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Sida Decentralised Evaluation

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Study: How to Define and Measure Value for Money in the Humanitarian Sector

Final Report

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September 2013**

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Abbreviations and Acronyms

AFI	Administration Field
AoE	Authorisation of Expenditure
APM	Annual Planning Meeting
AusAid	Australian Agency for International Development
CBA	Cost Benefit Analysis
CC	Cost Center
CEA	Cost Effectiveness Analysis
CERF	UN Central Emergency Response Fund
CHF	Swiss Francs
CTR	Cost Transfer Ratio
DFID	(United Kingdom) Department for International Development
DSG	Donor Support Group
EcoSec	Economic Security
ERC	ICRC Equipe Régionale de Coordination / Regional Coordination Team
ERF	UN Emergency Response Fund
FAD	Finance and Administration
FGD	Focus Group Discussion
HR	Human Resources
HQ	Headquarters
IASC	Inter-Agency Standing Committee
ICRC	International Committee of the Red Cross
IFRC	International Federation of Red Cross and Red Crescent Societies
IT	Information Technology
IHL	International Humanitarian Law
KII	Key informant interview
M&E	Monitoring and Evaluation
MFA	(Swedish) Ministry of Foreign Affairs
MoU	Memorandum of Understanding
MSB	Myndigheten för samhällsskydd och beredskap (Swedish Civil Contingencies Agency)
MSEK	Swedish Krona (millions)
NGO	Non Government Organisation
OCHA	UN Office for the Coordination of Humanitarian Affairs
PFA	Partnership Framework Agreement
PFR	Planning for Results
PPA	Programme Partnership Arrangement (DFID-NGO Cooperation Agreements)

ABBREVIATIONS AND ACRONYMS

RC	Red Cross/Crescent
REX	ICRC External Resources Division
MSEK	Swedish Krona (millions)
SEK	Swedish Krona
Sida	Swedish International Development Cooperation Agency
ToR	Terms of Reference
UK	United Kingdom
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
VFM	Value for Money
WASH	Water, Sanitation and Hygiene
WatHab	Water and Habitat
WFP	United Nations World Food Programme

Preface

Sida's Humanitarian Department commissioned Indevelop in February 2013 to carry out this study through Sida's framework agreement for reviews and evaluations.

Indevelop (www.indevelop.se), in cooperation with DARA (www.daraint.org) and GRM International (www.grminternational.com), carried out the study between April – September 2013. Anna Liljelund Hedqvist was the Project Manager with overall responsibility for managing the implementation of the study, and Ian Christoplos provided quality assurance for the reports.

The members of independent study team included:

- Jock Baker, Team Leader: Member of Indevelop's Core Team of professional evaluators. He has previously worked with UN and NGO humanitarian agencies and has led evaluations and studies on various themes such as humanitarian reform, climate change adaptation, post-conflict recovery, gender equality programming, disaster risk reduction and humanitarian financing.
- Riccardo Polastro, Deputy Team Leader: Head of Evaluations at DARA with over two decades of experience in humanitarian affairs and development aid having worked in sixty-five countries for the International Movement of the Red Cross (including ICRC), the United Nations, NGOs and donor agencies.
- Valsa Shah, Value for Money Specialist: A professional economist who specialises in micro economic analysis, results based incentive schemes, Value for Money cost benefit techniques, evaluation and programme design in the areas of environment, including WASH, infrastructure, private sector development, financial sector, governance, social policy, health and education.
- Ester Dross, Finance and Humanitarian Accountability Specialist: With several years of administrative and financial management experience with different humanitarian agencies, including several years working with ICRC field delegations. She has also had extensive exposure to humanitarian certification systems and accountability to affected populations while working with HAP International initially as a staff member and subsequently as a consultant for different NGOs as well as the United Nations.

Acknowledgements

The study team wishes to express its appreciation for the support and involvement of all those ICRC staff who provided their time and reflections. Particular appreciation is due to Christophe Hambye, Isabelle Barras and Sarah De Santis, who facilitated the study process at every stage. The Steering Group for this study admirably fulfilled their function by providing valuable insights and guidance throughout the process. The contributions of ICRC field delegations in Amman, Iraq, Nairobi, Somalia and South Sudan were extremely useful and we are truly grateful for allocating staff time, organising transport, accommodation, administrative support, office space and meetings with peer agencies and beneficiary communities.

Agency	Steering Group Members
ICRC HQ	<ul style="list-style-type: none">• Christophe Hambye, Head of Unit, External Resources Division• Isabelle Barras, Deputy Head of External Resources Division• Nicola Busino, Head of Finance and Administration• Pascale Meige Wagner, Deputy Head of Operations• Velina Mikova and Eugen Burkhalter, Internal Performance Management Advisory Team
Sida HQ	<ul style="list-style-type: none">• Carin Zetterlund, Humanitarian Assistance Unit• Katarina Kotoglou, Humanitarian Assistance Unit

Executive Summary

The idea for this study emerged during regular bilateral dialogues between Sida and ICRC as a constructive way of improving the ICRC's reporting and measurement of results using Value for Money (VFM) concepts. Sida viewed this as an opportunity to deepen their understanding of how the ICRC assesses the quality and cost-effectiveness of operations, while the ICRC saw the potential in advancing their own results-based agenda and improving their understanding of the implications of current Value for Money (VFM) debates within the donor community.

The aims of the study included proposing a definition of VFM and agreed-upon vocabulary around the concept for the humanitarian sector, identifying and developing appropriate VFM systems and tools, highlighting potential risks for the ICRC and how these can be managed. Resulting recommendations are included to build on the results of this study to make reporting on performance more constructive and contribute to wider VFM debates within the humanitarian aid community.

The ambitious scope of this study had already been identified in the Terms of Reference (ToR), which envisaged this study as a key step in supporting a constructive dialogue between Sida and ICRC by increasing the mutual understanding of what VFM actually means in humanitarian contexts. The study was carried out during April – September 2013 by a team of four specialists with backgrounds in evaluation of humanitarian action, Value for Money (VFM), finance and humanitarian accountability using a mixed methods approach, including a number of interviews with external key informants (including beneficiaries). Brief visits to ICRC country and regional delegations in Kenya, Somalia, South Sudan, Iraq and Jordan not only provided useful data, but the second visit also helped in developing and validating analysis, along with provisional conclusions and recommendations, by testing hypotheses and tools.

Value for Money Concepts

“**Value for Money**” (VFM) approaches have long been used by the private commercial and industrial sectors and, over the past few years, there has been a trend amongst donors to increasingly use VFM concepts to make decisions about foreign aid allocations and account for taxpayer's contributions. The United Kingdom has been the most visible in this focus on VFM and the UK's aid agency, DFID, often uses a 4 ‘E’ conceptual framework (**E**conomy; **E**fficiency; **E**ffectiveness; **E**quity) to capture VFM using a balanced approach. Other donors (including Sweden) have been increasing the pressure on humanitarian agencies to more clearly show how, on one hand, VFM principles are being considered at the design stage and, on the other, demonstrate the extent to which VFM objectives were achieved through the measurement of results.

Main Findings

ICRC Systems & Approaches Relevant to VFM

The ICRC aims for a principled, needs-based and multi-disciplinary approach that is based on international humanitarian law and principles that put beneficiaries at the centre of their operations. The ICRC is accustomed to working in politically sensitive, dynamic and insecure operational environments where other agencies have difficulty in gaining access to affected populations.

Reviews by donors have generally found the ICRC to be highly effective, but their operating model poses a number of challenges to assessing the use of VFM approaches and reporting on outcomes compared with many other humanitarian agencies. One key challenge of their multi-sectoral approach is that, while the ICRC has made considerable progress in developing outcome measurement systems for their assistance activities, the other three core activity areas, prevention, protection and cooperation have made relatively less progress due to challenges around identifying indicators, the need to respect confidentiality and political sensitivities. As the ICRC pursues their RBM agenda they acknowledge a need for greater engagement of key external stakeholders who can influence outcomes (e.g. beneficiaries, line ministries, other humanitarian agencies) when defining indicators and monitoring achievements.

Broader challenges are posed as donors apply pressure to be more transparent about the outcomes and sharing of evaluation results, while ICRC needs to maintain a relatively high degree of confidentiality to both respect their commitments to individual beneficiaries and also ensure that their access to affected populations is not compromised.

Partnership and outsourcing is another area that is critical to VFM. In the case of the ICRC, it is mainly done with other members of the Red Cross/Red Crescent “Movement”, notably National Societies. The advantage from a VFM perspective of having access to such a standby humanitarian capacity – much of it based on volunteerism – has the potential to reach large numbers of affected people at reasonable cost.

A common challenge shared with other humanitarian agencies is that systems do not easily allow inputs to be linked to outcomes.

VFM Definition and Language

There is currently no common definition for VFM as it applies to humanitarian aid and it is most frequently perceived by agency staff, including those from the ICRC, as another term for cost-effectiveness and mainly a donor-driven agenda to try and reduce costs.

The ICRC’s global priorities, along with their Key Success Factors, provide a good basis to communicate the comparative advantage and VFM of the ICRC, namely:

- Relevance of the ICRC’s means meeting priority needs of people affected by armed conflict and other situations of violence in a timely manner.

- Access to victims was usually at the top of the list of comparative advantages of the ICRC cited by key informants, which allowed them to reach, assess and carry out activities with people affected by armed conflict and other situations of violence.
- Reputation and acceptance refers to the way in which the ICRC is perceived by parties to the conflict and by other key stakeholders, and accepting the independent nature of the ICRC, their specific IHL mandate and the Statutes of the Movement to protect and assist those affected by armed conflict; and
- Organisation and Processes describe the ICRC's governance, structure, decision-making, procedures, ways of working and compliance mechanisms that help to ensure good VFM.

It will be important that agencies can phrase these in language that resonates more broadly with staff in donor aid departments, rather than only those with humanitarian backgrounds.

VFM Model, Criteria, Methods & Tools

An advantage of making the VFM decision-making process more explicit is that it becomes easier to justify apparently high costs due to specific contextual factors. It is also important for donors to be able to assess the extent to which the funding they provide supports their strategic priorities. A VFM model and tool has therefore been developed to help facilitate a common understanding and constructive dialogue between Sida and the ICRC that addresses both operational and strategic levels.

Opportunities, Challenges and Risks

Key opportunities provided by a better understanding and application of VFM concepts include the advancement of ICRC's RBM agenda, allowing their staff to more clearly articulate the ICRC's comparative advantage and performance, which should in turn encourage donors to provide more flexible funding.

On the other hand, there are a number of risks that will need to be managed. A lack of a clear and common understanding about VFM could be used by donors to cut costs or earmark more of their resources so that their activities that are easier to measure. More resources devoted to VFM assessment, monitoring and reporting could translate into less focus on operations, particularly for vulnerable groups who can be difficult and costly to reach.

Potential Application to the Wider Humanitarian Sector

Both the ICRC and Sida have potentially constructive roles in supporting peers to better understand and communicate VFM concepts and approaches. The VFM definitions, model and tools that were developed for this study were designed so as to be easily adapted to facilitate dialogue with Sida's peers and other humanitarian partners. The ICRC could also contribute to removing the "fear factor" about VFM during their ongoing inter-agency discussions by illustrating how VFM systems can support a principled humanitarian approach.

Summary of Priority Recommendations

A complete and detailed list of recommendations, targeted at ICRC and Sida, is provided at the end of this report. The following recommendations were seen as a priority by the Steering Group:

Joint Recommendation to Sida and the ICRC

- Further refine and use the Matrix Tool – based on the VFM checklist to facilitate a strategic dialogue between Sida and the ICRC – to agree on a practical approach to reporting on performance.

Recommendations to the ICRC

- The ICRC could further clarify their commitments and measurement of VFM by more clearly communicating comparative advantage and results based on their strategic priorities and Key Success Factors.
- The ICRC should test financial systems designed to support RBM approaches and assess the feasibility of linking outcome indicators to input resource costs so as to facilitate a better understanding VFM.

1 Purpose of the Study

The idea for this study emerged during regular bilateral dialogues between Sida and ICRC as a constructive way of improving the ICRC's reporting and measurement of results using Value for Money (VFM) concepts. Sida viewed this as an opportunity to deepen their understanding of how the ICRC assesses the quality and cost effectiveness of operations, while the ICRC saw the potential in advancing their own results-based agenda and improving their understanding of the implications of the current Value for Money (VFM) debates within the donor community.

The resulting Terms of Reference (ToR) for this study listed the following objectives:

- A proposed definition of Value for Money in the humanitarian sector based on the basis of ICRC's operational and management practice.
- A commonly agreed vocabulary around the notion.
- Criteria, methods and tools to measure it, as much as possible based on data collected and managed in the framework of the existing ICRC's management framework and practices.
- An assessment of the possible unintended risks of institutionalising the use of these proposed "value for money" measurement methods and tools within ICRC management practices and also for the purposes of audits by donors, and recommendations for ways to mitigate such risks.
- Suggestions about next steps for further developing the wider debates about value for money in the humanitarian aid community.

2 Methodology

This was an external study, not an evaluation or independent review, and was primarily focussed on learning. As described in the Inception Report, while relevant ICRC processes and systems were subjected to analysis, this study does not make definitive statements about the performance or impact of ICRC interventions in the way that a typical review or evaluation would have. Any judgements on performance are only included to support conclusions and recommendations.

The starting point for this study involved reviewing systems and processes of the ICRC, peer agencies and donors relevant to Value for Money that are either already in place or are planned to identify what already exists and what gaps remain. This was carried out by assessing:

- Level of awareness and understanding of staff of the ICRC regarding VFM;
- Decision-making processes within the ICRC, including support services, operations and corporate processes;
- Review of existing and planned performance measurement systems, with a specific focus on results-based management;
- DSG member perspectives on performance of the ICRC relevant to VFM;
- Perceptions about VFM and its use for performance measurement by peer agencies.

Interview guides and associated research questions were developed together with Sida and ICRC staff during the inception phase and these were adapted for a series of semi-structured interviews at HQ, field delegations and with beneficiary communities (see annexes). Approximately two-thirds of key informants and focus group members were from the ICRC and interviewees were purposively so in order to try to obtain a reasonably representative range of perspectives related to the study objectives within the limitations of the study scope. Interviews were either face-to-face or by telephone.

The team carried out a desk review of relevant internal and external documents¹. Evidence from both the document review and the first field visit was used as the basis for

¹ Key Documents that were particularly useful for the study are listed in the annex.

formulating an interview guide and subsequent hypotheses, which were then validated during the interviews.

Given the specific nature of its mandate, its positioning within the humanitarian system and *modus operandi* and taking previous experience in evaluations and audits with other donors into account², the ICRC's working hypothesis for this study was that standardised VFM measurement systems are difficult to apply in ICRC humanitarian operations. The ICRC thus proposed using an approach based on a *Converging Set of Assumptions*³ as a more constructive way of measuring VFM in ICRC operations. Different versions of definitions, models and tools were developed and fine-tuned during consultations at the field level and at ICRC HQ to arrive at the versions included in this draft report.⁴

The interviews included questions to assess levels of awareness of staff of the ICRC about:

- The ICRC's comparative advantage, in terms of when to intervene and when not to (due to the presence of other agencies);
- Mandates, *modus operandi* and capacities of peer agencies who could potentially undertake similar activities;
- The alternative intervention strategies being considered and the cost implications of each option; and
- Pros and cons of viable alternative intervention options; both in the short- and long-term.

To ensure data integrity and factual accuracy during the review, team members met regularly to review, compare, triangulate and analyse data collected. This approach helped to ensure an adequate coverage of documentation, analysis, key issues emerging from interviews and focus group discussions while also creating periodic opportunities for validation by key stakeholders. Debriefing sessions with field delegations and the Steering Group were used as opportunities to fill key gaps in the data and

² In the different Value for Money related reviews that ICRC has been subjected to in the recent past, initial attempts to apply standard cost accounting approaches were confronted with the reality; leading to more limited measurements of qualitative and quantitative results of activities or systems based on data that was available and pertinent.

³ A "Converging Body of Presumptions" is a legal term. It is the lightest way to provide evidence and allow for a court to make decisions. Strong means of providing evidence are pleading guilty, irrefutable proof, direct testimony, etc. A set of several presumptions converging in the same direction can be strong enough to provide a solid opinion, without being an absolute certitude. For the purposes of this study, this has been interpreted as being equivalent to triangulation.

⁴ The VFM definition, model and tools were reviewed and revised during a workshop for the Steering Group at ICRC HQ at the end of August.

validate provisional hypotheses, findings and conclusions. Individual team members were assigned focal point responsibilities for specific themes and issues as follows:

Team Member	Thematic Focal Point Responsibilities
Jock Baker	Assistance, prevention, performance measurement (RBM), gender, peer comparison, VFM application to the wider humanitarian sector.
Riccardo Polastro	Protection, cooperation, performance measurement, VFM definition, opportunities and risks.
Valsa Shah	Human Resources, Logistics/Procurement, Value for Money.
Ester Dross	Financial systems & Humanitarian Accountability.

Over 135 individuals were interviewed, including 92 key informants from the ICRC (56 males and 36 females) and 47 key informants from donors, National RC Societies and peer agencies (27 males and 20 females). A list of interviewees is attached as an annex. The majority of these were face-to-face encounters in Geneva or during the field visit, with a small number of telephone interviews. Focus group discussions with approximately 40-50 beneficiaries were held in communities around Malakal (South Sudan) and Kirkuk (in the disputed areas of Northern Iraq).

2.1 STEERING GROUP FOR THE STUDY

The ICRC External Resources Division (REX) and Sida's Humanitarian Unit each designated focal points for the study, who facilitated the team's work and coordinated meetings and reviews of draft reports. Senior managers from different functional areas at ICRC HQ were nominated to join a Steering Group for this study to re-view/validate deliverables and promote institutional ownership of results. In addition, a staff member from the ICRC's External Resources Division joined the study team during each field visit. While there, it was agreed that their presence would help promote learning and ease the workload of the hosting field delegations on the understanding that their presence would not compromise the independent nature of the study.

2.2 FIELD VISITS

Field visits were viewed as a key component of this study, given that many important VFM decisions are being made at this level. During the inception phase, it was agreed that selection criteria for project site visits would – to the extent possible – include the following to provide a representative sample of ICRC activities and ensure that a field visit (as opposed to a desk review) would add value:

- Size of Delegation (in terms of budget, numbers of employees, etc.).
- Ratio of national staff / international staff per activity (from a cost-efficiency perspective).
- Reasonable range of activities in the Delegation (tracing, protection, assistance, etc.).
- Geographical/regional coverage.

- Satisfactory security risk assessment.
- No recent high profile visits (e.g. Donor Support Group visits) to avoid overstretching field operations.
- Include countries undergoing recent crisis that have required a budget extension. This will help the team understand how the ICRC adapts its budget as operational needs increase.
- Include country with a high profile emergency, while excluding countries where access is very limited such as Mali, Somalia, Syria, or Yemen (although these could potentially be included in regional and/or desk review as these are countries where the ICRC is seen to have a comparative advantage).
- Include a context that is undergoing both crisis and transition.
- Include a context with prevention dimension- contribution to the development of IHL and dissemination.
- Direct Access to beneficiaries.
- Provide good practice example(s) of a delegation demonstrating value for money (e.g. through use of innovative approaches).

In consultation with the ICRC Steering Group for this study, two field visits were decided upon, which would each include a visit to a regional delegation and at least one country delegation. The first field visit during May 2013, to meet with delegations in Somalia, the Nairobi-based Logistics Unit, the Nairobi Regional Delegation, and South Sudan was primarily designed as a scoping visit to improve the understanding of the team regarding what VFM systems were already in place. For the second visit to the Iraq Delegation and the Regional Delegation in Amman, various hypotheses relating to study aims were tested using a set of research questions, in addition to selected core questions from the interview guide for comparing the two regions.⁵

2.3 LIMITATIONS AND CONSTRAINTS

The main limitations and constraints that were of significance for this study included:

- Given the “exploratory” nature of its objectives and the lack of a common understanding amongst stakeholders around the concept of VFM, this has proved to be an ambitious study which lacks clearly defined limits on scope. Limitations on time and resources of this study were already acknowledged in the Inception Report and ToR, which noted that this study was not intended to be

⁵ A ToR developed for the field visit to Iraq and Jordan is attached as an annex to this report.

a finite exercise, but rather the that results will be “...used to substantiate the dialogue between the ICRC and Sida on humanitarian action and the subject of Value for Money”.⁶ Time allocated for field visits was particularly limited, with only 2½ days allocated for the Iraq visit (combining briefings, workshop, working groups, field visit to the disputed areas around Kirkuk) where only two team members were able to travel due to security considerations. Similarly in South Sudan, only two days were allocated for consultations with beneficiaries in the immediate vicinity of the sub-delegation.

- This study analysed certain processes of the ICRC and systems as part of the methodology, but did not seek to systematically assess the performance of the ICRC interventions as an independent review or evaluation would have.
- Data was not always available – As discussed later in the report, the ICRC relies on relatively high levels of confidentiality to carry out their work and this has implications for the sharing of information. The team was given access to the extranet site for major donors and received most, though not all⁷, other documents that were specifically requested by team members, albeit with some delays due to authorisation processes.
- Objective 1 in the ToR (“...proposed definition of Value for Money in the humanitarian sector...”) refers to VFM in the humanitarian sector, when in reality the study was mainly looking at the ICRC, which, as described in the report, cannot easily be compared with other humanitarian actors.
- Due to time constraints, few non-ICRC key informants were interviewed in Kenya and, in Iraq, the only external stakeholders interviewed were the Water Board authority in Kirkuk and beneficiaries, since the planned visit to Baghdad had to be cancelled due to security constraints. Related to the above, it was originally planned to try and benchmark data with peers, but very little comparative data was available.
- While many agencies interviewed during the course of the study claimed to be feeling pressure to demonstrate greater aid-effectiveness, UK-based NGOs were the most advanced in their VFM thinking amongst the international

⁶ Page 5 of the ToR for this study.

