically and/or to particular groups and institutions) where they can have most impact.		
	Building **capacity** of government to deliver services to ensure **sustainability**		
	Incentivising the **private sector** to deliver services to ensure sustainability		
	Building the capacity of **community groups** to support services to ensure sustainability		
	Ensuring that activities are joined-up across Outputs		
	Consulting with and influencing government and other key actors in order to maximise Outcomes.		
	Piloting different approaches to increase effectiveness with rigorous M&E		
	Maximising wider **socio-economic benefits** beyond the measured Outcomes		
Equity	Ensuring vulnerable / marginalised / hard-to-reach individuals are **not excluded** from the programme		