

Value for Money: a modern challenge for Progressio

1. Background

The world of international development continues to change fast. Long gone are the days of well-meaning colonial philanthropy. Recent decades have seen important and necessary strides being made in the areas of professionalism, such as improvements in the training and qualifications of aid workers, the quest to better measure impact of development programmes and the need for higher standards of fundraising best practice in the UK.

In this constantly-changing landscape of international development, a new concept – that of Value for Money (VfM) – must also be embraced and met by Progressio.

2. What is value for money?

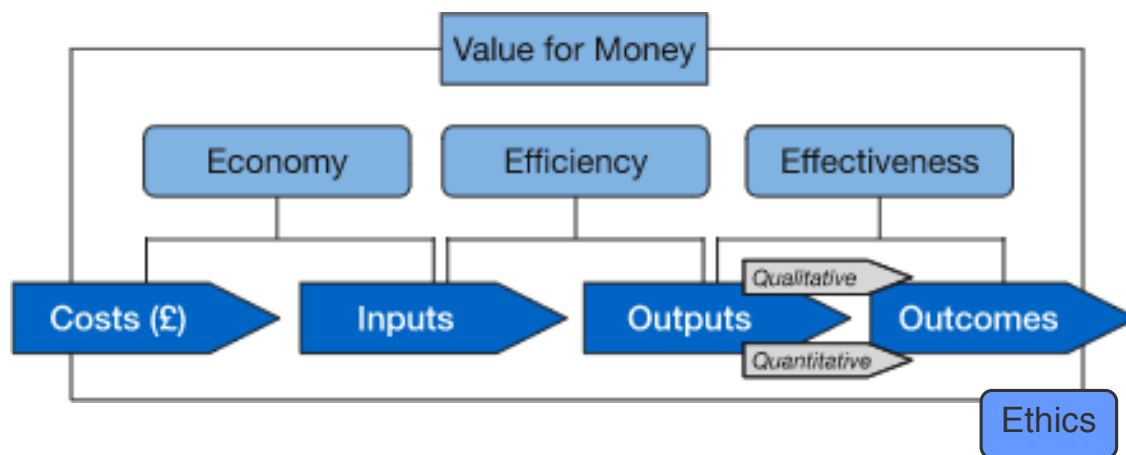
Achieving value for money and demonstrating results is a key issue in the UK international development sector, but what is it?

Put simply, value for money is about obtaining the maximum benefit with the resources available. Decisions about value for money are a daily reality in all our lives. We are constantly choosing which items or services to buy, and judging the right balance between quality and cost. International Development is no different. VfM is about achieving the right balance between economy, efficiency and effectiveness, the **3Es**:

1. spending less
2. spending well
3. spending wisely

To these three Progressio has added a fourth 'E' – that of ethics!

So, value for money is high when there is an optimum balance between all four elements – when costs are relatively low, productivity is high and successful outcomes have been achieved – in line with Progressio's ethics (or values).



3. What value for money is not!

- We don't believe it is **an optional extra** – or something that can be achieved as a one-off. It is a total way of working and it underpins everything an organisation does, from performance management to procurement.
- Nor is it **about cuts**. But it can be achieved in different ways such as:
 - reducing costs (e.g. infrastructure or procurement) for the same outputs
 - reducing inputs (e.g. people, assets, energy, materials) for the same outputs
 - getting greater outputs with improved quality (e.g. extra productivity) for same inputs
 - getting proportionally more outputs or improved quality in return for an increase in resources.

4. So what does VfM and the 4 'Es' mean for Progressio? A statement

Progressio seeks to transform the lives and opportunities of people who are poor around the world. We want to make the greatest possible impact and use all our resources wisely, efficiently and in keeping with our values.

So decisions about value for money are a daily reality for us all in our jobs. We constantly choose which items or services to buy, and judging the right balance for each of us may include consideration of a number of elements.

For Progressio, value for money is inherently linked with our accountability relationships. Whether it's partners, donors, or members and other supporters, we seek to provide the best services we can within our legal and contractual requirements and not be profligate or wasteful of funds.

There is much that we already do that shows VfM but we see this as a process of continually improving the way we use our resources in order to see a sustainable transformation in the lives of people who are poor and marginalised where we work.