⁷ Documents that were requested, but not provided, were the ICRC HQ's internal audit reports for the past 3 years, Internal audits, and Planning for Results Frameworks (PFR) for Iraq and the Middle East region and ICRC's individual report for the 2008 SCHR Peer Review on Accountability to Disaster-Affected Populations. The justification given by ICRC for not providing the Iraq and Middle Eastern documents was that similar documents had already been provided to the team for South Sudan and the Horn of Africa and this should be sufficient for a global study. The reason given for not sharing the SCHR report was that “...is a summary of internal findings, rather than a "report" per se and does not contain any conclusions or otherwise present an institutional approach to the related issue. Also because of its "age" (2008), while our thinking on accountability has evolved since then.” No specific reasons were given for not sharing global internal audit reports.

NGOs who were interviewed, due to DFID's influence; and they have even formed a VFM-working group that meets regularly.

- As described elsewhere in the study, major donors of ICRC are not a homogeneous group and have differing expectations in terms of reporting on performance. In view of the study's scope, the analysis is mainly from the perspective of donors like Sida who are looking at their support to humanitarian operations from a VFM perspective.

2.4 POTENTIAL BIASES

During the start-up phase of the study team, members discussed potential biases that might influence their judgements and analysis with the objective of raising awareness and compensating where necessary. Issues that came up during this discussion included:

- Half of the team had previously worked directly with ICRC⁸ and the Team Leader worked alongside ICRC for many years while with the UN and NGOs in conflict-affected areas. This experience was generally seen to be positive, especially given the very limited time allocated to field work; but at the same time it was also recognised to have introduced certain biases;
- Given that the agency has a relatively unique and complex way of working, those team members with a relatively limited knowledge of the inner workings of ICRC agreed to do some additional homework and also tap the team members with more ICRC experience for advice to ensure that subsequent analysis was well-grounded;
- The Value for Money Specialist in the team was mainly familiar with DFID VFM approaches.

Appropriate actions were identified to ensure that these potential biases did not unduly influence the study, most notably a regular sharing of analysis and commentary within the team to check assumptions and validate findings. The Team Leader, supported by quality assurance reviews, retained overall responsibility for ensuring the necessary level of independence.

⁸ One team member worked for ICRC as an Administrator during 1992-2004 and another in the ICRC's External Resources Division during 2000 – 2001. The Team Leader has never worked for the ICRC.

3 Background

The ICRC was founded in 1863 and has a specific mandate as the primary guardian of the Geneva Conventions. The ICRC is an impartial, neutral and independent organisation with an exclusively humanitarian mission to protect the lives and dignity of victims of armed conflict and other situations of violence and provide them with assistance. It often accesses and operates where other organisations are not present.

The ICRC's current institutional strategy for 2011-2014 aims to reinforce the scope of the ICRC action, strengthen their multi-disciplinary approach, shape the debate on legal and policy issues and optimise its performance. The ICRC divides its activities into four activity categories:

1. Protection core activities.
2. Assistance core multi-sector activities.
3. Prevention to help ensure the respect of the rights of people affected by promoting awareness amongst national authorities and other actors of their legal obligations enshrined in international humanitarian law and international human rights law.
4. Cooperation with National Societies.

Additional details of the ICRC's structure and *modus operandi* are provided as an annex.

3.1 SIDA AND THE ICRC

The Swedish government has historically figured amongst the ICRC's largest donors. In 2011, Sweden was its fifth largest donor⁹ and the ICRC has recognised, in its annual reports, Sweden's substantial contributions in the form of flexible funding. The ICRC receives funding from the Swedish government via two main channels, core funding from Sweden's Ministry of Foreign Affairs and funding for operations from Sida. Swedish contributions over the past few years have ranged from between 450-495¹⁰ MSEK, out of a total humanitarian aid contribution of over SEK 5 billion in

⁹ <http://www.icrc.org/eng/assets/files/annual-report/current/icrc-annual-report-financial-overview.pdf>

¹⁰ Core funding from the Ministry of Foreign Affairs amounted to some MSEK 50 during 2012.

2012.¹¹ Some of Sida's funding is also channelled to the ICRC via the Swedish Red Cross¹², which amounted to 30 MSEK during 2012.¹³

Table 1. Swedish contributions to the ICRC 2006-2011 (CHF millions)¹⁴

	2006	2007	2008	2009	2010	2011	2012
Swedish Government Contribution	55	79	79	70	67	84	69
Overall ICRC Annual Expenditure	1,016	995	1,158	1,117	1,176	1,120	1,048
Percentage of Overall ICRC's Expenditure	5%	8%	7%	6%	6%	7%	7%

The ICRC has historically been one of the largest single recipients of Swedish official humanitarian assistance, accounting for some 11% of Sweden's total humanitarian budget during 2011.¹⁵ In addition to its role as a major donor, Sweden has been a regular member of the ICRC's Donor Support Group¹⁶ and the Swedish Civil Contingencies Agency (MSB) is among the few non-Red Cross partners with a long-term operational framework agreement with the ICRC.¹⁷

3.2 VFM CONCEPTS AND THEIR APPLICATION

“**Value for Money**” (VFM) is a concept that has been widely used for some time within the commercial and industrial sectors. Some governments have recently started applying VFM concepts when making decisions about foreign aid contributions. The emphasis by some can be perceived as a development that is linked to ongoing aid

¹¹ Ministry for Foreign Affairs Press release dated 13 May 2013
<http://www.government.se/sb/d/17511/a/216685>

¹² Funding channelled via the Swedish Red Cross is mainly allocated to collaborative activities with ICRC in support of National Societies in conflict zones, in addition to financial support; the Swedish Red Cross is also involved in implementation. Examples of such activities cited in annual reports and ICRC updates during 2012-13 included provision of training, funds, materials and technical support supporting family links services run by the Ethiopia National Society, capacity building for the South Sudan Red Cross and Sudanese Red Crescent continued to build its capacities, support to a hygiene promotion activities in the DRC and supporting the Volunteer Management project for the Afghan Red Crescent.

¹³ This was in addition to the 208 MSEK Sida allocated to the Swedish Red Cross during 2012 for long term capacity building (129,9 MSEK) and to support their Rapid Response Mechanism (78,1 MSEK).

¹⁴ Source: ICRC Annual Reports for 2006 – 2012. Amounts are millions of Swiss francs rounded to the nearest million and percentages to the nearest whole number.

¹⁵ According to Sida sources, ICRC received 590 MSEK out of a total of 5,193 MSEK (11%) of Sweden's total humanitarian aid 2011. The proportion from Sida's budget was even higher; 495 MSEK out of a total of 2,977 MSEK (16,7%) allocated to humanitarian aid in 2011.

¹⁶ The ICRC Donor Support Group (DSG) is made up of those governments contributing more than CHF 10 million annually – comprised 18 members in 2012. Source: ICRC Annual Report 2012.

¹⁷ MSB provides technical and material support to ICRC mine action activities - see Baker, J. et al. (2012). Other such partnership exist at the global level with, for e.g. with WFP or at local levels.

effectiveness debates,¹⁸ and is partly driven by the influence of the global financial crisis and increased public expectations regarding increased accountability and transparency.

There is currently no common agreement on a definition of Value for Money (VFM) as it applies to humanitarian aid and indeed it is often perceived as a donor-driven concept. VFM is often misinterpreted as a means of merely reducing costs, whereas the main aim of a VFM approach is actually to maximise outcomes in the most cost effective way.

A useful starting point is offered by a brief OECD¹⁹ paper, which aims to clarify and simplify VFM concepts and defines it as:

- Best use of resources to achieve intended and sustainable outcomes.²⁰
- Striking the best balance between economy, efficiency, and effectiveness to achieve the desired impact.

The 4 ‘E’ conceptual framework (**E**conomy; **E**fficiency; **E**ffectiveness; **E**quity) is being used by DFID and the UK’s Independent Commission for Aid Impact²¹ to capture VFM using more balanced approach. A more detailed description of the “4Es” and a sample VFM tool is attached as an annex.

¹⁸ Jackson, P. (2012) Value for money and international development: Deconstructing myths to promote a more constructive discussion. OECD <http://www.oecd.org/dac/aideffectiveness/49652541.pdf>

¹⁹ *ibid*

²⁰ See also DFID’s Position Paper on VFM <http://www.dfid.gov.uk/Documents/publications1/DFID-approach-value-money.pdf>

²¹ Independent Commission for Aid Impact (2011)

4 Main Findings

The findings below are mainly organised into the specific areas of the study that were identified in the ToR, namely a reflection from a VFM perspective on:

- A review of relevant existing and planned systems in the ICRC relevant to VFM;
- Donor perspectives on performance measurement and reporting by the ICRC;
- Definition and framing language;
- Criteria and methods to measure VFM, along with a model and tools;
- Opportunities, Challenges and Risks; and
- Potential relevance of this study to the wider humanitarian sector.

4.1 ICRC EXISTING AND PLANNED SYSTEMS

This study began with a review of existing systems and processes related to VFM to identify what already exists.

Decision making processes within the ICRC

Those processes that were identified as being of particular relevance to VFM are illustrated below.

Table 2 Existing ICRC Processes/Tools that contribute to Value for Money

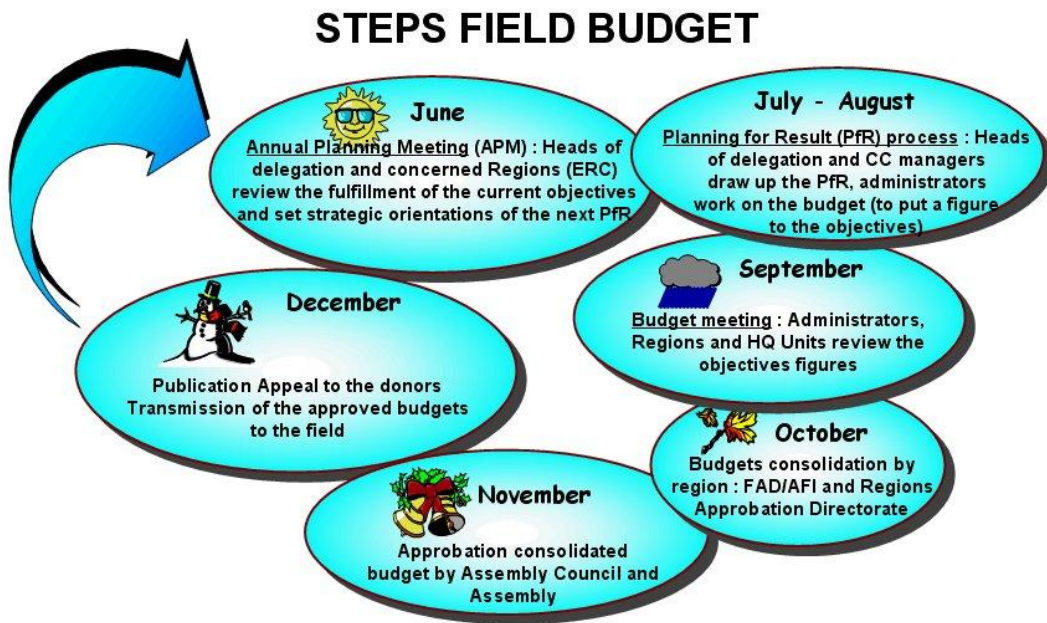
Existing ICRC Tools	What elements of VFM does this address?
Annual Planning Meeting (APM) Planning for Results (PfR) process using the ICRC's Key Success Factors	Undertaking a needs assessment, a joint reflection on key success factors and developing objectives and budgets on this basis. Results are combined to give a picture of likely regional needs. Useful in promoting economy, efficiency, effectiveness, equity and provide top level objectives to facilitate results based management.
Assist reference frameworks	Allow managers and staff to have easy access to generic objectives and indicators for specific programmes to aid them during the preparation of PfR, related programme documents and the formulation of results monitoring frameworks. Useful in promoting efficiency, effectiveness, equity and providing implementation guidance.
Results Monitoring Frameworks	Development of "SMART" outcome indicators in the reference framework to monitor access, staff skills, cost, timeliness, etc. (economy, efficiency, effectiveness and equity of operations).

Existing ICRC Tools	What elements of VFM does this address?
Human Resource policies – people management strategy	ICRC capacity, speed of response, costs, quality of response (economy, efficiency, quality).
Programme Support – logistics, procurement, supply chain management	Cost, quality, speed, efficiency of operations (economy and efficiency).
Innovative approaches, such as use of mobile phones for family tracing and cash transfer approaches (rapid market assessments, cash transfer systems ²²)	Economy, efficiency and effectiveness of operations that can also significantly increase participation of the affected population in VFM decision-making.
Entry and exit strategies put in place during the initial phase	Entry and exit strategies in initial plans should promote economy, effectiveness and, for longer-term interventions, sustainability.
Internal and External Audits	Ensuring that internal control systems comply with Swiss legal requirements and the ICRC’s internal rules and are independently verified (economy, efficiency).
Monitoring, Reviews and Evaluation	Monitoring is a continuous and systematic process of self assessment, reviews are periodic or ad hoc internal examinations of performance and evaluations are independent assessments of the design, implementation and results of an initiative, programme, operation or policy against specific criteria (economy, efficiency, effectiveness and equity) along with other appropriate evaluation criteria such as relevance, sustainability, etc.

Many of the parameters of VFM are determined during the course of the ICRC’s annual budgeting cycle illustrated below.

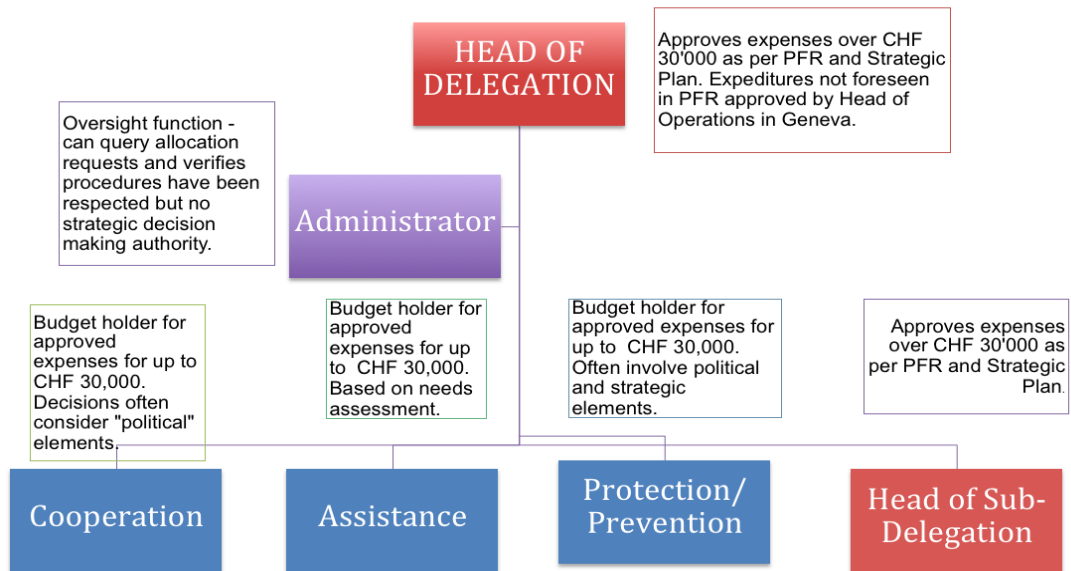
²² The market assessment tool will soon be rolled out to delegations to allow better assessments of the situation and thus better decision making regarding cash or food transfers. This will improve VFM of ICRC operations.

Figure 1 ICRC Annual Budget Planning Cycle for Delegations²³



This cycle a critical process from a VFM perspective, since it defines the parameters for subsequent decision-making at the field level, as shown in the figure below.

Figure 2. Value for Money Decision-Making “Map” in ICRC Delegations



²³ Source: The ICRC Finance and Administration Management Manual (version 11/01/2013)

Results-Based Management

For the past decade the ICRC has focussed on developing their Results-Based and Performance Management capacities.²⁴ Their Institutional Performance Management unit was established at HQ in 2007 following a restructuring, whose aims are to:

- Promote a management culture of evidence-based decision making, accountability and learning;
- Enhance monitoring and evaluation through regular quarterly, mid-term and annual reviews, external evaluations;
- Improve institutional performance management including strategy and risk analysis (since 2008);²⁵
- Monitor the implementation of the 2011/2014 institutional strategy.²⁶

At the field level, the intention is to closely link monitoring, planning and implementation. Based on the few examples seen by the study team, they appear to be relatively well integrated in the Planning for Results (PFR) frameworks and other tools that the ICRC uses to monitor progress in its different core areas of activity.

The ICRC's result-based management aims to streamline the relevance and effectiveness of action for conflict affected victims and permit the best use of resources. What this means in practice is that the ICRC has a strong preference for simple monitoring systems and discourages cumbersome approaches information gathering, even if this limits the amount of information that can be gathered and reported.²⁷ Interviews during field visits confirmed this view that operations, rather than external reporting, are the top priority for ICRC staff.

Measurement of Outcomes

Post-intervention monitoring is being used by ICRC in an effort to ensure the tracking of outcomes, although several interviewees noted that this was not always being done systematically, mainly due to a combination of time constraints²⁸ and factors that hin-

²⁴ The results-based management is applicable to all ICRC activities. The RBM cycle comprises four phases: 1) assess and analyse, 2) formulate and plan, 3) implement and monitor, 4) review/evaluate and learning.

²⁵ The main risks include staff behavior risk, information security, corporate transparency, financial deficit and restructuring as well as management strategy/institutional strategy.

²⁶ This institutional strategy is a performance measurement framework that outlines: Strategic orientations reinforce the ICRC's scope of action; strengthen the ICRC contextualised multi-disciplinary response; shape the debate on legal and policy issues, related to the ICRC's mission and optimise the ICRC's performance.

²⁷ ICRC 2012 Annual Report - Annex 1: The ICRC'S Operational Approach to Result-Based Management – Improving Humanitarian Action

²⁸ Unlike most other large humanitarian agencies, the ICRC does not have field-based staff who are dedicated to monitoring and evaluation, except in circumstances where insecurity or other restrictions

dered access (e.g. deteriorated security conditions, logistic obstacles). Since the study team was only able to access to post-monitoring reports that were posted on the Extranet, it was not possible to assess how systematic post-monitoring was being carried out.²⁹

It is evident from document research and interviews that the ICRC has made progress in the development and use of outcome indicators,³⁰ notably for Assistance activities. The other three core areas (prevention, protection and cooperation) have made relatively less progress on the development of measurement systems due to various challenges, which appear to be linked to difficulties in measuring outcomes, including the need to respect confidentiality, political sensitivities and other factors.

The ICRC has begun to approach the four core areas more holistically by focusing results, at a community level, in what they term as “Target Population” and “Sub-Target Populations”. Research by development actors on the use of impact groups and an ongoing collaboration between the Association for the Prevention of Torture in Geneva and Oxford Brookes University to measure impact of torture prevention activities³¹ suggest a focus on the target population rather than each core activity area is likely to be more appropriate.

At the same time, several ICRC interviewees acknowledged that the use of indicators and baselines and collection of results is not yet systematic throughout the organisation³². The ICRC’s Planning for Results framework (PFR) is mainly used for planning purposes and is not used on an ongoing basis to monitor the country operation (although there is a self-assessment based on lessons-learned during the next planning phase). It was also not clear to what extent the indicators are linked with input resource costs, which is something that would help more effective VFM measurement. From a VFM perspective, evaluations and reviews available for assessment by the team mainly looked at only 3 of the 4 ‘Es’, with relatively less focus on Economy (which was largely left to audit), which makes it more difficult to answer questions

render it necessary to set up a remote monitoring capacity, as is currently the case in Gaza and certain parts of Somalia. This means that responsibilities of management and technical staff cover the entire cycle of activities, which creates challenges around time management.

²⁹ Donors who place an emphasis on VFM generally expect their partners to carry out systematic post-intervention monitoring as part of the programme life cycle (i.e. at least a reasonable sample of programmes), with results contributing to continuous learning and improvement.

³⁰ CIDA (2010), DFID (2011), AusAid (2012), ICRC (2012) Result-based reporting: some examples of results with some reminders about ICRC standard reporting.

³¹ <http://www.apr.ch/en/impact-of-prevention/>

³² The study team only had access to a limited number of post-monitoring reports, so was unable to gauge how systematically this was being done.

about, for example, whether better coverage might potentially have been achieved with these funds using a different approach.

While evidence from audit reports, interviews and observations during field visits indicate that the ICRC systems and approaches are generally consistent with VFM practices, policies and guidance are not necessarily explicit. For example, the ICRC's guidance³³ is clear about taking the needs of the affected group into account, respecting ethical norms and relevant codes of conduct and ensuring that partners' methods and policies are consistent with its own principles and work. However the doctrine provides little guidance on the application of VFM during the operational cycle to achieve an appropriate balance between timeliness, quality and cost. Indeed, the commitment to provide high quality assistance "*in accordance with the highest professional standards*" could potentially justify prioritising quality over cost considerations. Similarly, ICRC's Sustainability Framework offers cautionary guidance about partnering with other agencies, but makes no reference to reviewing different cost options.

Selected Examples of Observed VFM Good Practice

- Centralisation of vehicle workshop facilities to take advantage of scale and maximise re-sale prices of ICRC vehicles auctioned in Dubai (Amman).
- Bulk importation of duty-free food and non-food items for regional operations (Jordan).
- Nationalisation of communications staff positions, deploying international staff as necessary when the situation deteriorated necessitating handling of sensitive information (Middle East).
- Emphasis on coaching in South Sudan for national and first-mission staff.
- Recruitment of external expertise at a regional level to support roll out of cash transfer approaches and guidance (Kenya)
- Close supervision of operational and programme support costs which, among other things, included the rationing of (expensive) diesel for generators in South Sudan for staff accommodation and offices.

