



# Achieving VfM within the Chars Livelihoods Programme

## Background

The Chars Livelihoods Programme (CLP) is co-financed by UKaid through the Department for International Development (DFID) and the Australian Government AusAID. The Programme's purpose is to improve the livelihoods, income and food security of one million extremely poor men, women and children living on island *chars* in the North West of Bangladesh.

## Value for Money

DFID's approach to value for money (VfM)<sup>1</sup> utilises the three E's framework (Economy, Efficiency and Effectiveness) to demonstrate that VfM is not just about cost cutting. Taking VfM seriously, in July 2011 the CLP commissioned an independent consultant to assess the data requirements for conducting a future VfM study and to assess the extent to which current CLP systems are able to provide the necessary data. The report concluded that most of the data systems are in place both to track VfM and enable a comprehensive study to be conducted at a later stage but that more emphasis on standardisation and presentation are needed.

As part of the recommendations made in the consultant's report, this brief provides examples of how the CLP is trying to reduce costs and where the CLP is making savings in order to document the cost savings (this relates to 'Economy').

## Applying Best Practice in Procurement

It is important to purchase inputs of appropriate quality at the best price to maximise the impact for every pound spent. The CLP follows "DFID Best Practice" in procurement and the entire procurement system is based on rigorous attempts to drive down the costs at the vendor level for all items procured.

Driven by VfM, the CLP has created a competitive environment in which companies compete to supply inputs to the CLP. This has resulted in the procurement of the same quality goods at lower costs. The competitive tendering process has seen cost savings of 20-45% on many small items such as passbooks for Village Savings and Loans (VSL) Groups, voucher books and posters for poultry rearing.

Experience has taught the CLP that procuring goods from large procurement companies rather than local vendors does not always result in cost savings and can often slow down the process. Therefore price quotations from

suppliers are followed up to ensure that the desired quality is being purchased at the best price. For example, the CLP recently conducted a market survey to ensure justified pricing of procuring over 19,000 blankets. This helped Crown Agents (an international procurement company) to achieve a reduction of costs of over 50%.

Another example is the simple but effective decision made in 2011 to switch internet providers. This change provided the CLP secretariat office with an internet connection 12 times faster than the previous provider, for 50% of the cost.

## Modifying Project Design Whilst Still Achieving Intended Results

The CLP activities are designed to be appropriate in the *chars* context and to meet the needs of the *char* dwellers. After extensive monitoring and piloting some changes have been made to the delivery of some of the CLP's core activities. This is to achieve the desired impact at the best possible price, without compromising heavily on quality. The most significant change was the introduction of the low cost sanitary latrine in 2011.

**Low cost sanitary latrines:** During CLP-1 and the first year of CLP-2, the Programme fully subsidized sanitary latrines for every core participant household, each costing in excess of Tk 5,000. While effective at the household level, this approach was not effective at achieving the CLP's target of eliminating open defecation in all communities where it works. To address this, low cost sanitary latrines have been introduced during CLP-2.



A low cost latrine

The CLP provides a concrete slab (with plastic pan and water seal) and a cash subsidy, while the household is responsible for digging the pit, providing a suitable support structure (typically a bamboo cage) and installing a suitable structure for privacy. Households on a raised plinth, receive Tk 450 (less than £5), all other households receive Tk 650 to cover the cost of raising the latrine on its own plinth. All households in the community are eligible to receive this, regardless of whether they are CLP core participant households (CPHHs) or not. While quality is marginally lower, the households' investment in time and materials, enables them to achieve greater ownership. The latrine is still sanitary and has resulted in a more hygienic environment for the whole village. Costs

<sup>1</sup> VfM simply means maximising the impact for every pound spent, for more details see DFID (2011). 'DFID's Approach to Value for Money.'



per latrine have been reduced from Tk 5,000 to a maximum of Tk 1,100; allowing investment to be spread across the whole community, rather than just to CPHHs.