5. Examples of how Progressio seeks out VfM in its work

1. **Economy** (such as what goes into providing a service, such as the cost per month of a DW or the rent per square metre of office space)
 - Comparison of the full cost of a DW with what partners may pay for a local consultant (there are some indicative illustrations of this – VSO use a \$500 a day benchmark) or for professional international staff (eg aid worker at £35,000 a year)
 - Recruitment/HR cost to number of employees/DWs (two dedicated staff recruited approx 130 people from 30 nationalities in 11 countries in the last year)
 - IT cost per employee (we have out-sourced the IT department which has reduced cost but maintained quality of support)
 - Clear identification of staff costs that contribute to development outcomes (the PPA evaluation *stated "Progressio's staff need to be considered as key inputs in their change models, not just management costs"*)
 - Conforming to standard good practice in finance: procurement procedures, sign off of expenditure mechanisms, annual audits.
2. **Efficiency** (e.g. a measure of productivity such as how much you get out in relation to what is put in)

We have the following measures of efficiency within our organisational objectives and RICA framework:

- Percentage of total expenditure spent globally on core support functions (organisational KPI)
- Number of people engaging in campaign action in the year (compared to amount invested)
- Annual value of articles published (compared to amount invested)
- Percentage of users very satisfied with supporter database
- Percentage of users very satisfied with overseas accounting package
- Organisational self assessment baseline score and targets
- Number of documented examples of exchange of innovation, different methodologies and good practice between partner organisations in different country programmes
- Board performance self assessment process

A considerable amount of efficiency savings have been made over the last few years and as a result, the percentage of total expenditure spent globally on core support functions has reduced from 31% in FY 2008/09 to an estimated 26% for the financial year (FY2010/11). Overall we are set to save approximately £224,000 in programme management and support costs (equivalent to 4% of turnover for 2010/11) yet have managed to increase programme delivery in our key operations overseas.

3. **Effectiveness** (a measure of the impact that has been achieved, which can be either quantitative or qualitative. Sustainability is also an increasingly important aspect of effectiveness. The DW model, where a person is embedded in a local organisation(s) or network, is a resource intensive model, but one that has a track record of effectiveness).

Some current measures:

- RICA contains 20 indicators that measure the qualitative and quantitative outcomes of the work of Progressio and its partners. These cover all our work across the thematic goals and for both direct programme support and advocacy at national and international levels (outcomes can be compared against the cost of each project)
- Satisfaction level reported by Progressio's partners with Progressio is an organisational KPI
- Number of people engaging in campaign action in the year (against cost of campaign) (organisational KPI)
- Partner feedback to show their increased capacity and own systems to provide better value for money (Organisational capacity assessment scores)

4. **Ethics**

Any VfM equation has to be considered in the context of the organisational values and mission. For Progressio this means consideration of process elements such as participation, sustainability or gender equity or even the intensive nature of staff support.

Examples of elements to monitor are:

- Partner feedback
- Size of Progressio's carbon footprint (organisational KPI)
- Rating given to organisation-wide gender project by external evaluator (organisational KPI)

6. How have we been doing?

There is much that we do that shows VfM, for example our PPA evaluation noted: *“For relatively low costs, Progressio is having a great deal of impact...”*. but we cannot be complacent. We must improve the way we use our resources in order to see a sustainable transformation in the lives of people who are poor and marginalised.

Some encouragement as we face the value for money challenge includes:

- With regard to **efficiency** we may not have the economies of scale of bigger agencies but we do offer a more intensive service. The PPA evaluation commented that *“Progressio’s particular, people-centred approach to international development, i.e. skill-sharing and advocacy, is human resource intensive, more so than grant-making. Development workers and staff comprise the larger part of the input and many of the development workers and UK and international staff engage in the high quality policy work that has gained Progressio its reputation.”*
- When it comes to **effectiveness**, an external evaluation of Progressio’s environmental sustainability work in Central America in April 2010 stated *“The programme’s results and impact at the time of the monitoring are significant, particularly related to environmental sustainability and advocacy, community and civil society capacities to manage natural resources, diversification of sustainable agricultural production, establishment and strengthening of CSO networks working on environmental sustainability and social justice, and in the effective use of social communications systems and tools. The overall direct project beneficiaries are estimated to be more than 50,000 persons in both countries ... in 28 rural communities of Honduras and El Salvador.”* Such an evaluation is set against the project cost.
- In relation to **ethics** and approach, the PPA evaluation states, despite our high ratio of DWs to staff in some countries: *“Progressio’s Country Representatives, in particular, are experts in local development practice and active in local political and policy change processes so they bring an in-depth knowledge and experience that makes them much more than programme managers. They add much value to both the work of development workers and the international advocacy work, and add to the intrinsic sustainability of the development worker model, and the legacy left by building capacity more broadly across civil society in many of the countries where Progressio works.”* It is clear that the Country Representatives are a hidden added value that we don’t quantify, bringing skills and knowledge that improve efficiency and effectiveness within the organisational framework.

7. What is our value for money strategy?

The task of achieving VfM is a **joint effort** across the organisation. When we are considering our effectiveness, we are also considering VfM. Therefore VfM is part of our overall organisational thinking and part of all management, planning and delivery processes.

Although it is present in all the twelve organisational objectives (KPIs), it is particularly reflected in the following ones:

- **Organisational Objective 5: Better measure and communicate our impact**
- **Organisational Objective 7: Improve organisational learning**
- **Organisational Objective 12: Manage our resources strategically, efficiently and sustainably**

Being able to assess our impact is essential to being able to determine the effectiveness of the organisation and therefore the value for money achieved. There are some tools (for instance Social

Return on Investment) that have been developed in the sector, but at the moment Progressio is not able to dedicate the resources that are required to undertake such studies.

8. How do we monitor value for money?

We monitor both expenditure and impact.

The organisational KPIs include consideration of total expenditure breakdown (UK and overseas; spend on support costs) which is monitored on an annual basis. Individual budget lines are set and can be assessed in the light of outcomes.

Progressio's new M&E framework (RICA) enables us to monitor much more effectively the impact and outcomes (as well as outputs) on areas of work and inputs can be identified.

The RICA framework has baseline scores and milestones, it includes various means of verification including external evaluations and direct partner feedback. Progressio has participated in the Keystone partner survey with positive feedback.

All programme evaluations will include a value for money consideration. The PARC/IOD PPA evaluation stated: *"It is hard to see where and how Progressio could operate more efficiently in its current circumstances."*

9. Ways in which Progressio ensures value for money

1. Establishing Clear Objectives

- People Powered Development gives a clear direction that has been established through a participatory process
- The Routemap sets out twelve Key Performance Indicators in relation to our organisational objectives (many of which are mentioned above) and clear Outcome Indicators against the three thematic goals

2. Creating Good Plans

- Annual planning: a clear process that aligns activities with objectives and budgets
- Project planning: a clear process that aligns activities with objectives and budgets

3. Ensuring Transparency

- There is strong partner engagement: in project planning, in recruitment, in defining strategic direction, in appraising our support to them
- Feedback mechanisms and evaluations are posted on Progressio's website

4. Ensuring Compliance

- Progressio fulfils all Charity Commission and Company House requirements and shows good practice in finance
- There is a rolling programme of continuous improvement in governance at the Board level through a self-assessment performance review
- Constant search for ways to save money and reduce costs without compromising quality (e.g. recent changes in recruitment processes, foreign exchange; IT provision)

5. Effectively Managing Risk

- The risk register is monitored with particular focus on total retained risk of top ten organisational risks (KPI)
- Annual update of country security plans
- Internal and external audits
- Thorough rigorous DW recruitment process to ensure quality

6. Developing a Culture of improvement

- We have recently conducted a comprehensive organisational capacity assessment to establish a baseline against which to measure progress (CAP) which will be repeated to assess progress

7. Increasing Value for Money in others

- Capacity development of partners is a crucial part of Progressio's way of working as illustrated by partner feedback
- Sharing new methodologies and ways of working with partners in the South through knowledge dissemination and exchange
- Holding local and national governments to account for how they spend their money through partner work and policy influencing

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