Innovation in the ICRC

Innovation is recognised as a critical element of VFM in humanitarian operations.³⁴ Specific examples of innovations contributing to increased VFM observed during the study included the scale-up of cash transfer activities and the use of telephones for Red Cross messages to replace the "traditional" letters, which can sometimes take weeks, or even months to be delivered, sometimes at significant cost.

³³ Guiding Principles of the ICRC's Assistance Policy Doctrine 49 approved in 2004 by the General Assembly.

³⁴ Jeffrey, A. (2013)

As noted above, the ICRC's increasing use of cash transfer mechanisms was seen to be a good practice example of how an innovation can be rolled out within the agency through the targeted recruitment of expertise from outside the organisation. There is a growing body of evidence of considerable economy and efficiency advantages of cash transfers^{35 36} including:

- Lower administrative costs;
- Fungibility, allowing greater choice for the beneficiary;
- Being quicker to distribute, less cumbersome; and
- Supporting the recovery of local markets and minimising distortions due to aid injections.

At the same time, some key informants felt that the ICRC could have scaled up cash transfers up much earlier and that evidence indicated delays adversely affecting VFM.³⁷ It was evident from interviews in the field that, apart from EcoSec Specialists who had been recruited for their specific skills, ICRC staff were relatively unfamiliar with cash transfer mechanisms. To help accelerate learning about, and the use of, cash transfer systems the ICRC is organising training, and has recently launched a toolkit to guide its staff in carrying out a market assessment and decide between giving out cash/vouchers or other forms of assistance (e.g. direct distributions).

Information and Knowledge Management Systems

Learning and information management are both critical elements for good VFM practice for the ICRC, not only in terms of helping decision-makers to access relevant lessons-learned, but also because of the relatively high turnover of staff, particularly among international staff working in difficult environments. For example, approximately 30% of the staff in the South Sudan delegation were on their first mission and a large proportion of national staff had been recently recruited as the ICRC was ramping up their operations. The ICRC recognises that the current information management system is not particularly user-friendly when it comes to learning,³⁸ and is tak-

³⁵ Harvey, P and Bailey, S. (2011)

³⁶ The MEIs Lessons learned, internal note (Sept 2012) analyses VFM of cash transfer programmes in the North Caucasus. It provides some cost efficiency differences between cash and traditional distributions, implementation challenges, baseline data and found that costs range from 27% for cash transfers to 59% for direct delivery. 59% is judged to be inefficient, whereas 27% compares favourably with international benchmarks. The report recommends a programme design for better targeting of beneficiaries by proxy means testing to target economic active rather than extremely vulnerable people along with a better means of linking with protection and other ICRC activities.

³⁷ Following the Pakistan earthquake, a 2008 FAO evaluation found that most of the livestock distributed by the ICRC had been almost immediately sold at low prices as beneficiaries couldn't look after them and they needed cash for more pressing needs.

³⁸ One senior ICRC staff member noted during an interview that his handover notes had consisted of over 500 e-mails. ICRC has recently instituted a system of recording debriefings by Heads of Delega-

ing steps to address gaps in learning systems including revamping their information management systems.

4.1.1 Donor Perspectives on Reporting by the ICRC

The study also reviewed the perspectives of other DSG members on the ICRC's performance management and reporting systems, and compared these with the Swedish government's perspective. Based on observations, document review and interviews, it is apparent that the ICRC's major donors are not a homogenous group in terms what they require from partner reporting on performance. From a VFM perspective there is a fairly clear division between reporting requirements on funding through the respective Ministries of Foreign Affairs and governments who fund through "technical" agencies such as Sida. It is these technical agencies³⁹ (Sida, DFID, AusAid, CIDA, ECHO and, to a certain extent, SDC) which have tended to demand more detail and rigour in reporting more specifically on outcomes and results rather than on activities and inputs. Where funding is channelled via Ministries of Foreign Affairs (or their equivalent), there is comparatively more interest in information related to the evolution of the humanitarian crisis in complex emergencies and promoting IHL, as the relationship is based on trust; and the Ministry represents Sweden, which is a party to the Geneva Conventions.

This dichotomy is clearly seen when comparing, for example, respective performance measurement and reporting systems between PRM (which funds the ICRC) and USAID.⁴⁰ Similar differences in perspective were evident between Sida and the Swedish Ministry for Foreign Affairs.

Reporting requirements even vary between technical agencies, and are influenced by their respective foreign aid policies.⁴¹ Some donors (e.g. DFID, ECHO) have a more hands-on approach at the country level (particularly in large complex emergencies) and their field-based staff are in constant contact with the ICRC delegations and other humanitarian agencies. Information demands, at this level however, tend to be predominantly focussed on assessments of conflict dynamics and the humanitarian situation on the ground.

tions which are then converted into podcasts to improve the usefulness of hand over processes.

³⁹ The technical agencies collectively accounted for 46% of 2012 contributions to the ICRC during 2012 (Source: ICRC 2012 Annual Report)

⁴⁰ PRM is the defacto U.S. Ministry of Foreign Affairs and their performance measurement systems aim to ensure that "...foreign assistance is used as effectively as possible to meet our broad foreign policy objectives" (<http://www.state.gov/f/planning/index.htm>) and mainly employ output indicators (see <http://www.state.gov/documents/organization/207793.pdf>). USAID, on the other hand, places considerable pressure on its partners to show results and has recently initiated a "Dollars for Results" pilot <http://results.usaid.gov>

⁴¹ As a general rule, governments with conservative political agendas tend to demand more rigorous reporting on VFM.

Due to its specific role and mandate within the humanitarian system, the ICRC finds itself in a position of receiving significant amounts of funding from donors who have relatively limited access to information about how ICRC spends these funds on the ground. This results in information asymmetry that, theoretically at least, potentially reduces incentives for cost reduction and results in pressure on the ICRC from some of their donors to explain what systems, relevant to VFM, are in place to reduce costs, sub-contract/outsourcing activities leading to efficiency gains, enter into contractual relationships with donors with built-in incentives, such as risk-sharing contracts linked to delivery of results⁴² and improve accountability to affected communities.⁴³

Results measurement and reporting by the ICRC have been recurring topics of discussion with donors over the past decade. A critical milestone was reached in 2005 when a DSG workshop on the harmonisation of reporting requirements, resulting in a proposal for a single reporting format, was supported by the majority of DSG Members.⁴⁴ While this was a significant achievement, the ICRC continues to be challenged by donor expectations, as illustrated by extracts from DSG Meeting Chairs' Summaries:

2010 DSG Meeting – The DSG emphasised the continuing need to reinforce the understanding of the decision makers and the general public about the nature of humanitarian actions. The quality, transparency and coherence of needs assessment are important aspects in this regards. The DSG called on ICRC to step up efforts to this effect.

2011 DSG Meeting – The Group members confirm the increasing demand they are facing from their own governments for better accountability and “value for money” by the ICRC, encourage the ICRC to continue with its Results Based Management (RBM) approach and express an interest to continue the dialogue on these topics on reporting, evaluations and accountability at the next DSG, and building on their own recent experiences

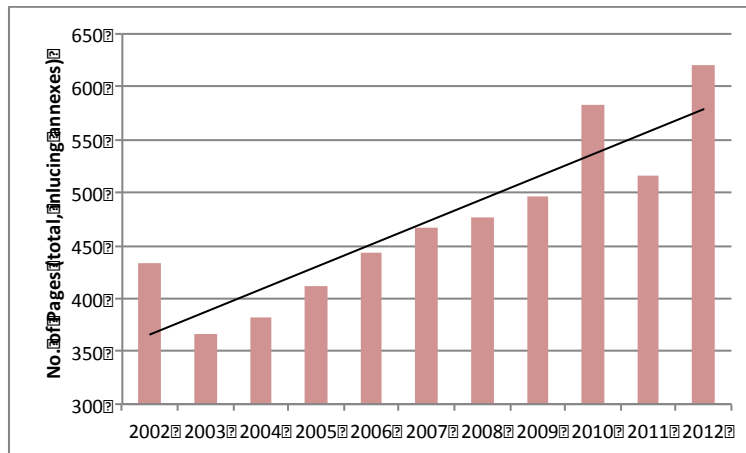
2012 DSG Meeting – The Group welcomed the increased focus on monitoring and underlined the need for further dialogue on Results Based Management (RBM) in general and monitoring and evaluation (M&E) in particular. The possibilities of involving donors in monitoring and evaluations have been discussed and will be followed up. The DSG acknowledged the need to consider when reporting about performance the quality and speed of interventions, in addition to ensuring maximum cost-effectiveness.

Annual Reports have increased in length as the ICRC attempts to meet increased donor demands for information.

⁴² Results-based contracting is designed to share risks between the donor and the implementing agency. Donors tend to favour contracts that only pay for outputs that are delivered to agreed standards, as this is seen as a way to provide internal incentives for the implementer to improve VFM.

⁴³ See Featherstone (2013) and Emmi, A. et al. (2011) for more detailed discussions on this issue.

⁴⁴ 2005 DSG Meeting Chairs' Statement

Figure 3. Evolution of length of ICRC Annual Reports 2002 – 2012

By way of comparison, the 2010-11 Annual Report⁴⁵ by the UN International Labour Organisation (ILO) (forwarded by the DSG as a suggested model to illustrate how the ICRC could use to better describe outcomes) numbers just over 130 pages in total.

Discussions during the DSG in 2013 were more positive; but there are remaining challenges for the ICRC around the improvement of results measurement and reporting (which are fundamental to measurement of VFM).

- *The DSG members confirmed that the reporting of the ICRC generally meet their needs. They considered the Supplement to the Annual Report as a positive step in the right direction and committed to provide substantive feed-back in order to help the ICRC to further improve its reporting on results and outcome*
- *Reporting provided by ICRC generally meets DSG needs, but reporting on results and outcomes could still be further developed. The Supplement to the Annual Report 2012 is considered a positive step in the right direction, but the ICRC will need more substantial feedback on efforts made to clearly identify the baseline needs of DSG members. Canada offered to lead this process.*

Another key element of VFM measurement, independent evaluation, has also been a recurring topic of DSG discussions. The ICRC presented an “Evaluation Strategy” in 2006,⁴⁶ but this is currently only available on the DSG extranet, and most ICRC staff appeared to be unaware of its existence. Unlike evaluation policies and guidelines of

⁴⁵ ILO (2012). Note that the DSG’s intention was not to suggest that there is a similarity between the mandate and scope of these two agencies, but rather to recommend something that provides synthesised outcome data in a user-friendly format. While the format is quite user-friendly and informative, it should perhaps be noted that the ILO was given a “poor” rating during DFID’s 2011 Multi-Lateral Review https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67624/ilo.pdf

⁴⁶ ICRC (2006) Institutional Strategy for Independent Evaluations

peer agencies,⁴⁷ the ICRC Evaluation Strategy refers to a “*A selective sharing of findings, recommendations and their follow-up facilitates a transparent dialogue with external stakeholders*” (page 5). During interviews with some donors, the ICRC’s practice of “selective sharing” of evaluations and reviews was mentioned as undermining the principle of independence and credibility of the evaluation function.

At the same time, the primary users of evaluations and reviews are the staff and governance structures of the ICRC; and the ICRC is clearly not in a position to share all evaluations and reviews (even using randomised selection methods) due to the need to respect principles of confidentiality, and other reasons. However, it was not entirely clear why the ICRC has not established quality standards to reinforce credibility and independence by, for example, encouraging evaluators to provide a clear description of methodologies and potential biases, in line with generally-accepted evaluation standards.

4.1.2 VFM Assessments of the ICRC by other Donors

Since 2011, the ICRC has participated in VFM reviews of two donors, DFID⁴⁸ and AusAid⁴⁹, using similar methodologies. DFID was carrying out a planned update of their Multi-Lateral Agency Review when this study was taking place.⁵⁰ The ICRC was rated as one of the top performers in both reviews, including their contribution to the donor’s strategic objectives and that cost efficiency underpins the ICRC’s financial management. Both reviews found that their own bilateral humanitarian strategies clearly reflect the ICRC mandate.

*“The ICRC is widely admired for its professionalism and its adherence to mandate. It scores highly in internal DFID analysis, including the recent multilateral aid review, and with country offices. This makes the ICRC a partner of choice in conflict situations and this review endorses that view. DFID should continue to work with the ICRC as it is, a trusted and principled partner in conflict situations”.*⁵¹

⁴⁷ See, for example, norms and standards of the UN Evaluation Group http://www.uneval.org/normsandstandards/index.jsp?doc_cat_source_id=4

⁴⁸ DFID (2011) Multilateral Aid Review: Assessment of ICRC

⁴⁹ Australian Govt (2012) Australia Multi-Lateral Assessment: ICRC

⁵⁰ The ICRC again received a high overall rating with only a few areas flagged as needing additional improvements, including 1) Factoring environmental issues into all its policies and operations (climate and environment), 2) Increase transparency and accountability to beneficiaries and partners, including through the increased use of evaluation to drive improvements in delivery (accountability and transparency).

⁵¹ DFID (2011) Humanitarian and Emergency Response Review, page 35

In the AusAid review, the ICRC was rated “very strong” in demonstrating results, and “satisfactory” in terms of playing a critical role in improving aid effectiveness through results monitoring.

4.2 VFM DEFINITION AND LANGUAGE

The ICRC, in common with many other humanitarian agencies, has realised the importance of encouraging external stakeholders to focus less on cost-effectiveness and understand the “Value” that the ICRC adds to humanitarian operations.

4.2.1 Defining Value for Money for the ICRC

As already noted, there is no universally-accepted definition of VFM and the definition “*the optimal use of resources to achieve the intended outcomes*” referred to above is the one most often cited. Although during interviews some ICRC staff clearly had a good grasp of VFM concepts, neither staff in the ICRC or other humanitarian agencies⁵² have a consistent understanding of what VFM actually means in practice, with most considering it is another term for cost effectiveness. On the other hand, based on findings of this study, the ICRC should not actually have much difficulty in defining or describing VFM since most of the groundwork has already been done in the form of objectives in the ICRC’s Strategic Plan and in articulating the Key Success Factors. What will be more challenging, as described elsewhere, is to measure and report upon this “Value” and making use of relevant learning.

4.2.2 Communicating the ICRC’s Comparative Advantage

Comparative advantage is one of the main avenues for measuring and communicating VFM, since this provides insights into which activities different agencies are best placed to carry out with the required speed, quality and cost-effectiveness. Multidisciplinary operational capacities combined with an all victims approach⁵³ means that the ICRC typically carries out a range of activities as illustrated in the examples below.

Table 3. Different Operating Contexts of the ICRC

Context	Role / Comparative Advantage
1. The ICRC is the only (or one)	Uniqueness may be geographical (e.g. access to con-

⁵² Sources: Table in the Background section, Emmi, A. et al (2011), BOND (2012)

⁵³ The ICRC’s all-victims approach analyses vulnerabilities to ensure that specific needs related to people’s circumstances, the risks and violations they are exposed to, and their gender and age are taken into account during a response.

of few actors)	flict zones, time-bound (ICRC can respond quicker at scale than most other actors ⁵⁴), or mandate (promotion of IHL, prison visits).
2. The ICRC is one of many actors.	Focus on strategic priorities, filling humanitarian gaps as necessary ⁵⁵ . Coordination as needed with other actors at global ⁵⁶ and local levels.
3. Working with National Societies	Providing assistance, facilitating tracing, capacity building for National Societies. In some cases, National Societies can assume lead roles ⁵⁷ .
4. The ICRC works mainly with or through partners or sub-contractors	MSB for mine action, WFP for food aid and logistics, forensics. Private sector contractors for infrastructure.
5. Outside normal mandate (e.g. natural disasters or refugee camps)	Large-scale natural disasters where other agencies lack quick response capacities. Gap filling in refugee situations. ICRC already has an existing in-country operational capacity.

4.2.3 Key Success Factors of the ICRC

Although introduced relatively recently, based on interviews with ICRC field staff, the Key Success Factors (along with a participatory workshop format) have been extremely useful, not only in developing objectives and implementation plans that support the ICRC's global vision and mandate, but also acting as a catalyst that encourages planning to focus much more at an outcome level. Based on the results of this study, the ICRC's Key Success factors⁵⁸ are a good point of reference when assessing and communicating the ICRC's comparative advantage, namely:

- **Relevance** of the ICRC's means meeting priority needs of people affected by armed conflict and other situations of violence in a timely manner, and using the ICRC's traditional modes of action (support, substitution, persuasion, mobilisation, denunciation).
- **Access** refers to reaching people who are affected by armed conflict and other situations of violence in order to assess their situation, to deliver aid and to

⁵⁴ See, for example, Nichols, D. (2006) CAER Cluster Evaluation of the Pakistan Earthquake.

⁵⁵ This may be based on a needs assessment or a request. An example of the latter was observed in South Sudan where ICRC had been requested by INGOs and UNHCR to intervene in the water sector in a refugee camp managed by UNHCR.

⁵⁶ An example is ICRC's contributions to harmonise pharmaceutical technical requirements http://www.unicef.org/supply/files/8_ICRC_MSF_UNICEF_WHO_technical_requirements_final_version.pdf

⁵⁷ Prime examples include assistance provided through the Syria Red Crescent during the current crisis and Kenya Red Cross during the 2008 post-election violence.

⁵⁸ See the "Roadmap" in Annex 9 for more details

document allegations of abuse or violations of IHL and relevant applicable law that are committed by parties to the conflict.⁵⁹

- **Reputation and acceptance** refers to the way in which the ICRC is perceived by parties to the conflict and by other key stakeholders. The ICRC has a specific branding and humanitarian mandate, enshrined in the Geneva Conventions and Additional Protocols, to protect the lives and dignity of victims of armed conflict and provide them with assistance.⁶⁰
- **Organisation and Processes** refers to the structure of the ICRC and its decision-making, ways of working, and information management processes. This principle can perhaps be best illustrated by paraphrasing the words of a senior manager in an ICRC delegation:

“For me, VFM means being careful about what is spent while ensuring the same results. Salaries and security costs can be minimised through, for example:

- *The ICRC has had a long-term presence,*
- *The operating environment eventually becomes more easy,*
- *Duties and responsibilities of same activities can be handled by national staff (100 expatriates/ 800 national staff) on the understanding that investment is needed in capacity building over several years.*

We are following this approach and expect our budget to decrease by around 10% even though our activities are continuing more or less at the same level”.

At the core of the ICRC’s organisational model is the ability to mobilise a multi-sector response using an “all-victims” approach. This contrasts with other humanitarian organisations that tend to respond based on their mandate and/or specific sector expertise.⁶¹ As one donor key informant observed, the ICRC is “a flexible humanitarian agency, like a Swiss army knife”. Similar flexibility can also be seen

⁵⁹ Access to victims was almost always at the top of the list of the ICRC’s comparative advantages cited during interviews. In the countries visited by the study team during the field visit, and in those covered by the regional delegations of Amman and Nairobi, the ICRC was consistently recognised as an impartial, independent and neutral humanitarian actor. At the same time, during focus group discussion with staff, they cautioned against unrealistic expectations, while recalling that the ICRC is also constrained by security, pointing to examples in Afghanistan, Iraq, Pakistan, South Central Somalia, Sudan and Syria.

⁶⁰ Evaluation du partenariat entre la DG ECHO et le CICR et des activités financées par la DG ECHO; Grunewald et al. (2006).

⁶¹ As part of the UN-led humanitarian reform, it was hoped that a coordinated cluster system would provide this type of multi-sectoral coverage. However, the 2010 Phase II Cluster Evaluation found that this objective had not been met: “*Inter-cluster coordination is ineffective in most cases and there is little integration of cross-cutting issues. Multidimensional and cross-cutting issues are neglected in most assessments and are not sufficiently taken into account in the humanitarian response in the case study countries*” (page 10).

in the ICRC's ability to rapidly scale up operations as the situation requires.⁶² This includes the ICRC's approach to budgeting; the ICRC publishes around CHF 130 million of budget extensions annually as part of its needs-based response capacity to respond to acute crises; it is a practice which tends to ensure good budget burn rates.

- **Human Resources (HR) Capacity and Mobility** not only refers to the ICRC's human resource management, but also to the willingness and readiness of staff members to quickly deploy people with the skill sets needed for ICRC operations. The People Management Strategy, which was approved by the ICRC Assembly in February 2012, is designed to transform the HR function to deliver more effective and efficient services.
- **Competitive Positioning**: the combination of the ICRC's brand, mandate, and operational model offers many advantages that few agencies can match. Not least is their multi-disciplinary approach and the potential benefits of such an operating model, from a VFM perspective, include:
 - **Costs**: provides a "one stop shop" to exploit economies of scope (e.g. by distributing medical supplies and other items simultaneously to reduce fixed and transactions costs).
 - **Coverage**: Better able to address priority needs of beneficiaries in a quicker and more efficient manner – (efficiency, effectiveness).

The ICRC tends to be the first to arrive and amongst the last to leave in conflict hot spot countries and regions. It also has partners in the Movement that can sometimes take over functions when the ICRC phases out, such as tracing, dissemination activities, etc. Other humanitarian actors tend to reactively respond at the peak of the emergency with short-term project-based horizons. In Iraq, for example, the ICRC has been present for the last 30 years, having remained in the country despite direct attacks on its delegation in 2003, which forced it to conduct remotely-managed activities in some parts of the country. On the other hand, the lack of clarity and visibility of exit strategies has led to questions from donors about the VFM of ICRC's practice of substituting for national authorities (e.g. construction and operation of health centres and municipal water systems).

