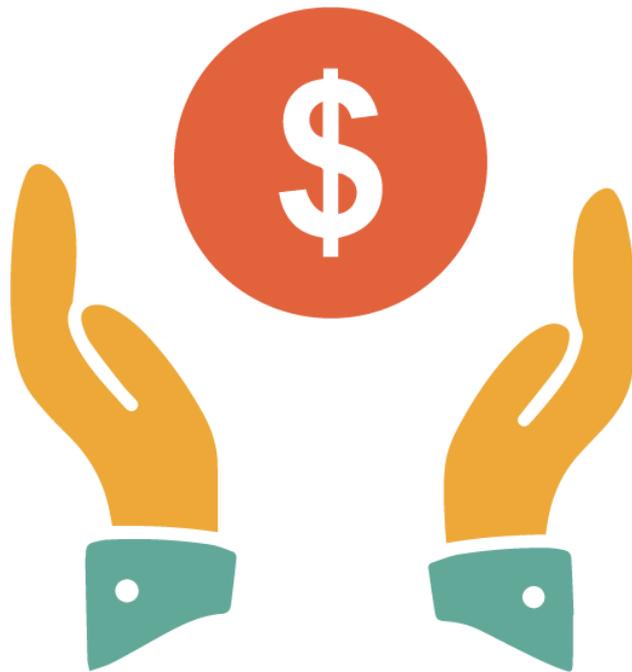


# Value for Money Guidelines in Digni



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## 1. Background: A low-cost culture

Digni represents faith-based organisations that value modesty. This is rooted in our Christian faith, which promotes a message of stewardship and sharing of resources. The Bible speaks of godliness with contentment (1. Timothy 6: 6) and encourages us to use our talents according to our ability (Matthew 25: 14-28). As churches and organisations which mobilise support from the grassroots, our legitimacy is bound up with our ability to be transparent and accountable, operating at low costs. Digni and Digni's member organisations generally keep salaries and running costs at moderate levels.

The networks that we are part of and have contributed to building up – the churches, institutions and organisations – represent sustainable civil society infrastructures with a wide reach and well-acknowledged public legitimacy, which Digni is able to bring into the development cooperation with few added costs. Over time, Digni's members have invested heavily in local resource bases of relations, knowledge, people, infrastructure and organisations, resulting in strong and sustainable relationships between Norwegian organisations and their local partners. Moreover, the assets-based approaches favoured by Digni are indebted to the local partners' ability to mobilise local resources and volunteers. There is a strong catalytic potential in adding development funding to these pre-made investments.

As an umbrella organisation, Digni is used to coming under scrutiny regarding cost-effectiveness. However, the added value of the members and their local partners (with their knowledge, ability to mobilise resources and reach marginalised people groups) and the Digni secretariat (with its mandate to grant support and undertake quality assurance and follow-up of the portfolio) is difficult to replace. The umbrella structure also facilitates learning and sharing of experiences between Norwegian member organisations and to some degree also between the local partners.

