

## Guide to presenting a comprehensive VFM strategy and answering some key VFM questions

Using the BOND guide to value for money, you can construct a comprehensive value for money strategy. The next stage is summarising your comprehensive approach and demonstrating this clearly in your application.

Your summary VFM strategy should consider some or all of the following points and contain a response to all of the following elements, on behalf of yourself and you in-country delivery partners:

### Economy:

- what are the project's major costs categories – and what drives the pricing of those costs?
- what actions can you take to control those costs?
- a significant cost of delivering a project are personnel costs. How do you and your delivery partner's personnel costs compare to NGOs working on similar issues or within the same country?
- if personnel costs are higher than the benchmark, then why must they be at that level?
- what overhead cost recovery are you budgeting in the project budget?
- is this cost recovery percentage comparable with that awarded on your other donor projects? If not, then what reasons are there for the change?
- what cost categories will be subject to a competitive procurement process, and how robust is that process?

### Efficiency

- what economies of scale have you been able to identify in the delivery of your programme?
- what is the project cost per beneficiary? How does this cost compare to cost per beneficiary benchmarking, for your own work and for others who work in your field. If it is higher, can you justify the reason?
- what is the non-UK AID Direct financial contribution to the project and what efforts have you made to maximise that?
- would the cost per beneficiary reduce if you were to increase the scale of the project, and if so, why are you not aiming to deliver a larger project?
- what processes cost the most and how will demonstrate that you are carrying out those processes in an efficient manner?
- what controls will you put in place to ensure that you are delivering the goods or services in the most efficient manner?
- can you demonstrate your experience in meeting project deadlines and milestones in your other work?

### Effectiveness

- what elements of the theory of change are the weakest and have you considered project activities to overcome these weaknesses?

- if your project will be delivered in a fragile state how can you demonstrate your capability to deliver in difficult environments? What work have you carried out that provides evidence of this capability?
- are the outcome and impact indicators have you chosen relevant and robust? Relevant indicators are clear, rule-driven, causally linked, gendered, pro-poor and cross-sectoral. Robust - data to support indicators and baseline are likely to be available, accessible, credible, owned and capable of disaggregation
- are the chosen indicators also relevant to UK AID Direct's theory of change?
- what percentage of your project budget is tied to the results of the programme? Some costs for example are only expended in the delivery of the product or service offer better value for money than overhead or capital costs

### Equity

- how focused is your project on UK AID Direct's target beneficiaries - the most vulnerable and marginalised populations, in particular girls and women?
- if there are other beneficiaries, then you will need to present and justify the reasons why others are also targeted

### Additionality

An important aspect to value for money is assessing the additionality of the project's activities. To this end, you should also consider these questions in your VFM (effectiveness) response.

- how additional would the grant be for yourselves, your delivery partners and for your end clients?
- can you demonstrate clearly that you cannot carry out the project without help from UK AID Direct, if not, how much of the programme could you have achieved on your own without support?
- can you demonstrate that you will not forgo other important commitments or work if you are awarded a grant?
- can you show that the planned activities will not displace initiatives that already serve your intended beneficiaries?
- can you show that other parts of your organisation will not struggle if the persons you choose to implement the project are taken from their current work or commitments?
- if you assist your beneficiaries as planned, are there other positive impacts that will accrue to them that you might take credit for?
- will there be useful lessons for governments and NGOs to learn arising from this work and if so, how will you provide those lessons?

### Presenting your VFM proposition

We will evaluate your value for money statement in accordance with your responses to the questions above and others. A highly-marked application will demonstrate some or all of the following VFM characteristics:

#### Effectiveness

Your theory of change will demonstrate that

- outputs that are "necessary and sufficient" to deliver purpose

- realistic and credible assumptions analysing key externalities in sufficient depth
- a causal chain that is strong and evidence of its strength is verified.
- a high expectation that the project will achieve its purpose
- indicators that are clearly relevant and robust

The project may have leverage and replication potential:

- Leverage of other activities/ investments and wider effects are described with evidence that shows significant potential for expansion or replication
- Very high potential for additional benefits identified (e.g. scale up, multiplier or replication) identified

## Efficiency

Relating to productivity:

- costs of activities/ outputs comparable with similar programmes
- strong evidence that value for outputs is optimised
- integration and sequencing of activities supports delivery and measurement of productivity
- very efficient with high inputs/outputs ratio and performance likely
- beneficiaries are clearly described and are largely DFID beneficiaries
- expected results are disaggregated by beneficiary type
- grant cost per beneficiary is within a range that is acceptable and contributes positively to UK AID Direct's target of serving 13 million beneficiaries with its new funding

Characteristics of your risk analysis and mitigation strategy:

- grounded in well researched comprehensive conflict/ fragile states analysis
- conflict sensitive
- risk analysis covers key threats and provides comprehensive assessment of overall risk level
- monitoring tools and planning includes risk mitigation and making timely adjustments across identified activities, modalities and partnerships
- addresses risk of negative impacts and balances risks with returns expected

## Economy

Procurement techniques will demonstrate:

- significant cost reductions achieved through better procurement and supported by evidence.
- ongoing monitoring of procurement costs planned
- risks to outputs/ outcomes identified, assessed and minimised
- costs are significantly reduced and managed to very good effect

Unit costs will demonstrate:

- unit costs are below benchmark
- additional benefits described and quantified
- overall costs are lower by a wide margin and represent excellent return

## Presenting your VFM section

One effective way to present your value for money proposition is to frame it as a manifesto, highlighting how certain planned project activities demonstrate, or contribute to providing, value for money.