4.2.4 Testing VFM Hypotheses and Tools in the Field

The second field visit to delegations in Jordan and Iraq provided an opportunity to test assumptions formulated during the initial visit regarding ICRC's comparative strengths, how delegations communicate and implement VFM, and confirm key chal-

⁶² This phenomenon was observed during field visits in both South Sudan and Iraq.

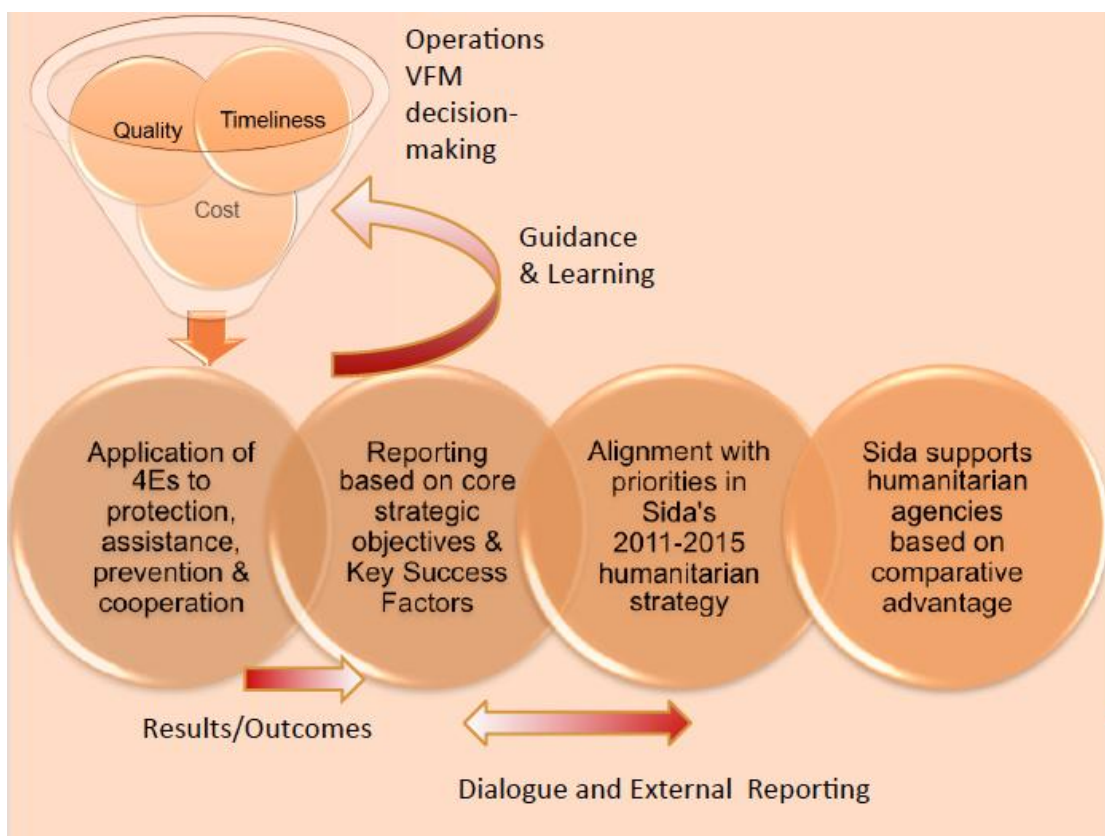
lenges they faced in achieving VFM.⁶³ A tool based on those, used by DFID designed to assess VFM, was also reviewed at the same time.

In both delegations, once the ICRC staff had been able to clarify VFM concepts, there was a general consensus on the various hypotheses and descriptions of comparative advantages, VFM approaches and key challenges. The reaction to the VFM tool was much less positive. It was difficult to understand and seen as an additional layer, as they were using other report formats for their respective activities. Data was not being collected in a way that would allow use of the tool, and it was difficult to monetise outcomes for some core activities. Staff provided examples of how some of the existing formats could be used for measuring VFM. Feedback from this field visit (and a subsequent debrief with Steering Group) was used to inform the analysis and revise the tool into a simpler version that could be more easily adapted to existing systems.

4.3 VFM MODEL

One of the primary objectives of this study was to develop a model that would help in illustrating and communicating VFM relationships within the ICRC and with Sida (and with many other donors) and provide a basis for the development of supporting tools and guidance. The model below resulted from consultations in field delegations and with HQ-based staff from Sida and the ICRC, which depicts global VFM assessment and reporting processes from operations to a strategic level.

Figure 4. VFM Model Illustrating the ICRC and Sida Relationship



The above model aims to illustrate how informed decision-making, which is based on quality, speed and cost, results in an appropriate application of the “4 Es” to humanitarian activities in core areas of the ICRC to yield the desired results and measure them using RBM systems, thus enabling Sida to better understand how their contributions are adding value. This model shares a number of characteristics with approaches used by other donors when making funding decisions.

Some processes worth highlighting include:

- At an operational level, the application of the 4 Es of VFM to humanitarian operations boils down to decision-making that balances speed, quality (including targeting vulnerable groups and individuals) and cost.⁶⁴ Decision-making can be improved through the provision of relevant guidance and learning loops.
- The application of VFM principles and approaches (the “4Es”) mainly happens via the ICRC’s RBM systems, where outcome indicators can be used to measure VFM.
- Monitoring and evaluation of results yields reports for Sida (and other donors), which enable Sida to assess the extent to which ICRC is applying VFM approaches based on Sida’s humanitarian strategic priorities and, in turn, informs decision-making on where their support is best-placed to add value.

During this study it was observed that that the interface between ICRC and Sida was a critical step in the model. Apart from the constraints on what information can and cannot be shared (that is discussed elsewhere), another observed obstacle was the different “language” used by ICRC and Sida.⁶⁵

4.4 CRITERIA, METHODS & TOOLS TO MEASURE VALUE FOR MONEY

Despite a growing number of VFM debates and publications, by (mainly UK-based) agencies, there appear to be, to date, few practical tools available to humanitarian agencies to measure VFM.⁶⁶

⁶⁴ DFID (2011)

⁶⁵ One example encountered during this study is the term “Theory of Change”, which is not commonly used in the ICRC even though these have developed these as part of the RBM roll-out (e.g. “Results Chain, or the term “Underlying Logic” for Prevention Activities). For an analysis of use of Theory of Change and other outcome approaches in humanitarian contexts, see Proudlock, K. et al. (2009) Improving humanitarian impact assessment: bridging theory and practice. ALNAP Annual Review – Chapter 2. <http://www.alnap.org/pool/files/8rhach2.pdf>

⁶⁶ See Annex 13 for perspectives of some other agencies.

VFM relative to what? VFM is a relative concept and programmes (and programme components such as activities) can only be assessed as VFM against comparable alternatives. VFM is usually best applied as a tool or framework to make relative choices where like for like comparisons can be made. Potential VFM reference points that were identified where the ICRC is working included:

- Relative performance in the same programme at an earlier time (baseline);
- Relative performance compared with another similar ICRC operations;
- Relative to performance of another similar programme implemented by another agent in the same context/country; and
- Relative to standardised, established country specific, regional or worldwide benchmarks (e.g. the administration cost of cash transfers in Kenya).

In principle, this is normally done as much as possible, using each VFM element from the 4E framework; although this may not always be feasible. This is often a particular challenge in humanitarian settings, since operating environments often change quickly and attribution is difficult, particularly where there are many other actors. More generally, evaluating the effectiveness of an operation requires addressing the question: *How have outcomes changed due to the intervention compared to the most likely scenario if the intervention hadn't taken place? What might have happened if another agency led this intervention? ...i.e. what is the likely counterfactual situation.*

Is the ICRC expensive? Although VFM is much more than just cost, a comment that is sometimes heard from donors is that the ICRC is the “Rolls Royce” of the humanitarian system. At the same time, none of the external interviewees (donors or peers) could provide anything other than anecdotal evidence, which was not always correct. When asked to hazard a guess, the most common answer was “*somewhere between international NGOs and UN agencies*”.

“A colleague asked me why do they buy vehicles every two years.” DSG member⁶⁷
 “We don't associate ICRC with wasteful behaviour.” UNHCR Jordan

It was beyond the scope of this study to carry out detailed comparative cost benchmarking, but an attempt was made at an approximate benchmarking of staff salaries levels, which are one of the key cost drivers for the ICRC.⁶⁸ According to information

⁶⁷ According to ICRC sources in Amman, ICRC vehicles are normally auctioned after five years.

⁶⁸ Staff salaries and benefits account for roughly half of ICRC's total budget. In 2012, over CHF 500m was budgeted on staff related costs, of which CHF 130m and 400m were allocated to HQ and field delegations respectively. Of the allocation to field delegations, approximately CHF 300m was allocated

from human resources staff in HQ and the field, salaries for the ICRC's national staff are fixed according to the results of periodic inter-agency benchmarking surveys and inflation index tracking so as to be around 70% of UN salaries.

Comparisons during this study between salary figures furnished by the ICRC and UN salary scales⁶⁹, along with post adjustment allowances applied by the UN⁷⁰ (which the ICRC does not apply), also indicated that the ICRC rates are around 30% lower.⁷¹ During field interviews and anecdotal comparisons with other organisations, there was no evidence of salaries being set higher than the norm, and extra benefits, such as Rest & Recreation (R&R) and housing, seemed to lie between those received by international NGOs and the UN. While the ICRC may be less “expensive” than the UN, interviews in the field in South Sudan and Iraq suggested that lower pay scales have posed problems for national staff retention. International NGOs also mentioned problems of retaining staff due to the relatively higher salaries paid by UN agencies.

4.4.1 Examples of VFM Tools Used by Donors

Over the past three years, DFID has invested heavily in VFM tools and created “results adviser” and “evaluation adviser” positions in country delegations in their attempt to ensure that they are funding proposals which offer the best value for money. The main tools they are currently using include:

- The DFID business case sets out the rationale for choosing an agency and intervention design, using VFM considerations as a primary focus.
- More effective, continuous monitoring and evaluation to ensure that baselines are set, logframes have SMART output and outcome indicators, and that the relevant output and outcome data is collected at regular points to demonstrate results throughout delivery, and after delivery.
- A conscious and strong drive for ex-post impact evaluation, to determine whether outcomes have been achieved with good VFM, and if not, what lessons can be learnt and channelled into the next round of programming.

4.4.2 Existing ICRC Tools Relevant to VFM

A VFM tool should help identify specific options to achieve the best outcomes. While ICRC tools appear to contain many relevant elements, the ICRC market assessment,

for national staff and another CHF100m for international staff.

⁶⁹ http://www.un.org/depts/OHRM/salaries_allowances/salary.htm

⁷⁰ <http://icsc.un.org/secretariat/cold.asp?include=par>

⁷¹ It is a complex exercise to carry out a direct comparison between international agencies, due to differences in approach between agencies for housing, dependent allowances, tax status, health insurance, arrangements for using official vehicles, school fees, home leave, R&R.

which is currently being piloted – with its strong economic component – was the only tool reviewed by the study team that provided all the information needed for a VFM analysis. Interviews during field visits indicated that such appraisals are generally undertaken in an ad hoc way (e.g. food aid distribution vs. providing fishing kits in South Sudan, cost-effectiveness and efficiency of different options to deliver Red Cross messages, etc.), but there did not appear to be an established system in assessing VFM of different options apart from procurement.

4.4.3 A Proposed VFM Tool

As described in the Methodology section, during the course of the study different variations of VFM tools were tested and there was a consensus by the Steering Committee that a matrix based on the VFM checklist below would be useful in facilitating a structured strategic dialogue between Sida and the ICRC. It was felt that using such a tool would help in identifying what information already exists and how remaining gaps in data might be potentially filled.

This VFM tool is essentially a checklist of questions⁷² using a combination of quantitative and qualitative data and other evidence, using internal and external benchmarks, where possible, to assess the partner's:

1. Support to Sida's humanitarian strategy?
2. Rationale for intervention? What other agencies are involved in similar operations?
3. Which comparative advantage(s) justify the intervention?
4. Why was this particular operational approach chosen?
5. What are key cost drivers of the programme and how are these being minimised without compromising quality?
6. How feasible is it to estimate cost per beneficiary and/or other cost effectiveness indicators?
7. Who are the main beneficiaries (e.g. which vulnerable groups)?
8. How will intended beneficiaries be targeted?
9. What are the main expected results / outcomes?
10. If relevant, is there an exit strategy that will promote sustainability?
11. What investments in emergency preparedness are appropriate?

A matrix comparing ICRC processes and a case study example can be seen in Annex 8.

⁷² Participants in the August 29th workshop will have the opportunity of trying out this tool during a working group session.

4.5 OPPORTUNITIES, CHALLENGES & RISKS

This study also sought to identify opportunities provided by interest in VFM and understand the challenges and risks, related to VFM, that the ICRC might face and how these could best be managed. The team also looked at the ICRC's approach to partnership and sub-contracting from a VFM perspective.

4.5.1 Opportunities:

While the prevailing view among interviewed ICRC staff was that quantifying the cost of a life saved is impractical (and even unethical), examples of improving efficiency (and VFM approaches in general) were observed to be part of the ICRC's culture.

Some opportunities of increased focus on VFM include:

- ***Advance the ICRC's RBM work:*** VFM is very closely linked to the results-based management that was introduced in the ICRC in 2000. The current focus on VFM offers an opportunity to improve staff awareness, so that principles are not only more consciously applied, but staff are also better able to communicate ICRC's value added. This notably applies to protection and cooperation activities, where the ICRC has experienced difficulties in identifying concrete outcome indicators even though, when probed, staff were able to describe what "success" looks like in each area.
- ***VFM can dispel myths:*** VFM represents an opportunity to help dispel the perception that the ICRC is "expensive". Although the ICRC does not have the largest humanitarian budget, with annual expenditure of \$1.1 billion in 2012, the ICRC is among the top recipients. VFM analysis, supported by more user-friendly information management systems and transparency is likely to demonstrate more clearly, for example, why providing protection and assistance in Syria is currently more costly than in Iraq.
- ***Evidence based on VFM should attract better quality funding:*** donors are more likely to provide flexible funding if they can demonstrate that the ICRC is providing good VFM to their respective constituencies. Increased proportions of longer-term and flexible funding should contribute to better efficiency and effectiveness of operations.

4.5.2 Challenges and risks:

Some key challenges and risks of promoting and demonstrating VFM are:

- **Lack of consensus on definition and approach:** there is no common definition of VFM, or standard measurement approach, in the humanitarian sector; and perceptions even vary within organisations. Most notably, a focus on “money”, instead of “value” of VFM can be a justification for cost-cutting, short-term planning horizons⁷³ and opting for the cheapest service providers (both private sector contractors and non-profits). It is very context specific; not one size fits all.⁷⁴
- **Prioritising cost cutting over quality:** donors could use VFM to justify earmarking more of their financial resources. Activities that are more easily measurable, such as assistance, or where a baseline exists, may be prioritised over areas, such as protection or prevention and cooperation, which are more challenging.
- **Pressure to increase transparency:** the ICRC constantly needs to balance its need to respect confidentiality⁷⁵ with being accountable to its stakeholders. This has implications for results-based reporting and is one of the main reasons why it is easier for the ICRC to report outcomes for their assistance activities than for protection, even though protection is often a priority need.
- **Reaching the vulnerable:** the most vulnerable populations are often the most expensive populations to reach. Promoting VFM too narrowly risks obliging humanitarian organisations to focus on those that cost less and pay relatively less attention to the needs of remote vulnerable populations.
- **Increased focus on reporting to donors and less on responding to the needs of the affected populations:** as the ICRC devotes more time and resources to collecting, analysing and communicating results/outcomes to donors, this may detract from the ICRC’s own needs to learn how to improve its operations and make accountability to populations less of a priority.
- **Increased capacity and profile of national agencies:** while in many ways, more effective national actors should be an opportunity to forge more effective partnerships with local actors, there are also risks. One of these is increased competition – including in areas of difficult access, where the ICRC

⁷³ For example, opening and maintaining humanitarian space can sometimes be a costly and labour-intensive exercise. However, in many cases not being present may even have higher human, political, economic costs both for the affected population and donors.

⁷⁴ Conflict and sudden onset emergencies, for example, often require rapid decision based on incomplete information. This is the case today in Iraq, parts of Somalia and in Syria.

⁷⁵ This is illustrated by Rule 73 of the Rules of Procedure and Evidence of the International Criminal Court provides that ICRC confidential information shall be treated as privileged, and thus not subject to disclosure, unless ICRC consents to disclosure or the information is public.
<http://www.icrc.org/eng/resources/documents/misc/57jqhq.htm>

may still be one of the sole international agencies present, but they are increasingly working alongside national actors.⁷⁶ In the case of the ICRC, this is mainly done with other members of the Red Cross/Red Crescent “Movement”, notably National Societies guided by the provisions of the Seville Agreement. The advantages of this, from a VFM perspective, is to having access to a standby humanitarian capacity that is neutral and impartial⁷⁷, present on the ground and significant capacity – much of it based on volunteerism⁷⁸ – that has the potential to reach large numbers of affected people. While the provisions of the Seville Agreement do not prevent the ICRC from working with other partners, some interviewed field delegates felt that there was pressure to work with National Societies. There did appear to be a trend towards working with more partners outside the Movement, but the team was unable to verify this based on available data. ICRC needs to carefully select who to work with, due to the possible negative impact on their ability to access the affected population. In some countries (including at least two of those visited by the study team), the ICRC is challenged when working with National Societies that lack operational capacity or face organisational issues, which was sometimes felt to reduce VFM.

- **Increased political interference:** the end of the cold war and the start of the war on terror post-9/11 have led to a situation where the demarcation between humanitarian, political and security-related interventions have progressively become more blurred. Concerns about VFM could provide an excuse for not giving funding to complex emergencies, which are difficult and costly to access and monitor. Some donors have concentrated their funding on new crises (e.g. Afghanistan and Iraq) that are of specific, politically strategic importance with less focus on meeting needs in protracted or forgotten crises.
- **Increased reporting burden:** as described above, although donors have aspired to Good Humanitarian Donorship principles by agreeing to standardised reporting to donors, information demands on the ICRC are continuously increasing. A number of ICRC field staff complained that reporting requirements were heavy and preferred to focus first and foremost on operations.⁷⁹ However this represents a clear dilemma, as conflicting views on the amount

⁷⁶ The lead roles played by the Kenya Red Cross following the 2008 post-election violence and the current role of the Syrian Red Cross are but two examples.

⁷⁷ The seven Fundamental Principles of the Red Cross and Red Crescent include Humanity, Impartiality, Neutrality, Independence, Voluntary service, Unity and Universality. For more information see: http://www.icrc.org/eng/assets/files/other/icrc_002_0513.pdf

⁷⁸ There were an estimated 1.3 million – mostly unpaid - volunteers in 2012. See Taylor, G. *et al.* (2012)

⁷⁹ In the ICRC the balance between operations and monitoring/reporting is more pronounced than in peer agencies since, with the exception of HQ and certain areas where access is particularly difficult (Gaza and parts of Somalia), the ICRC does not have staff dedicated to monitoring and evaluation.

of time and resources dedicated to reporting over assistance have emerged within the humanitarian system.

4.6 APPLICATION TO THE WIDER HUMANITARIAN SECTOR

UN agencies and INGOs are accustomed to donor pressure to provide evidence of results.⁸⁰ Interviews and document research nevertheless indicated that, although DFID’s 2011 Multi-Lateral Agency Review has stimulated a lively discussion, and resulted in (mainly UK-based) agencies producing position papers, there are still relatively few practical tools for measuring VFM.

Sample of Agency Perspectives on VFM⁸¹

Agency	Position on VFM
ALNAP	Provided various different examples and perspectives on VFM in their 2012 “State of the Humanitarian System” report. ⁸²
British Red Cross	They have set up a VFM working group and are currently establishing a VFM model and are planning to use an adapted DFID 3E model that better reflects their specific mandate and strategy. To date, they have not been strong on evidence reporting and decision-making.
Christian Aid	A position paper on VFM is posted on their website. Their approach is weighted towards effectiveness and equity, rather than economy or efficiency. They have developed standardised metrics, and are piloting VFM work on a global scale.
Oxfam GB	Has a multi-departmental (programme, advocacy, etc.) VFM working group chaired by Finance Director and have commissioned a consultancy firm to help improve their understanding of VFM, including developing a training of trainer’s curriculum on VFM.
Save the Children UK	Commissioned a university in 2011 to draft a paper “Current Approaches and Evolving Debates around VFM” ⁸³ . The paper identified and documented approaches taken by different stakeholders to measure VFM. Save currently chairs

⁸⁰ For a previous USAID perspective see <http://www.globalpolicy.org/component/content/article/176-general/31482.html> For a previous CIDA perspective see <http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/NAT-4109391-HZY>

⁸¹ As noted in the Constraints and Limitations section, UK-based NGOs were the most advanced in their thinking among interviewed international NGOs, which is why their perspectives are dominant in this study. A number of NGO representatives did nevertheless express interest in better understanding VFM and were interested in seeing the results of this study.

⁸² ALNAP (2012)

⁸³ Emmi, et al. (2011)

Agency	Position on VFM
	the DFID Programme Partnership Arrangement (PPA) Sub-Group on VFM.
International Rescue Committee	VFM is new to them and they are piloting a cost effectiveness framework internally. They are at the beginning and are very keen on VFM and are looking to learn from other organisations.
BOND (UK-based NGO network)	On their radar but not high on their agenda. They are mainly looking at VFM from a NGO perspective and have produced a paper to provide guidance on VFM to UK NGOs, including a proposed VFM framework demonstrating how organisational and programme management can focus on measuring outcomes and costs.
World Vision UK	Submitted evidence ⁸⁴ to the Parliamentary Select Committee for International Development recommending that the UK government approach the MAR “... <i>beyond strict ‘value for money’ terms to renew focus on multilateral efficacy</i> ” and provided a number of recommendations, a number of which related to the health sector.
UN agencies such as WFP	They do not have specific VFM approaches, but they are open in sharing cost data and other data, so it is possible for donors to undertake VFM analysis.