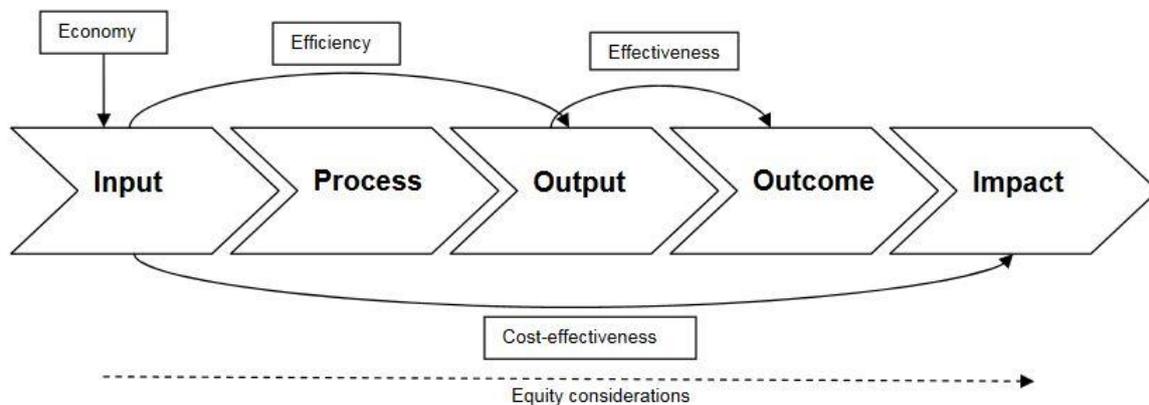
While we are proud to represent a low-cost culture, we cannot be complacent. Operating at low costs is not always a guarantee for working effectively. To maximise our impact, we need to examine the cost in relation to the effect of the interventions. Digni has devised a Value for Money-policy for the purpose of facilitating a more systematic and conscious approach to ensure and maintain cost-effectiveness throughout the Digni chain, from the secretariat to the local project.

## 2. Core principles in Digni's understanding of Value for Money

- Value for Money (VfM) in Digni is about maximising the impact of money spent to empower poor and marginalised people to live a life in dignity.
- The purpose of introducing VfM-tools and principles is to achieve better evidence of the correlation between costs and results to make more informed choices. This involves a stronger emphasis on measuring results and relating it to costs.
- We value effectiveness over efficiency. It is our effectiveness in achieving the desired outcomes and impacts that matter, not our ability to carry out activities (outputs). We must ask ourselves: How much impact does an intervention achieve relative to the inputs that we and our partners invest in it?

- Judging the effectiveness of a development intervention is extremely difficult, as the level of difficulty in obtaining results varies with topics and contexts. For this reason, Digni does not want to use VfM as a method to score and compare projects/programs, opting instead for a qualitative assessment approach.
- VfM-considerations should be inherent in all our decision-making, from the Digni secretariat to the local project. Project applications, interventions, events/meetings, travels, and procurements are examples of items that should always be assessed according to VfM-principles.
- Our VfM-approach is a failure if it prevents us from taking and allowing risks. However, risk taking should be based on calculated and well-informed value for money considerations.

Figure 1: The correlation between efficiency, effectiveness, and cost-effectiveness (Source: DFID)



### 3. Value for money methods in Digni

#### 3.1 Assessing cost-effectiveness in applications.

All applications forwarded to Digni should reflect on their cost-effectiveness, in accordance with the criteria set out in Digni’s Application Assessment Tool. When processing applications Digni needs to assess the information provided to determine the logic coherence and realism of the project design, the goals and indicators chosen, the activity plan and the budget, and whether there is empirical evidence and/or experience to justify the approaches chosen and the scope of the project. The applications will be scored based on the information provided.

#### 3.2 Assessing project performance.

All projects/programs operate according to measurable results frameworks and targets, against which the progress and achievements of each project/program may be assessed. In annual project reports, the project management should provide an assessment of the achievements so far, whether these are satisfactory compared to the money spent, and whether any changes to the project design and/or logical framework needs to be done to improve performance.

External evaluations of the project should also address the issue of cost-effectiveness and address areas which may be improved. The final report from the project should similarly contain an assessment of the cost-effectiveness of the intervention.

Upon receiving the final project report and evaluations, Digni prepares an overall assessment of the project's results. This report should also include an assessment of the project's VfM, including considerations of the local resources mobilised in the project. The assessment should be of a qualitative nature, considering the level of results achievement in light of the context, scope, general cost levels and difficulty of the assignment.

### ***Consequences***

- Digni will reject applications for new agreement periods in projects where the cost-effectiveness is too low unless significant improvements to the project design and management is proven.
- Digni will not take retrospective action over poor cost-effectiveness in a project unless there are indications of financial mismanagement. But it will affect Digni's assessment of partners/members when it comes to future initiatives.
- In addition, Digni may initiate organisational reviews of local partners and Norwegian member organisations that repeatedly fail to deliver cost-effective projects to improve performance. Digni may put cooperation on hold until improvements are made.