Other changes in project design include:

**Cost-sharing with communities:** For each tubewell installed by the CLP (costing approximately Tk 8,000), one community member will pay Tk 1,000 to assume ownership of the water source and to be responsible for maintaining it. Previously tubewells were installed at a similar cost, without a financial contribution from the community. Creating household responsibility for the well ensures that it continues to be maintained; previously a major limitation. Due to the community buy-in, the new approach is potentially more sustainable and results in a cost saving of approximately Tk 1,000 per unit.

**Asset value:** Based on the CLP's experience of various asset values, management concluded that it is possible to procure suitable productive assets at Tk 16,000, as opposed to the Tk 17,000 in the final asset transfer phase of CLP-1.

### Savings through Efficient Deployment of Staff

Driven by VfM, other cost savings have been made through effective and efficient management and deployment of human resources (HR). Examples of efficient HR policy include:

- In July 2011, the CLP introduced a more systematic salary scale, which grades staff based on their performance, as well as their level of responsibility, qualifications, and an assessment of the average pay for their position in similar organisations;
- 1 Community Development Officer per 125 core participant households instead of 100 households (where location permits);
- Village Savings and Loans Groups (VSL) are facilitated by *Char Shastiya Karmis* (village health workers) who receive a small amount of money for the groups that they supervise. Previously the VSL groups were supported by Village Savings Organisers (VSOs), who were employed at a higher rate. VSOs now play a monitoring role, which means that one VSO can cover more groups;
- District Microfinance Officers (DMOs) supervise a large number of groups at a lower cost than Special Service Providers (SSPs) who previously supervised a small number of groups. This means that SSPs are no longer required in the microfinance project;
- As of July 2010, IMO staff training has been conducted by CLP staff instead of outsourcing.

### Efficient Use of Procured Items

Extensive travel due to the remoteness of the working area means that travel is one area in which optimum use of resources in all CLP activities is important. Livelihoods staff demonstrate efficient use of resources under the homestead gardening project. Before seed and sapling distribution to households, assessments of the homestead areas are conducted to enable the livelihoods staff to

select the most appropriate seeds for each household. This leads to the optimum use of the inputs.



*Optimum use of inputs in homestead gardening*

### IMO Procurement

Regular monitoring and audits by Contracts and Procurement staff help to ensure that IMOs use their budget and procure effectively. In addition, Unit Managers oversee and scrutinize purchases made by the IMOs, thereby minimizing the opportunity for malpractice.

### Integrating Financial and Output Reporting

The CLP is piloting a new system which integrates financial and output reporting to provide information on the cost of interventions per unit for all key performance indicators (such as plinth raising), across the IMOs. The new reporting system shows, for example how much it costs each IMO to raise a homestead on a plinth. This is intended to highlight cost variations, which will assist the CLP in identifying best practice, as well as demonstrating where cost savings could be made and where resources should be allocated to deliver the best value for money.

### Cost Reductions through Partnerships

Continued monitoring of procurement and implementation costs will help the CLP to maintain VfM. Working with partners to takeover non-core activities such as BRAC's takeover of the health programmes in Gaibandha could significantly reduce CLP's costs. The CLP is attempting to build partnerships in other areas too e.g. education.

### Sharing Best Practice

The CLP is open to learning from other organisations and is also sharing its models and systems with other DFID actors, which impacts upon their VfM strategy and practice. For example, the CLP shared its Human Resources policy and performance related pay scales with DFID funded Shiree and will do so with the new Community Legal Services programme, as well as sharing the financial, and monitoring and evaluation systems.

#### Key Points:

- Despite the challenges presented by the remoteness of the *chars*, the CLP is making savings through:
  - applying best practice in procurement,
  - use of monitoring and reporting systems,
  - effective and evolving project design,
  - efficient staff deployment, and
  - efficient use of procured items.
- Creating a competitive environment for procurement has resulted in numerous cost savings of inputs;
- Innovative project designs and modifications in project delivery have already led to cost savings.