⁸⁴ <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmintdev/writev/349/m03.htm>

5 Conclusions

Isn't VFM just the latest "flavour of the month"?

Don't you think that Value for Money will go the same route as Disaster Risk Reduction? I think we'll probably talk about it for a few years and then come up with a new term...

... were some questions raised by key informants at the beginning of their respective interviews, as they wondered aloud how VFM was different from donors' dialogue about cost effectiveness. However, as interviews progressed, it became clear that these questions sometimes resulted from the perception that VFM was another term for cost-effectiveness, and from different approaches and understandings about the concept. Findings from this study indicate that:

- ICRC's systems and culture are generally consistent with Value for Money approaches;
- Although concerned by potential increased demand on time and other resources, VFM is seen by many staff in the ICRC as a way of helping to strengthen their work to improve the measurement of results; although they are, at the same time, concerned that additional resource implications may have an adverse effect on operations;
- Strategic priorities and Key Success Factors provide an appropriate basis for communicating the VFM of the ICRC.

5.1 VFM DEFINITION AND LANGUAGE

This study offered the opportunity to stimulate a constructive reflection amongst both internal and external stakeholders of the ICRC. The definition most currently in use⁸⁵ for VFM, i.e. "*best use of resources to achieve intended sustainable outcomes and impact*" broadly resonated with most interviewees and provoked the following reflections:

- The emphasis on quality within the ICRC context, not just choosing the cheapest option;

⁸⁵ Jackson, P. (2012), DFID (2011) DFID's Approach to Value for Money

- The importance of recognising that the multidisciplinary approach and investments in longer term presence (even if not directly affected by conflict) is VFM for the ICRC;
- The terms “sustainable” and “impact” suggest that this definition is probably more relevant to the ICRC’s longer-term activities (e.g. promotion of IHL, substitution-type activities such as construction and maintenance of health centres and water systems). The definition would need to resonate with humanitarian agencies, highlighting any differences;
- A focus on outcomes or results rather than impact was thus more realistic, even for longer-term activities given the difficulty in attributing impact.

Those donor representatives with humanitarian backgrounds, who were interviewed, demonstrated a good understanding about the ICRC’s role, mandate and *modus operandi*. However, many donor representatives in aid departments, who were interviewed for this study, lacked humanitarian experience; and it will be important for the ICRC to have a definition and framing language that is also understood with this category of stakeholder.⁸⁶

5.2 VFM MODEL, CRITERIA, METHODS & TOOLS

An advantage of making the VFM decision-making process more explicit is that it becomes easier to justify apparently high costs due to specific contextual factors (e.g. choosing the most efficient delivery method, operating with a limited range of partners, etc.), so as to more easily communicate and be understood. This approach would seem applicable to all four core activity areas and, for an agency like the ICRC, it would need to cover a timely response to emergencies as well as strategic investments in prevention and risk management measures. It is also important for donors to be able to be able to assess the extent to which the funding they are providing supports their strategic priorities.

At the same time, there are currently relatively few simple and practical tools available to humanitarian agencies and, as found during the study, it is challenging to obtain meaningful benchmarks to help assess comparative advantage. It is evident that a constructive dialogue will need to be based on a common understanding of what VFM actually is.

⁸⁶ Economists in aid departments are a specific target group for VFM communications.

5.3 OPPORTUNITIES, CHALLENGES & RISKS

The current focus on VFM is an opportunity to improve, so that good practice is not only more consciously applied, but that staff are better able to communicate the ICRC's value added. At the same time, many of the ICRC's comparative advantages, including access, protection, acceptance and leadership of IHL do not easily lend themselves to monetisation. A key challenge will be to translate a focus on VFM into better programming, rather than just an over-emphasis on the "Economy E" (costs) amongst the 4 Es, heavier data collection and reporting loads. There is a growing body of VFM literature from donors, agencies and academic institutions, but it was hard to find any perspectives on VFM of national actors, including host governments and beneficiary communities.

The past few years have seen a significant increase in the capacities and roles of national actors during humanitarian operations, including in difficult-to-access areas, where the ICRC may be the only major international actor. The evolution of the ICRC's partnership strategy and approaches is something that the ICRC will need to navigate carefully, given the implications of this trend for VFM in terms of cost-effectiveness and the ICRC's independence.

5.4 THE WIDER HUMANITARIAN SECTOR

"By conducting a review of the money it spends through multilateral agencies, the Department has taken a big step towards improving the value for money it gets from these funds. To maintain this progress, the Department needs to collaborate with other donor countries to encourage further consistently measurable performance improvements in multilateral organisations."

UK National Audit Office, September 2012⁸⁷

It is clear that the ICRC is not alone among humanitarian agencies in facing challenges in responding to increased pressure from some of their donors to demonstrate VFM. While some of these challenges (such as constraints to transparency) are specific to ICRC, most others are also faced by other agencies. Both the ICRC and Sida have potentially constructive roles in supporting peers to better understand and communicate VFM concepts and approaches. During the course of its usual inter-agency dialogue, the ICRC could help in removing the "fear factor" and help demonstrate how, and under what conditions, VFM systems can support a principled humanitarian approach. Sida is well positioned to play a facilitatory role with its peers, while con-

⁸⁷ UK National Accounting Office (2012)

tinuing to support the ICRC's own efforts to improve VFM through, for example, using the VFM tool matrix as the basis for dialogue.

There is a recognition within the donor community that, unless they take a coherent approach when putting pressure on humanitarian agencies to measure and report on their performance, this will actually undermine, rather than support, VFM. However, while some donors prefer that the ICRC continue to lead the improvement of their own performance measurement frameworks, donors such as ECHO, CIDA, DFID and AusAid have developed and applied their own VFM-type frameworks to measure performance. Many humanitarian agencies are in a similar place in trying to understand the implications of VFM.

Finally, it worth noting that applying a VFM lens to donor funding makes a fairly strong case for flexible funding. VFM evidence not only makes a strong case for un-earmarked funding, but also for the multi-year funding of humanitarian programmes.⁸⁸ Sweden has endorsed the Busan Partnership that includes a commitment to review plans to untie aid: *“In addition to increasing value for money, untying can present opportunities for local procurement, business development, employment and income generation in developing countries. We will improve the quality, consistency and transparency of reporting on the tying status of aid”*⁸⁹, which suggests that there is an opportunity to demonstrate a working VFM model, provided that the ICRC is able to meet measurement and reporting commitments.

⁸⁸ Venton (2013)

⁸⁹ Busan Partnership for Effective Development Co-operation: page 5, para 18e (<http://www.oecd.org/dac/effectiveness/49650173.pdf>)

6 Recommendations

Three sets of recommendations are listed below: recommendations targeted jointly at both ICRC/Sida, and subsequently at ICRC and Sida. Those recommendations designated as * *PRIORITY RECOMMENDATION* * indicate those chosen by the Steering Group during a workshop at ICRC HQ on August 29th as the highest priority.

6.1 JOINT RECOMMENDATIONS TO THE ICRC & SIDA

A tool to facilitate a dialogue about VFM measurement and reporting

1. * *PRIORITY RECOMMENDATION* * - further refine and use the Matrix Tool⁹⁰ based on the VFM checklist to facilitate a strategic dialogue between Sida and the ICRC to agree on a practical approach to reporting on performance, using appropriate sampling and determine what is feasible to provide in terms of information about cost drivers, cost per beneficiary, etc.

Definition and communication of VFM

2. Based on the results of this study, a proposed working generic definition of VFM for the humanitarian sector is:

Value for Money is the optimal use of resources to achieve intended humanitarian outcomes. It is about the optimum combination of quality, speed and costs and quality of the goods and services to meet the needs of people and preserve their dignity.

Agencies should be able to articulate their specific value-added by adapting the definition based on their specific mandate; strategic objectives and global performance indicators based on their respective Theory of Change.⁹¹ In the case of the ICRC, their Strategic Plan and Key Success Factors provide a suitable basis for such a Theory of Change and the VFM definition for the ICRC could thus be along the lines of:

⁹⁰ Tool is provided in Annex 10

⁹¹ A "Theory of Change" (ToC) refers to the path from input to output to outcome and, finally, to desired impact. During the study, some examples of ToCs were observed in the South Sudan PFR and in evaluations – see, for example, O'Neil, G. (2010) <http://www.ifrc.org/docs/Evaluations/Evaluations2010/Geneva/GlobalOurWorldYourMove10.pdf>

Value for Money is the optimal use of resources to achieve intended humanitarian outcomes. It is about the optimum combination of quality; speed and costs of the goods and services to meet humanitarian needs of people and preserve their dignity in situations of armed conflict and other situations of violence while continuing to positively influencing the debate on legal and policy issues related to the ICRC's mission”.

6.2 RECOMMENDATIONS TO THE ICRC⁹²

3. * **PRIORITY RECOMMENDATION** *⁹³ - while for most donors, including Sida, the ICRC's unique mandate and position within the humanitarian system is clear, the ICRC could further clarify their commitments and measurement of VFM by:
- Showing how the ICRC's mandate, positioning and capacity gives it a comparative advantage where ICRC is not the only humanitarian actor.
 - Use the Key Success Factors and relevant outcome objectives across the four areas of activity⁹⁴ (as appropriate), as key references as well as the ICRC plans to provide VFM in its operations. Decision-making processes that are linked to VFM, illustrate how relevant information is supposed to be taken into account.
 - How the major cost drivers are regularly monitored and (i.e. human resources and assistance activities) contribute to VFM;
 - Describing the ICRC's exit strategies in longer-term interventions and demonstrate via monitoring and evaluation data, where feasible, how they are promoting sustainability;
 - Clarifying the importance of longer-term investments to provide VFM to respond to the humanitarian protection and assistance needs of affected populations and advance longer-term objectives, such as IHL compliance and capacity building of National Societies;
 - Defining how the ICRC will measure and communicate results and learning to internal and external stakeholders. VFM issues should be considered when finalising the external version of the ICRC's confidentiality doctrine (similar to Information Disclosure Policies⁹⁵ published by other agencies), as this

⁹² Most of the recommendations targeted at the ICRC are related to ongoing pieces of work that the ICRC is currently engaged in and are thus mainly intended to provide perspectives from a VFM perspective that can inform these processes in a realistic and constructive way.

⁹³ It was seen to be particularly important to better packaging of ICRC's VFM-related communications for external stakeholders, including ICRC's comparative advantage from a VFM perspective.

⁹⁴ Protection, assistance, cooperation, prevention and recovery.

⁹⁵ Such policies are now the norm amongst multi-lateral organisations and are an increasing trend

should help in managing expectations about what information the ICRC will and will not share.

4. * *PRIORITY RECOMMENDATION* * - the ICRC should test activity-based accounting systems (and other accounting systems designed to support RBM approaches) to assess the feasibility of linking outcome indicators to input resource costs, so as to facilitate a better understanding VFM.
5. Review relevant guidelines and policies using the VFM “checklist” developed in this study report to assess the feasibility and usefulness of making VFM decision-making more explicit by, for example, revising the PfR format so that the ICRC’s comparative advantages and choice of intervention options are clearer to external stakeholders⁹⁶ and including relevant VFM elements in evaluation ToR.
6. Continue to improve Results-Based Management (RBM) performance measurement systems and communication of VFM results to external stakeholders through:
 - Ensuring that ICRC External Relations Division staff are familiar with RBM processes and commonly-used outcome measurement “language”⁹⁷ to better communicate to donors;
 - Promoting the establishment of baselines and indicators for its Key Success Factors and core activities to better capture and communicate results over time;
 - Encouraging the Protection⁹⁸ and Cooperation departments to develop their own indicators and measurement systems, drawing on relevant learning from results chains developed by the Prevention department. Cooperation should focus more on what will be delivered as a result of this collaboration (based on the Results Chain – or the “Theory of Change” referred to above) and place less emphasis on identifying outcome indicators at a relationship level;

amongst international NGOs.

⁹⁶ An example using the South Sudan example will be attached as an annex in the report.

⁹⁷ This is not suggesting that ICRC staff become familiar with the extensive RBM-related jargon, but should at least have a working knowledge of common terms. One example encountered during this study was “Theory of Change”, which is not a term commonly used in the ICRC, but is widely used amongst the donor community (including Sida). Examples of Theories of Change were nevertheless encountered during this study, but were called by a different name (e.g. the term “Underlying Logic” was used for Prevention Activities). A good analysis of use of Theory of Change and other outcome approaches is available in humanitarian contexts, see Proudlock, K. et al. (2009) *Improving humanitarian impact assessment: bridging theory and practice*. ALNAP Annual Review: Chapter 2. <http://www.alnap.org/pool/files/8rhach2.pdf>

⁹⁸ The 2013 edition of the professional standards for protection work recommends that the ICRC “should translate its strategy into key specific, measurable and time-bound SMART objectives, identifying clear expected outcomes and impact, accompanied by a plan of action” and “monitor and evaluate their protection outcomes and impact, and adjust its strategy and activities accordingly” (pg 33 - 41).

- When revising information management systems, identify information that would potentially facilitate VFM decision-making, including synthesised data along with disaggregated beneficiary numbers, gender-related data, relevant benchmarks and lessons-learned along with cost implications of different intervention options.

Opportunities, Challenges and Risks

7. Use ICRC VFM (mandate, Key Success Factors and RBM) to encourage donors to provide better quality funding (un-earmarked, multi-year funding).
8. Involve beneficiary communities and other key stakeholders (particularly at national level) to help in identifying objectives⁹⁹ and measuring outcomes. A better understanding of how the ICRC's accountability commitments to external stakeholders are being respected¹⁰⁰ would help balance different key stakeholder groups, notably beneficiary communities. Outcome Mapping¹⁰¹ approaches and tools could be useful, notably in measuring the results of a multi-disciplinary approach.

Application to the Wider Humanitarian Sector

9. Given that the ICRC's mandate is to respond to priority needs of vulnerable populations based on fundamental humanitarian principles, the ICRC could use its respected position in regular inter-agency fora,¹⁰² as well as like-minded partners, to share relevant learning and help to constructively shape the future VFM debate.

6.3 RECOMMENDATIONS TO SIDA

Specific to ICRC

1. Support the ICRC's investments in monitoring/reporting systems in order to improve outcomes at the level of beneficiary communities and rationalise reporting. This could include providing concrete support to the review of results reporting proposed during the 2013 DSG meeting to rationalise reporting.

For ICRC and other Humanitarian Partners

⁹⁹ When developing outcome objectives and indicators, it is often important to understand what "success" would look like from the perspective of different key stakeholders.

¹⁰⁰ A number of other humanitarian agencies have developed Accountability Frameworks to help communicate the agency's commitments to internal and external stakeholders. These normally include a statement of commitments and other interests, an implementation plan along with a description explaining where the organisation stands in terms of meeting its commitments.

¹⁰¹ See <http://www.outcomemapping.ca/about/faqs.php> and <http://www.odi.org.uk/publications/4118-outcome-mapping-realistic-planning-monitoring-evaluation>

¹⁰² For example, during regular IASC and SCHR consultations.

2. Application of the VFM concept for partners involved in life-saving humanitarian actions needs to take into account not only the operational context, but also the identity, mission and activities, independent from security and so-called comprehensive stabilisation political strategies.¹⁰³ In the case of the ICRC, this means taking due account of the ICRC's *modus operandi* when measuring VFM, in view of their need to ensure access to conflict-affected populations and somewhat different approaches to monitoring, reporting and risk management in comparison with other humanitarian partners.
3. Develop guidance, including case study examples, for Sida's humanitarian partners based on the proposed VFM definition, model and matrix/checklist that will help in adapting their existing performance measurement and reporting systems to more effectively demonstrate outcomes that demonstrate VFM.
4. Sida should support joint donor evaluations and VFM studies,¹⁰⁴ in order to draw more systemic lessons learned from the ICRC and other partners. Field visits in major operations would be optimised and detract less time from operational response.

Sida should support a collective approach to VFM with interested donors to encourage joint donor approaches to VFM tools, models and a benchmarking of primary cost drivers. A collective approach would not only share the workload, but also help to promote a common vision of defining and measuring humanitarian "value" through the use of both qualitative and quantitative measures.

¹⁰³ For more information, refer to the Conference: Reclaiming the Protection of Civilians under International Humanitarian Law held in Oslo on the 23rd of May 2013 under the auspices of the Ministry of Foreign Affairs.

¹⁰⁴ Joint evaluations and studies could both take the form of activities with other donors or supporting joint activities by Sida partners. See Joint evaluations coming of age? The quality and future scope of joint evaluations (2009) Beck, T and Buchanon Smith, ALNAP, RHA. An example of this is a study that looked at VFM from the perspective of international UK-based NGOs – see Emmi, A. et al (2011) Value for Money: Current Approaches and Evolving Debates. London School of Economics and Political Science. <http://bigpushforward.net/wp-content/uploads/2011/09/vfm-current-approaches-and-evolving-debates.pdf>. It is, however, likely that something more focussed on practical application of VFM would be more appropriate at this stage.

Annex 1 – Terms of Reference

STUDY **HOW TO DEFINE AND MEASURE VALUE FOR MONEY¹⁰⁵ IN THE HUMANITARIAN SECTOR**

TERMS OF REFERENCE

V1.7 December, 2012

1. Background.

Sida

Sida, the Swedish international development cooperation agency, is a governmental agency implementing the development as well as the humanitarian cooperation policy. Sida has a long-standing partnership with ICRC and acknowledges ICRC as one of its key humanitarian partners in countries and contexts strained by armed conflicts. Based on the organisation's strong neutral and independent position in the humanitarian system, which results in unique access to people affected by conflicts, Sida's allocation towards the annual ICRC Emergency Appeal constitutes by far the largest single humanitarian contribution each year.

The International Committee of the Red Cross (ICRC) is an impartial, neutral and independent organisation whose exclusively humanitarian mission is to protect the lives and dignity of victims of armed conflict and other situations of violence and to provide them with assistance¹⁰⁶. The ICRC also endeavours to prevent suffering by promoting and strengthening humanitarian law and universal humanitarian principles.

Established in 1863, the ICRC is at the origin of the Geneva Conventions and the International Red Cross and Red Crescent Movement (Movement), formed by the ICRC, the National Societies and their International Federation. In situations of armed conflict the ICRC directs and coordinates the international activities conducted by its Movement partners.

The ICRC was conferred its mandate by States through the four Geneva Conventions and their additional Protocols which are the principal instruments of International

¹⁰⁵ In this document, the wording « Value for Money » is used as the best generic term currently available, until a commonly agreed wording and definition would be found.

¹⁰⁶ ICRC mission statement

Humanitarian Law (IHL). IHL, also known as law of war is the body of rules which, in times of armed conflicts, limits the methods and means of warfare and protects persons who are not or are no longer participating in hostilities. Since its foundation, the ICRC has played a humanitarian role in most of armed conflicts that have taken place around the world. It has continuously worked to persuade States to expand the legal protection of war victims, to limit suffering.

At the same time, the ICRC remains a private organisation governed by Swiss law and strictly independent in its governance and operational decisions. The Committee itself consists of up to 25 co-opted members, all Swiss. The ICRC's work respects the Movement's fundamental principles, notably those of neutrality, impartiality and independence.

The ICRC has devised four approaches for reaching its overall and fundamental goal of ensuring respect for the lives, dignity and physical and mental well-being of persons affected by armed conflict and other situations of violence.¹⁰⁷ These four approaches are Assistance, Cooperation, Prevention and Protection.

The ICRC's annual field budget in recent years has been in the region of one billion Swiss francs. Its principal donors are governments, but also include Regional organisations, National Red Cross and Red Crescent Societies, municipal authorities, the private sector and the public. National Societies also make an important contribution in terms of specialised personnel. ICRC accounts are detailed every year in its annual report.

The ICRC employs more than 12,400 staff across the globe, out of which more than 1'400 specialised and generalists expatriate staff on field missions. In addition, around 800 staff support and coordinate from Geneva headquarters. Expatriate staff members can be from countries anywhere in world; the ICRC is an equal opportunities employer.

In 1998, the ICRC introduced the Planning for Results (PFR) methodology into its management procedures. The process included development of electronic tools to support implementation of the methodology, the progressive and on-going adaptation of all operational guidelines on the various ICRC fields of activity and continuous training for the staff, particularly those based in the field. Since then, standard planning, appeals and reporting, both internally and externally, have been structured according to the PFR and follow its logical cycle.

In parallel, the ICRC has adapted its accounting model and added cost or analytical accounting to financial accounting. Cost accounting enhances the information avail-

¹⁰⁷ ICRC Policy, "The ICRC: Its mission and work", 2008.

able for internal management and reporting to donors. Indeed, while financial accounting illustrates how human, material and financial resources are used, cost accounting focuses on the use of those resources for the implementation of operational objectives by country, programme and target population, as defined in the PFR methodology. The cost accounting system allocates all costs in two different ways: to the *cost centre*, which explains the origin of the costs, and to the *cost units*, which indicate the reason for or the objective of the costs. Thus it not only explains the type and origin of costs (e.g. salary, purchase, communications, etc.), but also creates a link between the internal service supplier (operations, management, warehouse, logistics, administration, etc.) and the beneficiary, thereby providing reliable and meaningful information for both internal and external performance assessment and reporting.