### **3.3 Assessing portfolio performance.**

Digni monitors portfolio performance against the overall Global Results Framework. The Global Results Framework is divided into six thematic areas of which one, Strengthening Civil Society, is mandatory for all projects. The thematic areas correspond to DAC-sectors, according to the OECD classification system. All projects in the Digni portfolio allocate budget posts according to DAC-sectors. Moreover, projects are required to provide gender disaggregated data and classification of target groups.

Based on these data sources Digni can perform analyses across the portfolio, comparing thematic results with budget allocations, and breaking down information by region, country, members, partners, projects, target groups and gender.

### ***Consequences***

These analyses inform the strategic work of Digni in terms of:

- Considering the thematic and geographic distribution of the portfolio.
- Provide input to assessing needs for competence and capacity building in the portfolio.
- Assessing the distribution of resources according to gender.
- Establishing the degree to which efforts target most marginalised people groups.

### **3.4 Assessing the secretariat's performance.**

The Digni secretariat fills an important role coordinating and assuring the quality of the project portfolio. To operate effectively, the secretariat needs to be adequately staffed and equipped. Digni's budget should make up about 7-8 % of the total framework agreement. Similarly, member organisations are allowed to spend 7 % on administration.

Digni seeks to develop and maintain a results-oriented culture. This involves systematic measuring of results, evaluation of performance and an effective organisation of the office workflow. Moreover, it requires transformational leadership, being able to motivate, inspire and coach staff to achieve common goals.

To minimise expenses and ensure cost-effectiveness, the secretariat should:

- Offer competitive yet modest salaries.
- Measure results and evaluate performance through internal and external reviews.
- Measure results and evaluate large-scale initiatives, such as the regional network meetings and competence building programs.
- Adhere to strict procurement routines.
- Be restrictive regarding engaging consultants. Whenever possible, Digni should make use of in-house expertise or competence within the Digni-fellowship, but not comprising quality.
- Avoid unnecessary travels. All travels are to be approved by the General Secretary.
- Make use of information technology to maximise cost-effectiveness of meetings.

## **4. Cost-effective arrangements**

### **4.1 Organisation of the project portfolio**

Digni's project portfolio consists of around 100 projects every year. Project periods normally vary from 3-5 years. In any given year, projects will commence be completed. As such, project periods are not fixed to Digni's agreement periods with Norad. At the beginning of a new agreement period with Norad, about 3/4 of the portfolio will consist of already established and running projects, while about 1/4 are new projects/project periods. This arrangement with overlapping project cycles is a cost-effective way to make full use of the secretariat's capacity to continuously follow up member organisations and partners. As most input and follow-up is needed in connection with the start-up phase of new projects, and the transition phase between project periods, the secretariat can maintain quality assurance of all projects throughout the agreement period. Likewise, it is also the most cost-effective way of using the capacity of members to advice their partners in the application and evaluation processes. Instead of getting the full burden of all the start-ups in one year, it is spread throughout the agreement period.

### **4.2 Framework agreements**

Three member organisations (Det Norske Misjonsselskap (NMS), Norsk Luthersk Misjonssamband (NLM) and Misjonsalliansen (MA)) have established framework agreements with Digni. Over the years, these organisations have developed strong systems, capacity, and competence. Through the framework agreements, these organisations have received a mandate to assess and approve applications and reports from their local partners. The arrangement saves time for the Digni secretariat and ensures that double work is avoided.

Quality assurance is still carried out by the Digni secretariat through regular reviews and testing of the framework agreement organisations' quality systems and compliance with Digni rules and regulations. Spot checks are occasionally carried out. Evaluation reports and final reports, from projects within a framework agreement, are carefully reviewed by Digni advisors. Also, the framework agreement organisations, their partners, and project portfolio are fully integrated in Digni's results and monitoring systems and are followed-up accordingly.