



## Value for Money Policy

Approved by the Board: 12 May 2017

Managed on behalf of the Executive Director and Board by: Head of Programs

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### 1. Purpose

This policy sets out ActionAid Australia's understanding of, and commitment to ensuring Value for Money in all aspects of its work. ActionAid Australia understands Value for Money as a concept that brings together organisational and program effectiveness with appropriate use of resources, and helps to assess and improve its work, as part of organisational learning and accountability.<sup>1</sup> For ActionAid Australia the main goal of analysing and managing Value for Money is to draw conclusions about alternatives that bring about transformational change for people living in poverty and exclusion, in line with its Human Rights Based Approach (HRBA). Paying attention to Value for Money enables ActionAid Australia to improve its effectiveness, and by extension, the situation of people living in poverty and exclusion in low-income countries, that it exists to support.

### 2. Scope

This policy applies to the following people:

- ActionAid Australia staff members, contractors, and consultants;
- ActionAid Australia Board of Directors; and
- partner organisations.

### 3. Definitions

*Value for Money: ActionAid “determines value for money in relation to the quality of our work and the impact it has achieved”<sup>2</sup>.*

Value for Money is based on an ActionAid's understanding of the 4 E's: economy, efficiency, effectiveness and equity:<sup>3</sup>

- **Economy:** *Are inputs (staff, materials, capital) of the right quality being secured at the best price?*
- **Efficiency:** *Are required outputs being delivered with minimal use of inputs?*
- **Effectiveness:** *Are outputs leading to impact?*

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<sup>1</sup> ActionAid: Responding to Donors on Value for Money

<sup>2</sup> ALPS 2011 Update

<sup>3</sup> ActionAid's Value for Money E-Learning Modules, 2016

- **Equity:** Equity cuts across the other E's by asking who benefits at each stage. *Who benefits from the project? Are outcomes being achieved for the most marginalised?*

ActionAid's approach to Value for Money challenges **the mainstream view** of Value for Money, used by many donors, which:

- seeks to quantify outputs (or far less frequently outcomes) against inputs. This either means monetising outputs/outcomes approaches (e.g. cost-benefit analysis) or having a standard denominator (e.g. cost per beneficiary reached);
- does not generally seek community views on the value or costs the community may face themselves and is generally a top-down approach;
- avoids quantifying outcomes but instead focuses on economy, and specifically on cost drivers rather than sources of value;

ActionAid's Value for Money approach represents an inversion of the mainstream approach, and it instead:

- starts with outcomes (for community) and works backwards;
- ensures that 'value' is defined by primary stakeholders/communities and not by donors;
- takes as its central question: "Can we achieve more with what we have?"
- focusses on downwards accountability to primary stakeholder/communities

ActionAid believes that mainstream Value for Money approaches question the **resources**, while ActionAid's approach questions the **outcomes**.

**ActionAid's broad approach to effectiveness is founded on a set of key principles linked to its HRBA, which enable ActionAid to achieve Value for Money in its programs and campaigns, by maximising its impact.** While efficiency and economy considerations are part of ActionAid's decision-making, they are assessed and implemented through an equity and effectiveness lens. They form part of the analysis of an initiative, once evidence of its effectiveness and equity has been demonstrated.

## 4. Principles

The principles that guide ActionAid Australia's approach to Value for Money within the context of its HRBA are:

- a central focus on maximising the **impact and outcomes** of its work to improve the lives of people living in poverty and exclusion;
- **value** is defined by primary stakeholders/communities, and not by donors. ActionAid Australia's value is therefore determined by its contribution to promoting rights and helping secure sustainable change for people living in poverty and exclusion;
- a recognition of the **complex nature of poverty**, and therefore the need for Value for Money analyses to take account of these complexities, and of the non-linear and long-term nature of change processes.