2. Rationale for the study

The recent environment development

While widely used for a long time in other business areas, mostly in the commercial and industrial sectors, the notion of “**Value for (taxpayer’s) Money**” has recently and increasingly been taken on board by donors in their decision-making processes for funding humanitarian organisations. Reinforced by the influence of the global financial crisis and consequent pressure on those spending public money, overall expectations for increased accountability and transparency have strongly surfaced from the Donor’s community. Sometimes also referred as *Cost Effectiveness* or *Cost Efficiency*, *Effectiveness* or *Efficiency* or mixed up with other parallel notions such as *Results Based Management (RBM)*, the concept of Value for Money lacks commonly agreed definitions or vocabulary as well as criteria and measurement methods and tools for the humanitarian sector. Indeed, several donors have developed models and tools and embarked on audits or evaluation exercises of their humanitarian partners in the last years, but, in many case, building and adapting the concepts in an ad-hoc way and taking the perspective of their individual requirements without seeking common understanding.

In the recent days however, the trend seems to evolve towards increased sharing of best practices and donors’ coordination. Such initiatives would need to be identified and taken into account in the framework of this study.

Sida and ICRC

In their regular bilateral dialogue during 2012, Sida and ICRC agreed, at Sida’s initiative, that an external evaluation of the ICRC would be carried out, focusing “on the quality and cost effectiveness connected with ICRC’s role to channel funds through its delegations for the operations”. From the beginning of the discussions, Sida made it clear it didn’t want to carry out another audit of the ICRC, since several of those were already made and reports published recently by several of its other donors. Instead, Sida wished to conduct a real common win-win exercise, where ICRC would find its own direct interest as well. This is how ICRC eventually developed the proposal to conduct a **Study on “propose a definition and measurement of Value for Money in the humanitarian sector”**, on the basis of ICRC’s example. Sida agreed to this proposal, leading into the drafting of the present Terms of reference.

Starting from the specific nature of its mandate, position in the humanitarian arena and *modus operandi* and taking previous experience in evaluations and audits with other

donors into account¹⁰⁸, our working hypothesis would be that humanitarian action and impact, cannot be exhaustively measured and that Value for Money can therefore not be established in a fully exhaustive way for ICRC humanitarian operations. Instead, it is ICRC conviction that a **Converging Set of Assumptions**¹⁰⁹ can be gathered to allow building more or less strong opinion of Value for Money in ICRC operations.

3. Objective

The study aims at developing the following:

- A proposed definition of Value for Money in the humanitarian sector on the basis of ICRC’s operational and management practice.
- A commonly agreed vocabulary around the notion.
- Criteria, methods and tools to measure it, as much as possible based on data collected and managed in the framework of the existing ICRC’s management framework and practices.
- An assessment of the possible unintended risks¹¹⁰ of institutionalising the use of these proposed “value for money” measurement methods and tools within ICRC management practices and also for the purposes of audits by donors, and recommendations for ways to mitigate such risks.
- Suggestions about next steps for further developing the wider debates about value for money in the humanitarian aid community.

4. Intended use

The results of the study will be used to substantiate the dialogue between ICRC and Sida on humanitarian action and the subject of “Value for Money”. The study should present a clear and concrete proposal for a definition of, and vocabulary for, Value for Money as well as a framework (including criteria, methods and tools) for how to measure it in ways that bring benefits and mitigate possible risks..

5. Audience

Audiences of the study findings will primarily include ICRC and Sida.

¹⁰⁸ In the different Value for Money related evaluations ICRC went through in the recent past, initial strong business-like and very comprehensive measurement ambitions were confronted with the reality; leading to more limited measurements of qualitative and quantitative results of activities or systems based on data that was available and pertinent.

¹⁰⁹ A “Converging Body of Presumptions” is a legal term. It is the lightest way to provide evidence and allowing for a court to make decisions. Strong means of providing evidences are pleading guilty, irrefutable proof, direct testimony, etc. A set of several presumptions converging in the same direction can be strong enough to provide a solid opinion, without being an absolute certitude.

¹¹⁰ There are numerous types of unintended risks, relating to possible incentives to ‘work to targets’ or to ‘what is measured’ within ICRC within possible implications for ICRC programming priorities and effectiveness. There are also risks of the tools or measurements being misunderstood or misused by donors and other stakeholders.

6. Scope and focus

While seeking to derive a definition of, and appropriate vocabulary for, the “Value for Money” of humanitarian action and establish criteria, methods and risk mitigation for its application, the study will focus on analysing and building of evidence from: processes, delivery and organisation with, where identifiable, qualitative and quantitative indicators that would be collected and assembled to build an overall framework.

Further phases of a possible ICRC global evaluation according to the model and of an expansion of the model to other donors or humanitarian organisations are therefore not considered in these Terms of Reference. The study should nevertheless seek to propose a process for how this can be developed and taken forward.

7. Authority and Responsibility

The study will be jointly coordinated by representatives of both ICRC and Sida, who will commonly approve the present ToR and the selection of the Consultants. The final Study report will be formally received by Sida in close consultation with the ICRC.

The Consultants will be responsible for conducting the study on a day-to-day basis. They will report to Sida.

8. Methodology

The below proposed methodology will be further developed with the Consultants in the concept paper and the Inception Report (see below).

The study would be divided in three main phases, in addition to the preparation and conclusions:

Phase 0: **Inception.** 1-2 weeks

- Location: Geneva or Stockholm.
- Duration: max. 2 days (to be confirmed/TBC)
- Participants: Sida and/or Swedish Ministry of Foreign Affairs, ICRC, Consultants.
- Objective: to review ToR in details, align understanding and exchange documentation as needed.
- The inception phase should result in an Inception Report where the consultant presents its full methodological approach to the study. This needs to be approved by Sida and ICRC.

8.1. Phase 1: **Desk Review and development of potential models and approaches**

- Location: Consultants’ location.
- Duration: max. 1/4th of overall Study duration (= 5 person’s week).
- Participants: consultants, in consultation with and including possible visits to ICRC, Sida and/or other donors and humanitarian organisations as needed.
- Objective: to review existing reports (incl. from ICRC: ECHO, DFID and AusAid or other reports from Danida, Norad, CIDA, SDC Sida or other less traditional donors if available) and literature (DAC/ODA, ALNAP, Sphere, GHD,

DARA/HRI, ICRC DSG, MOPAN, existing tools and indicators in Swedish institutions, other donor’s papers, etc.) and establish a theoretical model, using as much as possible data set and indicators managed in the frame of the existing ICRC’s management framework.

8.2. Phase 2: **Model and Approach first validation.**

- Location: ICRC HQ.
- Duration: 1 week.
- Participants: consultants and ICRC HQ staff (+ Sida and/or Swedish Ministry of Foreign Affairs as observer/other role?).
- Objective: to validate and adjust the theoretical model to ICRC reality (e.g. Management Framework) and prepare it for live test. To select the sample¹¹¹ of ICRC field operations and processes to be reviewed in phase 3.

8.3. Phase 3: **Live test on a sample of ICRC processes and field operations.**

- Location ICRC HQ and field.
- Duration: max. ½ of overall study duration (= 7 person’s week).
- Participants: consultants and ICRC field + HQ staff.
- Objective: to test the model on actual ICRC field operations and HQ plus field processes. To adjust to the reality and finalise the model based on live experience.
- To produce a report of findings as a result of testing the model.

Last Phase: **Debrief and Report.** 1 week

9. Deliverables

A study report, including:

- Commonly agreed lexicon and definitions of the necessary notions and terms.
- Criteria and measurement methods and tools to measure or identify converging set of presumptions to establish Value for Money in the humanitarian sector.
- An identification of the possible unintended risks of institutionalising the use of these proposed ‘value for money’ measurement methods and tools within ICRC management practices and also for the purposes of audits by donors, and discussion of how that are mitigated in the proposed approach and methods.
- Present a proposed process for further consultation and discussion among funding donors which would serve as a basis for agreeing on a definition and framework for measuring Value for Money.
- The report will be the result of collaboration between the parties and will be agreed upon between the Consultants, Sida and the ICRC before final release.

¹¹¹ For practical reasons, there should be no more than two, maximum three, field operations selected. Sida to propose and ICRC to accept or (justify and) refuse them.

10. Criteria for consultants team selection.

- Extensive humanitarian (versus pure development) experience, preferably within the Red Cross Red Crescent Movement (versus NGOs and/or UN);
- Background in cost accounting and finances and in systems and data analysis;
- Knowledge of Results Based Management methods and tools;
- Knowledge of Government Donors' environment;
- Knowledge of French (for ICRC documentation consultation) strongly recommended;
- Respect of confidentiality clause.

The consultants will be required to submit a Concept paper describing its vision and methodology for the Study. Interviews may be required and conducted with shortlisted candidates to verify the Consultants understanding and plans.

The selection will be based on Sida's first shortlisting and ICRC's consultation on one or several best option(s).

11. Timing.

Sida to propose.

Annex 2 – Interview Guide

A set of questions and sub-questions were developed during the inception phase based on the study objectives that was used to help organise results from interviews, focus group discussions and document research. An adapted version was used for field visits.

• Questions	• Sub-Questions
• VFM definition & vocabulary?	• What does VFM mean in the humanitarian sector? What are the main issues to consider?
	• What does VFM mean in an ICRC context?
	• To what extent are ICRC activities VFM? Why?
	• Why should VFM be important for ICRC?
	• What key points would be important to include in any communication about ICRC's VFM?
• What are ICRC's main comparative advantages?	• Where ICRC is the only, or one of the only, actor(s)?
	• Where ICRC is one of many actors?
	• Where ICRC works mainly through partners or sub-contractors?
• What would be a suitable VFM model/framework and tools for the ICRC?	• Which of ICRC's activities are the biggest cost drivers? What are the reasons for this?
	• What % of ICRC's costs are comprised of: <ul style="list-style-type: none"> • Operational costs (OPEX)¹¹² • Direct support costs (DSC)¹¹³ • Indirect Support costs (IDC)¹¹⁴
	• Is it feasible to measure VFM using existing performance measurement systems? What systems does

¹¹² OPEX costs are attributable to operations that wouldn't be incurred in the absence of the operation, e.g. variable costs of activity (procurement, logistics, personnel, travel etc.) along with programme management services that ICRC is undertaking on the donor's behalf: coordinating partners; procurement of services; payments to contractors; monitoring, review and oversight; and financial reporting and audits.

¹¹³ DSC are fixed overhead costs directly linked to provision of support to an operation and which would still be incurred even if the activity were to cease. Examples are permanent staff, duty travel, training, office rent and running costs, communication, vehicles, etc.

¹¹⁴ IDC are costs that arise in the support of projects and activities, but cannot be directly linked with their implementation - ICRC General Rules and Regulations, Financial Regulations, Rules of Procedure, ISC finances ICRC core functions, including all Regional Bureaux, the basic Country Office structure, and Headquarters. (currently set at 6.5%).

• Questions	• Sub-Questions
	<ul style="list-style-type: none"> <li data-bbox="740 309 1383 383">• ICRC currently use that measure VFM performance? <li data-bbox="740 383 1383 622">• What are existing examples where ICRC has measured VFM? For example, does ICRC track the cost effectiveness of cash transfers vs. direct delivery? Have any ex post impact assessments or other long term assessments/surveys been done which consider VFM aspects? <li data-bbox="740 622 1383 696">• How does ICRC monitor (and track VFM) of partners and subcontractors? <li data-bbox="740 696 1383 824">• How would ICRC systems need to change to measure VFM more effectively? Are new systems needed and, if so, what would be the implications? <li data-bbox="740 824 1383 902">• How could the revised/new systems and tools be useful? (both for the ICRC and for Donors)
<ul style="list-style-type: none"> <li data-bbox="240 1178 679 1283">• What risks might ICRC face related to VFM and how can they manage these? 	<ul style="list-style-type: none"> <li data-bbox="740 913 1383 1104">• ...in terms of incentives? Does ICRC have incentives for cost reduction? For example, in performance based management mechanisms or incentives to outsource activities if there are cost-efficiency gains? <li data-bbox="740 1104 1383 1142">• ...in terms of performance management systems? <li data-bbox="740 1142 1383 1180">• ...in terms of different stakeholder perceptions? <li data-bbox="740 1180 1383 1218">• ...in terms of competitive advantage? <li data-bbox="740 1218 1383 1256">• ...in terms of increased demand for information? <li data-bbox="740 1256 1383 1350">• What are the main reasons for keeping activities in house within ICRC rather than sub-contracting? <li data-bbox="740 1350 1383 1467">• Does ICRC face any particularly challenges with corruption or other misuse of resources? Are mitigation systems functioning? <li data-bbox="740 1467 1383 1552">• How does VFM for ICRC differ from other humanitarian actors? How is similar?
<ul style="list-style-type: none"> <li data-bbox="240 1626 679 1731">• What are the potential implications for the wider human sector? 	<ul style="list-style-type: none"> <li data-bbox="740 1563 1383 1626">• Are there examples of VFM initiatives of other agencies that are relevant to SIDA? <li data-bbox="740 1626 1383 1711">• Are there examples of VFM initiatives of other agencies that are relevant to ICRC? <li data-bbox="740 1711 1383 1794">• Are there certain categories of activity where ICRC is increasing or decreasing their involvement?
<ul style="list-style-type: none"> <li data-bbox="240 1861 679 1944">• What are the main trends ICRC operations relevant to VFM? 	<ul style="list-style-type: none"> <li data-bbox="740 1805 1383 1868">• Are there innovations (e.g. cash transfer?) that are significantly influencing ICRC's operations? <li data-bbox="740 1868 1383 1995">• What knowledge sharing takes place between countries/programmes to disseminate lessons to help improve effectiveness?
<ul style="list-style-type: none"> <li data-bbox="240 2007 679 2074">• What learning systems are in place relevant to VFM? 	<ul style="list-style-type: none"> <li data-bbox="740 2007 1383 2074">• Can you give examples of mechanisms that have shown improved process efficiency over time within

• Questions	• Sub-Questions
	a particular operation/country/at the corporate level?
• What should be next steps for ICRC in terms of VFM?	
• Other relevant points?	

Interview Guide for Peer Humanitarian Agencies

1. Which intervention areas do you overlap with ICRC?
2. For overlapping areas, what are their OPEX, IDS, DSC costs?
3. What are your views on ICRC sub-contracting vs. direct implementation of activities?
4. What are your views on the multi-disciplinary approach that ICRC provides? What role does this play during an emergency response? Could it be improved and, if so, how?
5. Are there areas where you think that ICRC has a unique role and, if so, why? Do you think this has any implications for ICRC's VFM performance and, if so, why?
6. Does your agency have VFM systems in place (e.g. incentives, VFM measurement) and, if so, what are these and are they functioning effectively?

Interview guide for Field Visits:

- a) What regular activities does the ICRC carry out in this country?
- b) What are the results you aim to achieve?
- c) How do you measure these?
- d) Can you give examples of input, outcomes and impact?
- e) How do you learn?
- f) How can ICRC optimise performance in the future?
- g) What is your understanding of VFM? Can you give examples of innovations that resulted in improved VFM?
- h) Often ICRC is considered quite expensive but is this justified? Where and why does the ICRC have an added value?

Beneficiary perspectives:

1. What have been the most significant moments in recent years affecting you and your family? (security, livelihoods or other factors)
2. Did you receive assistance or protection from ICRC or other agencies during these difficult times?
3. How would you describe the assistance? (Useful, did not make any change, crucial, ...) where there gaps in the assistance provided? which?...please explain...
4. What is the biggest success of ICRC's support? Why?
5. Most significant set-backs? Why?
6. Do you have any suggestions for improvement?
7. How does ICRC communicate with you and you with them?

Annex 3 – ToR Iraq/Amman Field Visits

How to Define and Measure Value for Money in the Humanitarian Sector ToR/Action Research Proposal: ICRC Delegations in Iraq & Amman Visits

Purpose & Introduction

The Terms of Reference for this study define the aims as follows:

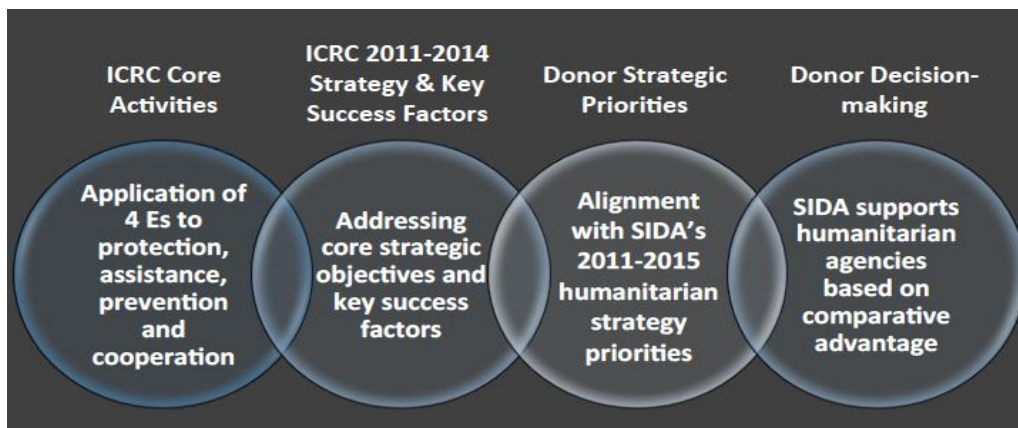
- A proposed definition of Value for Money in the humanitarian sector on the basis of ICRC's operational and management practice.
- A commonly agreed-upon vocabulary around the concept.
- Criteria, methods and tools to measure it, as much as possible, based on data collected and managed in the framework of the existing ICRC's management framework and practices.
- An assessment of the possible unintended risks of institutionalising the use of these proposed "value for money" measurement methods and tools within ICRC management practices and ways to mitigate such risks.
- Suggestions about next steps for further developing the wider debates about value for money in the humanitarian aid community.

The purpose of these TOR, which aim to complement the TOR and Inception Report for this study, is to test assumptions during the second field visit regarding ICRC's comparative strengths, how delegations communicate and implement VFM and the key challenges that they face.

Role of Field Visits

Results of the two field visits are critical to a successful outcome of this study, since many important VFM decisions are being made at this level. The first field visit during May 2013 included discussions with delegations in Somalia, the Nairobi-based Logistics Unit, the Nairobi Regional Delegation, and South Sudan (which included a visit to a beneficiary community). It was primarily designed as a scoping visit to improve team understanding regarding about what VFM systems are already in place.

For the second visit to the Iraq Delegation and the Regional Delegation in Amman, an "action research" approach will be used to test various hypotheses relating to the study aims listed above, through a series of research questions, while maintaining a handful of core questions used during the first field visit to better understand context-specificity via a comparison between the two regions.



ICRC & Sida VFM Model (Draft)

Action Research Hypotheses:

The 2011-2014 ICRC Strategy was used as a key reference in formulating the various hypotheses listed below. Some Key Success Factors are specifically mentioned while others, namely “Competitive Positioning” and “Acceptance and Reputation” are seen as cross-cutting dimensions.

- 1. Existing VFM Systems & Processes:** *ICRC already has VFM processes and systems in place but is facing some challenges in accessing relevant information and measuring/communicating results in VFM “language”.*
- 2. Overall VFM – ICRC Decision-Makers prefer to make decisions based on ICRC’s comparative advantage and select the most effective and efficient interventions. To make these decisions they need relevant and credible VFM information that is easy to access and doesn’t interfere with timeliness of a response.**
- 3. Communications on VFM – ICRC Senior Management and Communications Staff would like to better communicate to external stakeholders how ICRC applies VFM approaches but experiences difficulties in describing results/outcomes.**
- 4. Relevance – ICRC is specialised in providing emergency rapid response, protection, cooperation and institution building in IHL. In non-core areas ICRC prefers to promote the involvement of competent actors in non-specialist areas (e.g. longer term development, resilience).**
- 5. Unique Mandate:** *The ICRC has a unique and exclusive humanitarian mandate to protect lives and dignity of victims of armed conflict and provide them with assistance according to International Humanitarian Law (IHL). It achieves this through investing in communicating and advocacy around IHL with other actors to strengthen respect for life and dignity and for the ICRC's work on the ground.*
- 6. Multi-disciplinary approach:** *leads to better achievement of outcomes since needs of beneficiaries can be addressed in a quicker and more efficient manner – (efficiency, effectiveness).*
- 7. All victims approach** *means that ICRC is able to reach all vulnerable populations in contexts of armed conflict to address vulnerabilities and help build their resilience.*

- 8. Partnership** *enhances the speed, quality, and relevance of responses (ICRC, National Society, joint) to identified needs and helps ICRC to better adapt to specific contexts.*
- 9. Access** *enables ICRC to access and respond to humanitarian needs of populations where other actors do not have adequate presence. ICRC often acts in a catalyst to help open humanitarian space for other humanitarian actors. Securing and sustaining access requires investments in relationship building and maintaining confidentiality that often limits transparency and ability to report on results to external stakeholders.*
- 10. Cost-effectiveness** *in ICRC strikes an appropriate balance between reasonable cost and quality that generally lies between operational costs of UN (which are higher) and NGOs (which are generally lower).*
- 11. Human Resources Capacity & Mobility** *is designed to provide rapid response (deployment), optimised costs (i.e. an appropriate trade-off between cost and quality), suitably specialised to meet ICRC’s unique mandate and emergency situations, right balance between national and international staff to meet humanitarian needs.*
- 12. Flexible funding:**
- *Un-earmarked funding from diverse sources improves efficiency and effectiveness of ICRC operations but makes it more difficult to report on VFM.*
 - *Multi-year funding will improve VFM for chronic crises through a greater focus on results/outcomes.*

Research Questions/Interview Guide for Visits to Iraq & Amman Delegations

Theme & Hypothesis	Research Questions
<p>1. Existing VFM Systems & Processes¹¹⁵: <i>ICRC already has VFM processes and systems in place but is facing some challenges in accessing relevant information and measuring/communicating results in VFM “language”.</i></p>	<p>What exists already in ICRC in terms of VFM processes and systems and what are challenges to measuring VFM?</p> <ul style="list-style-type: none"> • What does VFM mean in an ICRC context? To what extent are ICRC activities VFM? Why? • What are ICRC’s comparative advantages? • How is ICRC deciding which options optimise VFM? • How is ICRC communicating VFM to stakeholders? • What are the incentives/disincentives to identify and follow VFM approaches? • What are the key challenges/risks of using VFM? • What are some examples of outcome indicators currently being used to measure VFM?

¹¹⁵ These Core Questions were also used during the first field visit to Kenya & South Sudan.

Theme & Hypothesis	Research Questions
<p>2. Overarching hypothesis: <i>ICRC Decision-Makers would prefer to make decisions based on VFM implications of different options relevant and credible information is relatively easy to access and doesn't interfere with timeliness of a response.</i></p>	<p>How do you decide why ICRC is better placed than other actors to intervene and, once decided, how do you determine the best option?</p> <ul style="list-style-type: none"> ● How do you make decisions about the following? <ul style="list-style-type: none"> ○ Is ICRC the best actor for an intervention out of all viable options? ○ If so, then what are the alternative responses and how do you decide on a particular option? ● What cost-related information do you normally use? ● What lessons learned are available to guide your decisions? How important are the following sources amongst the following on a scale of 0-5 (where 5 is very important)? <ul style="list-style-type: none"> ○ ICRC Technical Staff (i.e. “blue line”)? ○ Other ICRC National staff? ○ Other ICRC international staff? ○ ICRC Archives? ○ ICRC Intranet? ○ Your own experience? ○ Other (specify) ● Is there any information would you like to have for VFM decision making that is missing or difficult to access?
<p>3. VFM Communications: <i>ICRC Senior Management and Communications Staff would like to better communicate to external stakeholders how ICRC applies VFM approaches but experiences difficulties in describing results/outcomes.</i></p>	<p>How do you communicate VFM and what are the challenges?</p> <ul style="list-style-type: none"> ● What is the interest in ICRC’s VFM by different stakeholders (donors, host governments, beneficiary populations)? ● To what extent do you meet (communicate) these information demands? How? ● How do you communicate ICRC results/outcomes to different stakeholders? ● What are the main challenges to communicating VFM? ● Are there specific risks about communicating VFM?
<p>4. Relevance – ICRC is specialised in providing emergency rapid response, protection, cooperation and institution building in IHL. In non-core areas ICRC prefers to promote the involvement of competent actors in non-specialist areas (e.g. longer term development, resilience).</p>	<p>How does ICRC staff prioritise activities that are most relevant to their comparative advantages and promote involvement of other actors?</p> <ul style="list-style-type: none"> ● What form of activity – emergency, post conflict recovery, or longer-term programming is ICRC best placed to do? ● Are there compelling reasons why ICRC (a humanitarian agency) should be active in longer term development work? ● What is the decision process for identifying another

Theme & Hypothesis	Research Questions
	<p>actor for a given activity?</p> <ul style="list-style-type: none"> • Would VFM be improved if decision-making processes were more systematic to determine relevance? • Do donors ask these kinds of questions?
<p>5. Unique Mandate: <i>The ICRC has a unique and exclusive humanitarian mandate to protect lives and dignity of victims of armed conflict and provide them with assistance according to International Humanitarian Law (IHL). It achieves this through investing in communicating and advocacy around IHL with other actors to strengthen respect for life and dignity and for the ICRC's work on the ground.</i></p>	<p>How does ICRC use its unique IHL mandate as a comparative advantage and what changes does it hope to see in terms of results/outcomes?</p> <ul style="list-style-type: none"> • Who are the primary targets of this area of activity and what does success look like for each stakeholder group?
<p>6. A Multi-disciplinary approach leads to better achievement of outcomes since needs of beneficiaries can be addressed in a quicker and more efficient manner – (efficiency, effectiveness).</p>	<p>In what ways does a multidisciplinary approach provide value for money and what are the main challenges with such an approach?</p> <ul style="list-style-type: none"> • Do you always provide a multi-disciplinary approach? • Is there a decision making process to determine whether or not to do this, and how? • Are there alternatives to such an approach – e.g. other modalities or other organisations specialising in certain activities? • What are the specific challenges with such an approach?
<p>7. All victims approach means that ICRC is able to reach all vulnerable populations in contexts of armed conflict to address vulnerabilities and help build their resilience.</p>	<p>To what extent does the ICRC have a comparative advantage through its all victims approach? Who else is doing this? Should ICRC continue to do this?</p> <ul style="list-style-type: none"> • Do you track costs per beneficiary? If so how and what are the challenges? • Are there additional costs in targeting the most vulnerable and, if so, how do you decide on what is an acceptable limit? • What are some of the other main challenges in targeting the most vulnerable?
<p>8. Partnership enhances the speed, quality, and relevance of responses (ICRC, National Society, joint) to identified</p>	<p>How can ICRC improve VFM through partnerships and what are the specific challenges in optimising “outsourcing” of activities?</p> <ul style="list-style-type: none"> • What are examples of existing partnerships and how

Theme & Hypothesis	Research Questions
<p><i>needs and helps ICRC to better adapt to specific contexts. ICRC faces challenges with linking to partners due to its specific mandate and need to retain its reputation for confidentiality and responsiveness.</i></p>	<p>are these functioning? What are some key outcomes? What are the specific challenges?</p> <ul style="list-style-type: none"> ● What are the exit strategies with partners? ● Do you feel that you enough about the potential of other agencies to perform functions currently being done by ICRC?
<p>9. Access enables ICRC to access and respond to humanitarian needs of populations where other actors do not have adequate presence. ICRC often acts in a catalyst to help open humanitarian space for other humanitarian actors. Securing and sustaining access requires investments in relationship building and maintaining confidentiality that often limits transparency and ability to report on results to external stakeholders.</p>	<p>What is the “right” balance between ensuring access to affected populations and transparency/reporting on results? How are appropriate levels of investment in getting and sustaining access determined?</p> <ul style="list-style-type: none"> ● How can access be expressed in VFM terms (e.g. outcomes, etc.)? ● Which results can and cannot be reported to external stakeholders? ● Can you measure ICRC’s contribution to improved access and, if so, how?
<p>10. Cost-effectiveness in ICRC strikes an appropriate balance between reasonable cost and quality that generally lies between operational costs of UN (which are higher) and NGOs (which are generally lower).</p>	<p>How does the cost of ICRC operations, notably in terms of programme support and overhead costs, compare with other humanitarian agencies?</p> <ul style="list-style-type: none"> ● What are the differences between ICRC, UN and NGOs in terms of: <ul style="list-style-type: none"> ○ Operational costs (OPEX)¹¹⁶ ○ Direct support costs (DSC)¹¹⁷ ○ Indirect Support costs (IDC)¹¹⁸

¹¹⁶ OPEX costs are attributable to operations that wouldn’t be incurred in the absence of the operation, e.g. variable costs of activity (procurement, logistics, personnel, travel etc.) along with programme management services that ICRC is undertaking on the donor’s behalf: coordinating partners; procurement of services; payments to contractors; monitoring, review and oversight; and financial reporting and audits.

¹¹⁷ DSC are fixed overhead costs directly linked to provision of support to an operation and which would still be incurred even if the activity ceases. Examples are permanent staff, duty travel, training, office rent and running costs, communication, vehicles, etc.

¹¹⁸ IDC are costs that arise in the support of projects and activities, but cannot be directly linked with their implementation - ICRC General Rules and Regulations, Financial Regulations, Rules of Procedure, ISC finances ICRC core functions, including all Regional Bureaux, the basic Country Office

Theme & Hypothesis	Research Questions
	<ul style="list-style-type: none"> • How do R&R arrangements compare with UN? With NGOs?
<p>11. HR Capacity & Mobility <i>is designed to provide rapid response (deployment), optimised costs (i.e. an appropriate trade-off between cost and quality), suitably specialised to meet ICRC's unique mandate and emergency situations, right balance between national and international staff to meet humanitarian needs.</i></p>	<p>How does ICRC's current HR approach provide VFM and where are the gaps? What are the potential advantages and disadvantages of the planned People Management Vision and Strategy from a VFM perspective?</p> <ul style="list-style-type: none"> • How does the current HR approach promote or hinder VFM decision-making? • Will this change once the new strategy is implemented and, if so, how? • Is there sufficient capacity for results monitoring and reporting?
<p>12. Flexible funding:</p> <ul style="list-style-type: none"> • <i>Un-earmarked funding from diverse sources improves efficiency and effectiveness of ICRC operations but makes it more difficult to report on VFM.</i> • <i>Multi-year funding will improve VFM for chronic crises through a greater focus on results/outcomes.</i> 	<p>What are the main advantages and disadvantages of flexible funding?</p> <ul style="list-style-type: none"> • What evidence is needed for donors to provide more flexible funding? • Could there be advantages to multi-year funding? If so, what are they?

VFM Outcome Indicators & Draft Tools

During the field visit, the opportunity will also be used to test various outcome indicators for the four activity areas (Protection, Assistance, Prevention, Cooperation) and some draft tools (e.g. VFM checklists).

structure, and Headquarters. (currently set at 6.5%).

Annex 4 – Study Timetable

Milestone	Dates	Responsibility	Participants
Inception Phase	Mar 22–Apr 15	Study Team	
Scoping field visit to Regional Delegation in Nairobi and South Sudan delegation to review different options for VFM models and tools	May 14 – 23	3 Study Team members + 1 ICRC staff member	ICRC Delegations in Nairobi, Somalia and S Sudan
Presentation of VFM models and tools to ICRC/Sida along with recommended options based on the results of the field visit.	June 4	Study Team	ICRC Steering Group (plus invitees), Sida
Field testing of VFM model and tools in Iraq and Amman Regional Delegations	Thursday June 16 – Friday 21	3 Study Team members + 1 ICRC staff member	ICRC Delegations in Iraq and Amman
Submission and circulation of Draft Synthesis Report plus VFM framework/tools revised following field tests	Monday, July 22	Study Team and ICRC/Sida Focal Points	ICRC Steering Group (plus others), Sida
Initial consultation with Steering Group and Sida on draft report	Wednesday, July 24	Team Leader	ICRC Steering Group, Sida
One-day workshop. A half day to review, validate key findings, conclusions, and further develop recommendations. The other half day will be devoted to practical application of the VFM model and tools that have been developed.	Thursday, August 29	Study Team and ICRC Focal Point	ICRC Steering Group plus other invitees, Sida

Annex 5 – List of Key Informants

ICRC HQ

<i>Name</i>	<i>Org. and function</i>	♂♀	<i>Date</i>	<i>Location</i>	<i>Interviewer</i>
Christophe Hambye	Head of Unit, External resources Division, ICRC HQ	M	Various	Geneva	Team
Isabelle Barras	Deputy Head External Resources Division, ICRC HQ	F	Various	Geneva	JB
Barbara Hunziker	Assistance	F	15 Mar	Geneva	JB & ED
Nicolai Panke	Acting Head of Operations	M	03 Apr	Geneva	JB & ED
Velina Mikova Thao Ton That Whelan Karla Levy Simancas de Marichales Eugen Burkhalter	Institutional Performance Management Advisory Team	1M 3F	19 Apr	Geneva	JB & RP
Fabrizio Carboni	Deputy Head of Multilateral Division and Doctrine	M	23 Apr	Geneva	ED
Reto Meister	Ombudsman	M	16 May	Geneva	ED
Peggy Herth	Head of Internal Audit	F	16 May	Geneva	ED
Nicolas Busino / Frédéric Tremblay	Head of Financial Head of Finance and Administration Financial Control	M	17 May	Geneva	ED
David Horobin	Head, Security and Crisis Management Support Unit	M	30 Apr	Geneva	JB
Agnes Dhur	Head of Economic Security Unit, Assistance Division	F	30 May	Geneva	JB & ED
Eileen Daly	Head of Health Unit, Assistance Division	M	30 May	Geneva	JB & ED

ANNEX 5 – LIST OF KEY INFORMANTS

<i>Name</i>	<i>Org. and function</i>	♂♀	<i>Date</i>	<i>Location</i>	<i>Interviewer</i>
Evaristo Oliveihra / Philippe Dross	Deputy Head / Head of Water & Habitat unit / Assistance Division	M	30 May	Geneva	JB & ED
Yves Daccord	Director General	M	30 May	Geneva	JB & ED
Florian Westphal, Valérie Martin, Kelnor	Communication Unit	2M / 1F	31 May	Geneva	JB & ED
Claude Tardif	Head of Physical Rehabilitation / Health Unit / Assistance Division	M	31 May	Geneva	JB & ED
Rafaella Diana	Head IPL Unit	F	31 May	Geneva	JB & ED
Charlotte Nicol	Assistante Women and War Unit	F	31 May	Geneva	JB & ED
Pascale Meige Wagner, Eugen Burkhalter, C. Hambye	Deputy Head of Operations, IPM Adviser, Head of Unit REX	1F 2M	31 May	Geneva	JB & ED
Christian Cullillas	Financial Controller	M	06 Jun	Geneva	ED
Pascal Hundt	Head of Assistance Division	M	07 Jun	Geneva	ED
Jerome Sorg	Head of Unit, External Resources	M	09 Jul	Geneva	JB
Lise Boudreault	Head of Unit, External Resources	F	09 Jul	Geneva	JB
Barbara Hintermann	Deputy Head of Human Resources (RH_DIR)	F	12 Jun	Geneva	VS
Tarun Sarwal	Economist - Ecosec	M	18 Apr	Geneva	VS
Antony Martin	HR Finance Director	M	19 Apr	Geneva	VS
Thierry Fournier	Deputy Head of Logistic Division (Procurement)	M	03 Jun	Geneva	VS
George Mc Guire	Field Logistics Support Unit, Medical	M	03 Jun	Geneva	VS
Katie Samms	Chief of Staff	F	03 May	Geneva	RP, VS
Carlotta Re-lander	Head of Cooperation Division	F	24 Apr	Geneva	RP
Dominique Matthieu	Cooperation Regional Delegate	M	13 May	New Delhi/phone	RP
Kathleen Graaf	Movement Partnership Adviser	F	13 May	Geneva	RP
Romain Bircher	Head of Unit DATA	M	31 May	Geneva	RP

<i>Name</i>	<i>Org. and function</i>	♂♀	<i>Date</i>	<i>Location</i>	<i>Interviewer</i>
Emmanuelle Alary,	Data Coordinator	M	31 May	Geneva	RP
Christopher Mehley,	Deputy Head Central Tracing Agency and Protection Division	M	31 May	Geneva	RP
Guilheim Ravies	Head of Unit, Protection of the Civilian Population Central Tracing Agency and Protection Division	M	06 June	Geneva	RP

Non-ICRC Interviewees (Global Level)

<i>Name</i>	<i>Org. and function</i>	♂♀	<i>Date</i>	<i>Location</i>	<i>Interviewer</i>
Carin Zetterlund	Programme Officer Unit for Humanitarian Assistance	F	12 Apr	Stockholm	JB
Katarina Kotoglou	Programme Officer, Sida	F	12 Apr	Wash, DC	RP
Johan Palsgård	First Secretary Humanitarian Affairs, The Permanent Mission of Sweden in Geneva	M	21 Mar	Geneva	JB
Patrick Kratt, Carin Zetterlund, Maria Thorin, Katarina Kotoglou	FGD Sida Humanitarian Unit: Deputy Head of Unit, Programme Office, Humanitarian Desk Officer, Programme Officer	1M 3F	12 Jun	Stockholm	JB
Oscar Schlyter	Deputy Director, Ministry of Foreign Affairs	M	12 Jun	Stockholm	JB
Sofia Calltorp	Head of the Humanitarian Section, Ministry of Foreign Affairs	F	11 Jul	Stockholm (by phone)	JB
Juliette Seban	IRC Economist	F		Wash, DC	VS
Emily Reilly	British Red Cross. DFID programme manager	F		UK	VS
Becky Evans	BOND	F		UK	VS
Helen Bushell	Team Manager, Monitoring, Evaluation, Accountability & Learning, Oxfam GB	F	16 Jul	UK	JB & VS
Peter d'Sousa Niel Barr Malcolm Worboys	Economist, DFID Humanitarian Adviser, DFID Deputy Programme Manager for the Humanitarian and	3M	26 Jun	London	JB

ANNEX 5 – LIST OF KEY INFORMANTS

<i>Name</i>	<i>Org. and function</i>	♂♀	<i>Date</i>	<i>Location</i>	<i>Interviewer</i>
	Disaster Risk Policy Group,				
Hilde Salvesen	Senior Adviser, Ministry of Foreign Affairs, Section for Humanitarian Affairs	F	3 Jul	Oslo (by phone)	JB
Margaret Pollock	Director for Multilateral Coordination and External Relations and Senior Advisor on Population Issues, Bureau of Population, Refugees, and Migration, US State Dept.	F	19 Jul	Wash, DC (by phone)	JB
Manuel Bessler	Deputy Director of the Swiss Agency for Development and Cooperation (SDC)	M	23 Jul	Berne (by phone)	JB
Rudolf Gsell	Responsible for Quality Assurance in SDC' Humanitarian Division	M	29 Jul	Berne (by phone)	JB

ICRC Field Delegation Staff

<i>Name</i>	<i>Org. and function</i>	♂♀	<i>Date</i>	<i>Location</i>	<i>Interviewer</i>
Christophe Luedi	Head of Regional Delegation Nairobi	M	15 May	Nairobi	JB & RP
Jean-Luc Jacquier	Regional Administrative Coordinator	M	15 May	Nairobi	JB & RP
Bruno Measureur, Jean Vergain, Geraud Devred	Reg. Agronomist Specialist Reg. WaHab Specialist Reg. Cash Transfer Specialist	3M	15 May	Nairobi	JB & RP
Vanessa Sharp	Communications Producer	F	15 May	Nairobi	JB & RP
Clare Dalton Dr. James Kisla Chelsa Gules Monsen Maria Twerda	Cooperation Delegate, ICRC Nairobi Deputy Secretary General, Kenya Red Cross IFRC WASH Delegate Regional Programme coordinator, NL Red Cross	3F 1M	15 May	Nairobi	JB & RP
Marton Galanthay	Regional ICT coordinator	M	15 May	Nairobi	JB & RP
Francois Mounis	Deputy Head of Regional Delegation, Nairobi	1M 1F	15 May	Nairobi	JB & RP

ANNEX 5 – LIST OF KEY INFORMANTS

<i>Name</i>	<i>Org. and function</i>	♂♀	<i>Date</i>	<i>Location</i>	<i>Interviewer</i>
Linnet Tocho	Regional Tracing Assistant				
Olivier Humbert-Droz Torben Laurisden,	Administrator & Logistics Adviser, Somalia Delegation	2M	16 May	Nairobi	JB & RP
Patrick Hamilton	Deputy Head of Delegation, Somalia	M	16 May	Nairobi	JB & RP
Patrick Vial Olivier Humbert-Droz	Head of Delegation Deputy Head of Delegation, Somalia	2M	16 May	Nairobi	JB & RP
Adrian Zimmermann	DoHD Operations, S Sudan	M	17 May	Juba	JB & CH
Melker Mabeck	Head of Delegation, S. Sudan	M	17 May	Juba	JB, RP, ED & CH
Diego Cameno Sastre	Head of sub-Delegation, Malakal	M	17 & 19 May	Malakal	JB, RP, ED & CH
Henry Sambai	Cooperation field officer	M	22 May	Juba	CH, RP
Ana Hernandez	Ecosec Coordinator	F	22 May	Juba	JB, VS
Tarek Kaoukji	Administrator	M	20 May	Malakal	JB & CH
Nicole	Field Delegate	F	20 May	Malakal	JB & CH
Florence Gillette	Deputy Head of Delegation	F	21 May	Juba	JB & CH
Marta Sagui Francisco Javier Curras Paredes	Deputy Coordinator WatHab. Deputy WatHab Coordinator	1F 1M	21 May	Juba	JB & CH
Alienor Bernhard	Deputy Head of Delegation	F	16-Jun	Erbil	ED; IB; RP
Veronique Urniak	Health Coordinator	F	16-Jun	Erbil	ED; IB; RP
Alexandre Farine	Water and Habitat Coordinator	M	16-Jun	Erbil	ED; IB; RP
Peter Schamberger	Economic Security Coordinator	M	16-Jun	Erbil	ED; IB; RP
Dalila Romdhane	Detention Coordinator	F	16-Jun	Erbil	ED; IB; RP
Focus Group discussion	ICRC Iraq Delegation Staff		16-Jun	Erbil	ED; IB; RP
Annis Gandeel	Field delegate	M	17-Jun	Kirkuk	ED; IB; RP
Nazar Emad	Water and Habitat field offi-	M	17-Jun	Kirkuk	RP, ED

ANNEX 5 – LIST OF KEY INFORMANTS

<i>Name</i>	<i>Org. and function</i>	♂♀	<i>Date</i>	<i>Location</i>	<i>Interviewer</i>
	cer				
Dina Saada	MEI FO	F	17-Jun	Daquq	RP, ED
Beat Schweizer	Head of Delegation for Iraq	M	18-Jun	Erbil	ED; IB; RP
Alienor Bernhard	Deputy Head of Delegation	F	16-Jun	Erbil	ED; IB; RP
Veronique Urniak	Health Coordinator	F	16-Jun	Erbil	ED; IB; RP
Alexandre Farine	Water and Habitat Coordinator	M	16-Jun	Erbil	ED; IB; RP
Peter Schamberger	Economic Security Coordinator	M	16-Jun	Erbil	ED; IB; RP
Dalila Romdhane	Detention Coordinator	F	16-Jun	Erbil	ED; IB; RP
Focus Group discussion	Delegation Staff		16-Jun	Erbil	ED; IB; RP
Annis Gandeel	Field delegate	M	17-Jun	Kirkuk	ED; IB; RP
Nazar Emad	Water and Habitat field officer	M	17-Jun	Kirkuk	RP, ED
Dina Saada	MEI FO	F	17-Jun	Daquq	RP, ED
Beat Schweizer	Head of Delegation for Iraq	M	18-Jun	Erbil	ED; IB; RP
Michael Talmami	Wathab Advisor	M	19-Jun	Amman	ED; RP
Dr Armeur Zemalli	AIWA	M	19-Jun	Amman	ED; RP
Kasbar Tashdjian	Regional Medical Delegate	M	19-Jun	Amman	ED; RP
Ken Hume	FAS Delegate	M	19-Jun	Amman	ED; RP
Per Hakon Breivik	Weapon Contamination Delegate	M	19-Jun	Amman	ED; RP
Catherine Gendre.	Head of Delegation	F	19-Jun	Amman	Team
Bertrand Lamon	Head of Delegation/Protection Coordinator	M	20-Jun	Amman	JB & IB
Rob Drouen	Multilateral Affairs Adviser	M	19-Jun	Amman	Team
FGD Managers & Advisers			19-Jun	Amman	Team
Caroline Wanyonyi	ECHO Reporting Delegate	F	20-Jun	Amman	JB & IB
Gazmend Kelmendi	Administrator	M	19-Jun	Amman	JB & IB