- a focus on **balancing economy, efficiency and effectiveness in ways that are both equitable and ethical**. ActionAid Australia believes that not everything of value should be monetised, nor seen through a narrow economy and efficiency lens.
- requires the **active engagement and participation of the people we work with** to examine the changes and impact resulting from a program/project, and ideally to review the value, costs, and the program conditions, in order to gauge the overall Value for Money of the program/project. ActionAid approaches Value for Money analyses in an empowering, participatory and inclusive way and avoids extractive data collection processes that contradict its HRBA.
- **represents a way to strengthen accountability to people living in poverty and exclusion**. ActionAid Australia recognises that those most in need are often the most expensive to reach. Value for Money therefore requires ActionAid Australia to demonstrate that it is working to achieve change for people living in poverty and exclusion, at the lowest possible cost (given the local conditions) and in the most efficient manner. It requires ActionAid to optimise the use of its resources in the service of those that it exists to support.

## 5. Standards

The following standards and background documents guide ActionAid Australia's understanding and implementation of Value for Money:

- ActionAid's Value for Money Policy (uploaded to the Contract Management System on 11<sup>th</sup> May 2022);
- ActionAid International Finance Management Framework, Value for Money Policy and Guidance 2015;
- DFAT Aid Performance Framework (including the 8 Value for Money Principles);
- ActionAid Australia Program and Finance Manuals.

## 6. Developing ActionAid's Approach to Value for Money

ActionAid International was funded to develop its Value for Money approach and process by the Department for International Development between 2012 and 2016. The purpose of the Value for Money pilot was to develop ActionAid's understanding of Value for Money, to develop and recommend to the Federation an approach that aligns with its HRBA, supported by a set of tools and methods for measuring Value for Money. After piloting several methods, one was chosen that strongly aligns with ActionAid's HRBA and theory of change. This pilot and the associated learning led to the development of an ActionAid Value for Money Policy and Guidance which has now been adopted.

## 7. Policy in Practice

### Financial Management

- ActionAid Australia's budgetary and financial management processes and practices, outlined in the Finance and Administration Manual, embed ActionAid International's Financial Management Framework and Value for Money approach, with a strong emphasis on the economy dimension. The Finance and Administration team ensures organisational-wide implementation of ActionAid Australia's budgeting and financial management practices to ensure the economical, efficient and ethical use of resources.

### Organisational Ways of Working, Learning and Improving

- ActionAid's annual Participatory Review and Reflection Process undertaken with communities includes Value for Money.
- Having clear Board-approved strategies, best practice ways of working, policies and procedures that guide the work of ActionAid Australia staff and are well understood by staff, and annually updated to reflect important changes in practice. These approaches will be reviewed every three years to ensure that they are still relevant, practical, fit-for-purpose, and support good practice.

### Fundraising

- ActionAid Australia ensures that any money spent on fundraising represents Value for Money. The Fundraising Team, in collaboration with the Finance Team, continually monitors and analyses the fundraising results and reports them to Board Committee for Fundraising, Finance and Audit Committee. This Committee monitor key fundraising metrics and performance indicators such as Return on Investment, Lifetime Value and Cost per Acquisition, to ensure the fundraising expenditure is achieving Value for Money.

### International Programming

- All dimensions of Value for Money are considered in program design, inception, implementation, monitoring and evaluation. In addition, programming sometimes includes a specific focus on Value for Money and through some projects we have been able to support piloting of Value for Money methods in the federation.
- ActionAid International coordinates e-learning and any other training and coaching in Value for Money, and ActionAid Australia actively contributes to the development and testing of Value for Money approaches and tools within the Federation.
- In consultation with ActionAid International, the Programs Team strives to mainstream Value for Money considerations throughout the project cycle within the programs/projects that it supports.

## **8. Monitoring and Review of Policy**

The Head of Programs is accountable to the Executive Director and Board for managing and maintaining this policy. All members of the Leadership Team are accountable for ensuring that their teams understand and adhere to this policy in their day-to-day work. Where compliance issues are surfaced, Leadership Team members will work with staff to address these issues promptly.

Any updates/revisions to the policy must be endorsed by the Executive Director and Leadership Team before being submitted to the ActionAid Australia Board for approval.

## Revisions to Policy

<b>Nature of Changes</b>	<b>Date of Approval by Board</b>
First developed and approved	12 May 2017
Job titles updated according to new organisational structure	26 September 2018
Updated according to current practice including organisational structure	2 March 2024