<i>Name</i>	<i>Org. and function</i>	♂♀	<i>Date</i>	<i>Location</i>	<i>Interviewer</i>
Muriel Breton	Information Management Advisor	F	19-Jun	Amman	JB & IB
Maik Schmidt Vincent Debois Alia Rana Mefleh Emad Ferran	Reg Logistics Coordinator Reg.Purchaser Head of supply chain Supply chain assistant Purchaser Purchaser	2F 3M	20-Jun	Amman	JB
Dominique Matthieu	Cooperation Regional Delegate	M	13 May	New Delhi/phone	RP

Non-ICRC Interviewees (Field Visits)

<i>Name</i>	<i>Org. and function</i>	♂♀	<i>Date</i>	<i>Location</i>	<i>Interviewer</i>
Dr. Ahmed M. Hassan	President, Somali RCS	M	06 May	Nairobi	JB & RP
Seb Fouquet	Somalia Humanitarian Adviser, DFID	M	06 May	Nairobi	JB & RP
Anna Tufvesson	First Secretary, Sr. Programme Mgr, Water, Deputy Head of Dev Cooperation, Swedish Embassy, Kenya	F	23 May	Nairobi	JB
Patrick Lavand'Homme	Head of Kenya Coordination, OCHA	M	23 May	Nairobi	JB
Beneficiary FGD	Approximately 30 individuals split into separate male and female focus groups.	15F 15M	19 May	Pamat Village, Malakal cluster	Team
Cathy Howard	Deputy Head of Office, OCHA	F	22 May	Juba	JB, VS & RP
Ulrika Josefsson,	Counsellor, Head of Development Cooperation, Sida	F	21 May	Juba	JB & RP
Caroline Wangeci Dale Lora Chappell Hamish Falconer	M&E Officer Economist Head of Humanitarian Team DFID South Sudan	2F 1M	20 May	Juba	JB, RP, VS
Raphael Gorgeu	Dep Head of Mission MSF-H	M	21 May	Juba	JB & RP
Arthur Agany Poole John Lobar	Secretary General Deputy Secretary General South Sudan Red Cross	2M	21 May	Juba	JB, RP, VS

ANNEX 5 – LIST OF KEY INFORMANTS

<i>Name</i>	<i>Org. and function</i>	♂♀	<i>Date</i>	<i>Location</i>	<i>Interviewer</i>
	Head of Water Board, Kirkuk	F	17 Jun	Kirkuk	ED, IB; RP
Group discussions with beneficiaries			17 Jun	Kirkuk; Taza; Daquq	ED, IB; RP
Yazan Habash	Regional Programme Manager, Sida, Amman	M	20 Jun	Amman	JB & IB
Marie Wikstrom	Regional Programme Manager Human Rights & Democracy, Swedish Embassy/Sida	F	20 Jun	Amman	JB & IB
Carlos Alfonso Gallegos & Maureen Philippon	Technical Assistant, Food Assistance Expert Amman Support Office, ECHO	1M 1F	18 Jun	Amman	JB
Robert Beer	Programme Director, NRC	M	18 Jun	Amman	JB
Phil Eanes	Senior Regional Programme Coordinator	M	19 Jun	Amman	JB & IB
Alistair McArthur & Richard Guerra	Humanitarian Advisers, DFID	2M	19 Jun	Amman	Team
Paul Stromberg, Amra Nuhbegovic	Asst. Representative (Ops) Sr. Programme Officer, UNHCR	1M 1F	20 Jun	Amman	JB
Paul Critchley	Head of Mission, MSF H Jordan/Iraq/Southern Syria	M	18-Jun	Amman	JB
Robert Beer	Programme Director, NRC Jordan	M	18-Jun	Amman	JB
Beat Von Daniken	Regional Director, SDC	M	18-Jun	Amman	JB
Mohamed Babiker	Regional Representative-Gulf HoD IFRC	M	19-Jun	Amman	ED; RP
Pete Manfield	Deputy Head of Office OCHA	M	19-Jun	Amman	ED; RP
Antoine Foucher	Head of Mission, MSF France	M	19-Jun	Amman	ED; RP

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Annex 7 – Accountability to Beneficiaries

Humanitarian organisations are increasingly committed to placing quality and accountability to affected people at the core of their activities, from (disaster) preparedness to early recovery and resilience, through all the cycles of their programmes, applicable to humanitarian or development work.

A common thread is the importance of mainstreaming human rights into the programme cycle. The human rights system includes a wide range of rights, such as the right to a life with dignity, the right to information and transparency, the right to participate in decision-making, the right to complain, the right to receive humanitarian assistance, the right to protection and security, economical and social rights for different groups of populations, ownership rights, cultural rights. Mainstreaming those rights into humanitarian and development action ensures that proper weight is given to the dignity of the affected populations. Affected populations should be active partners in the decision-making processes affecting their lives.

Aid organisations can be the very ones to violate basic human rights by being non-transparent, including national or regional decision makers in the response, ignoring national or regional knowledge and exploiting or abusing intended beneficiaries or communities. It is therefore essential to include and actively promote human rights during those initial stages, in order to ensure their inclusion into programming and processes.

When an organisation demonstrates a high level of accountability to affected populations and host communities, it shows a high level of value for money.

Accountability and the 4E framework

When reflecting on tools and processes to measure value for money in humanitarian work, taking into account measures of multidisciplinary approaches and outcomes, we need to ensure that we apply an accountability lens to assessing the 4E's. Equity can appear to reduce efficiency and economy. However, this is not the case the higher costs associated with equity are not “wasted” but necessary to maximise effectiveness; therefore this 4th E needs to be used to carefully weight and triangulate measures on economy, efficiency and effectiveness. The following is a reflection on how this could possibly be integrated and achieved.

Economy

An economical approach refers to input cost optimisation to reduce wastage. It is useful for VFM analysis, but is limited; it does not take into account the achieved indirect result and can actually compromise results if taken too far.¹¹⁹

Applying the accountability lens to economical processes will improve analysis of value for money from the beneficiary’s perspective.

Efficiency involves examining the systems, processes, mechanisms and methods used at the corporate, country, programme and project level; measuring and acting on efficient management system that incorporates quality measures is important for VFM analysis and can lead to significantly better overall results and outcomes by reducing inefficiencies.¹²⁰

An accountable organisation sets out commitments that it will be held accountable for and how they will be delivered. This includes a set of processes which ensure that resources are used properly to achieve objectives. Such processes will include policies and procedures such as procurement policy, information policy, targeting of activities / beneficiaries, etc. Sharing these processes with the affected communities and intended beneficiaries contributes to including the economical aspects of humanitarian aid into the dialogue with intended beneficiaries. For obvious reasons (level of literacy, education, awareness) this is a mid- to long-term process. The organisation will need to include high levels of awareness-raising amongst the affected population concerning accountability issues. This will improve decision-making for economical processes (e.g. cash transfers versus local purchases versus international aid deliveries).

Accountability to beneficiaries includes a shift of power from the aid organisation to the end-user. Therefore, including beneficiary’s views into our programming, decision-making, choices, and recruitment improves transparency and contributes to greater efficiency. An efficient organisation will share information on all levels with all groups of stakeholders in order to understand those decisions and choices that are made or, to the contrary, question those choices and offer more efficient channels.

Participation will contribute to the optimal use of resources by identifying local needs and capacities and resulting in improved value for money.

Effectiveness involves making choices regarding the design of the overall programme or the allocation of funds to activity types at project or programme levels (e.g. food aid

¹¹⁹ Adapted from the Inception Report

¹²⁰ idem

versus cash transfers, etc.) to maximise outcomes – with direct and indirect beneficiaries, multipliers etc. This analysis has a direct focus on results and is most likely to best show the VFM picture of the organisation.¹²¹ This will include demonstrating the indirect benefits of a project (when distributing mosquito nets in a given country, measurements on effectiveness should include impact on public health rather than number of people who had access to the nets; i.e. did the appropriate use of nets reduce malaria morbidity or other related diseases?).¹²²

There is a risk of shifting resources to less complex and easy quantifiable interventions that will limit innovation without necessarily reaching the most vulnerable.¹²³

Therefore, the key question, which needs to remain, is the identification of value for money. For whom? For the donors? For the beneficiaries? If value for money is identified from the beneficiary perception, we need to include their visions into effective programming.

An effective organisation will maximise outcomes with a given level of inputs. Value linked to efficiency from the vision of beneficiaries will look at the output: have we delivered what we had promised to deliver, were the deliverables useful to the intended beneficiaries or did they need to sell them to buy something else? To ensure the inclusion of this beneficiary or end-user vision, the organisation needs to have systems in place which enable beneficiaries and host communities to give feedback and complaints to the organisation in a safe, efficient, accessible and confidential way, with no fear of retaliation.

The level of satisfaction from the beneficiaries will be directly linked to their expectations and ability to participate in the decision-making and design of programmes. The output is maximised with a given input if our programmes are tailored to the needs of beneficiaries.

Improved and transparent information sharing on the mandate and potential input from beneficiaries will also contribute to improved knowledge about expected outcomes and increase beneficiary satisfaction on effectiveness.

Measuring effectiveness from a beneficiary perception must include processes to include active participation in programming, transparent information sharing on expected inputs as well as efficient feedback and complaints procedures. If we can dem-

¹²¹ Adapted from the Inception Report

¹²² The Health Pyramid, Pierre Perrin, ICRC 1979/1980

¹²³ Natsios, former Head of USAID

onstrate cost-effectiveness in a way that upholds the specific mission and values of the ICRC and includes accountability measures, we will demonstrate that a given activity represents value for money.¹²⁴

Equity

Although equity should be one of the core components of any aid programme, in order to ensure that we do integrate equity analysis to cater to the needs of the most vulnerable and ensure the disaggregation of affected communities and beneficiaries, it is recommended to use this fourth E, to explicitly account for distributional issues, ensure that programmes are not missing other groups of people, and that they are operating in terms of meeting these objectives. These can easily be missed if the equity objective is subsumed within the effectiveness criterion, as it is difficult to apply equity weights in traditional cost-benefit analysis. Moreover, extremely vulnerable groups often have much greater unit costs of access, and having this fourth criterion explicitly stated will transparently justify the seemingly high costs incurred by ICRC (given its specific mandate and multidisciplinary approach).¹²⁵

Ensuring equity in aid programming and delivery demands that the organisation includes beneficiary views and perceptions throughout its programme cycle. To understand which groups need to be included and how this can best be done, active participation, as well as transparent information sharing, is important. Active participation will ensure that the determination of value for money is judged by the beneficiaries and affects their own values. This is key, since participation is a right that helps to achieve other rights and contributes to equity.

It is important to remember that, when taking into account equity and serving the most vulnerable, the related cost can often be much higher, given the possibility for greater complexity and diversity. The right to equity remains identical, even though costs have been increased. Therefore, prioritising programmes against cost-effectiveness would not only take the right to equity into account. In addition, the most vulnerable, according to what has been self-identified by the intended populations, are very often the most difficult to reach and should be the main target. This difficulty has probably added and increased their vulnerability.

Programmes effectively including equity as a core component represent value for money for the affected population, but will probably contradict efficiency and economical indicators.

¹²⁴ ActionAid 2010 – Pilot for measuring value for money

¹²⁵ Adapted from Inception Report

Conclusion

To measure value for money for any given project or programme, accountability measures and beneficiary perceptions need to be considered, since this is the final value for money “stamp”; beneficiaries feel that their needs have been catered to and that the organisation has achieved or exceeded expected results, taking into account available means (time, money, human resources) in the most efficient, effective, economical and equitable way.

Therefore, we must include an accountability assessment, including beneficiary perceptions, into any tool that we create to measure value for money:

- Are there quality management processes in place to enable us to deliver expected and promised outcomes and to integrate beneficiary’s visions from the beginning of the project cycle to the evaluation and monitoring stage in an active way?
- Are there policies for transparent information sharing including a decision-making process on information we are not going to share for security, confidentiality or other valid reasons?
- Are processes in place where we can integrate learning from evaluation and monitoring into the next project cycle to improve the quality of our aid delivery?
- Are there systems in place to enable all stakeholders, including beneficiaries and affected populations, to raise complaints and give feedback in an effective, accessible, safe and contextualised process?

The risk of not including beneficiary perspectives when measuring value for money is that programming may not be best informed on beneficiary objectives, needs and resource costs.

Annex 8 – ICRC Finance & Accounting Systems

Systems relevant to Value for Money

Contributions

ICRC does not accept contributions that are:

- ✓ In contradiction with the Movement's Fundamental Principles
- ✓ Seeking to support a specific group of beneficiaries
- ✓ Seeking to support a specific sub-region of a country
- ✓ Requiring visibility in contradiction to security of beneficiaries or staff

ICRC's commitment to improve reporting to donors has been further reinforced by external audits, the use of internationally agreed-upon accounting and financial reporting standards (IFRS), compliance with internal control system, internal planning, and monitoring and evaluation procedures. However, ICRC discourages large donations that are earmarked, as they include requirements and generate additional workload in both the field and at headquarters.

Description of the accounting model

Makes a clear distinction between financial accounting and cost accounting.

- Cost accounting
 - ✓ Internal management and reporting to donors
 - ✓ Focuses on the use of resources for the implementation of operational objects by country, programme and target population (as per PFR)
 - ✓ Objective is to promote understanding of processes and transactions and facilitate specific reporting to donors

Allocates costs into two different ways, cost centre (explains origin of the cost) and cost unit (indicates reason or objective of the cost). It creates a link between the supplier (operation, management, etc.) and the beneficiary, and therefore provides reliable and meaningful information for internal and external performance assessment and reporting. Any unit generates cost. The cost centre reflects costs incurred by whom in a given time and who is answerable for the cost. The cost unit describes the reason for, or purpose of, a cost. It is based on operational objectives, as defined in the PFR, and gives a clear indication of the purpose of the cost.

- Financial accounting
 - ✓ Illustrates how human, material and financial resources are used
 - ✓ Objective is to record expenses and report on financial transactions as per legal requirements

The financial accounting system supplies basic information to the cost accounting system (cost centres, cost units, time reporting). The system itself consists of a num-

ber of modules (assets, payrolls, stocks, etc.), which are incorporated into a balance sheet with a profit and loss statement. It does not provide information about the origin of, and the reason, for costs.

The accounting model comprises three dimensions:

A. Organisational unit dimension

Reflects hierarchy of the organisation in terms of responsibility for operational results. Also reflects the geographical structure of field operations and helps determine the cost and income of a delegation or geographical entity and compare those costs/incomes with pre-defined objectives.

B. Headquarters service and field dimension

HQ: services contribute to achievement of the aims in at least one of ICRC key success factors.

Field: programmes are slices of institutional objectives for ICRCs core activities.

Represent areas of competence translated into products and services to beneficiaries.

C. Target population dimension

Through PfR identification of target population (cost units) and incorporate into project dimension.

The accounting model has implications for financial and data-processing procedures as well as on the organisation itself and the working methods of the support units. Financial information should contribute to identify performance indicators.

Internal control system

ICRC has adopted an internal control and compliance approach based on:

✓ Internal control and compliance unit

Ensures that the internal control system complies with the requirements of Swiss legislation and ICRC's internal rules. It is the focal point for the external auditor for any matter related to the internal financial control system. The unit coordinates the financial controller.

✓ Financial controller

Checks through field and HQ missions on financial, administrative, human resources and logistics procedures. Scope of this control will be extended to fraud risks.

✓ Compliance and Quality Assurance Centre in the Philippines

Has operated over the past decade or so. Ensures comprehensive and consistent quality control of accounting and logistic documents to ensure standards are respected. Manages list of main financial risks and associated control measures, reviewed once a year and followed up on by this unit.

Internal audit

The internal audit reports directly to the Assembly. It assesses on an independent basis, the performance of the institution and the pertinence of the means deployed in

relation to the ICRC's strategy. In the financial area, it complements the external audit. The internal audit contributes to the use of a systematic, disciplined approach to ensure, and give added value to, the effectiveness of risk management, control and governance processes.

External audit

Principal revenue from governments and National Societies as well as private funding. This income is annually audited by Ernst & Young with regard to its utilisation and the reserves. This audit does not look into operational issues or programmatic analyses; it is an accounting audit as per Swiss standards.

It determines if the consolidated financial statements give a true and fair view in accordance with Financial Reporting Standards. The audit is conducted on a sample basis and is evidenced by supporting amounts and disclosures.

Procedures for Budget cuts

In case of drastic budget cuts that are needed during the yearly exercise (due to shortage of funds), the decision on the principle and the global amount is taken by the General Direction, then Direction of Operation will fix a target by region. The region, in turn, fixes a target by delegation, which internally discuss how to proceed, considering their field reality and needs. Technical units and services are implicated in these discussions on the delegation level as well as Geneva level.

Non-budgeted expenses (above 10'000 CHF) / additional expatriate staff

Any expenses that are not included in the PfR, as well as additional expatriate staff, need to be submitted for prior authorisation by OP/DIR by means of an AoE (Authorisation of Expenditure). The Direction of Operation, including links with strategy and needs, reason for request, etc. will scrutinise those requests.

Day-to-day management of budgeted expenses:

Although activities are approved, all monthly expenses exceeding CHF 30,000 must be submitted by Finance to Geneva as an allocation request. This includes amounts lower than CHF 30,000 at once, but done regularly and adding up to more than the indicated level (typically like renting a premise, monthly support to the national society, etc.). Monthly allocation meetings are held in each delegation to submit the allocation request for the next month. Those requests must correspond to PfR and the strategic plan; otherwise it is an « non-budgeted extra-allocation request ». Committed allocation requests that are part of the PfR are approved at GVA level, some major changes could justify to freeze some request.

Limits of approval are as follows:

- Between CHF 30'000 and CHF 100'000: by the deputy to the Head of Operations.
- Above CHF 100'000, the rental of premises as well as investments: by the deputy to the Head of Operations as well as the Head of Operations

For submitting an allocation, the final decision maker is the head of delegation according to the initial budget and plan. The primary decision point is based on needs and cost efficiency, and is influenced by the unit in charge. Units such as Log, Eco-sec, etc. need to explain their arguments when various options exist. When agreed upon at the delegation level, allocation requests are forwarded to Geneva and discussed at the regional level, with input from technical departments. Usually, those allocations are granted, since they do correspond to an agreed-upon plan of action. Decisions are made on a needs-based approach. The concerned technical unit should address the best use of available resources. The Head of delegation or the Head of region may question this aspect and ask for more information. If an allocation request is not granted (even if budgeted), the planned activity cannot be pursued.

Rules for contracts, memorandum of understandings, partnership agreements

Any contract, including Memoranda of Understanding (MoUs), or any other financial commitment by the Institution, is subject to an AoE before the signature. Contracts are signed with commercial suppliers. MoUs are signed with government authorities or organisations (ex. ministries, NGOs) for specific programmes/projects. As soon as a contract with a commercial supplier or a MoU is signed, the logistics procedures are to be followed as per the financial rules. Partnership Framework Agreements (PFA) with ONGs are not considered as MoUs.

As ICRC approves its budgets on a yearly basis, financial commitments should not normally go beyond one accounting year. Commitments that go beyond one accounting year (whatever the form of the agreement: contract, MoU, etc.) should remain exceptional; but they must always contain a termination clause for the end of any year with a notice period of one month (i.e. notice given end November). This includes lease contracts and other multi-year agreements. In terms of VFM, this can lead to contracts, which do not guarantee best possible cost-efficiency.

The objectives of above procedures on AoE for planned and extra activities is:

- ✓ To allow the management, follow-up and coherent control of the authorisations of expenditure in comparison with the budget and developments in the field
- ✓ To ensure that the funds for an operation are used appropriately
- ✓ To identify those expenses which are important for the operation, whether because of the amount involved or their political significance
- ✓ To obtain HQ's authorisation for the financial commitment relative to the expenditure submitted to the "AoE" process
- ✓ To allow the administration to ensure that it has the required funds
- ✓ To differentiate the management of commitments included in the PfR and those not budgeted

Annex 9 – ICRC Institutional Strategy 2011-2014: Directorate Roadmap

<i>Key Success Factors</i>	Strategic Orientations			
	Reinforce the ICRC's scope of action	Strengthen the ICRC's contextualised, multidisciplinary response	Shape the debate on legal and policy issues related to the ICRC's mission	Optimise the ICRC's performance
<i>Relevance</i>	<p>BREADTH AND DEPTH OF RESPONSE By June 2014, the ICRC will have reinforced its scope of action to ensure its relevance and effectiveness in all situations where it is active.</p> <p>³⁵₁₇ It will have enhanced its access to vulnerable populations in contexts of armed conflict (including in the early recovery phase) and improved the quality of its response to their needs.</p> <p>³⁵₁₇ It will have more systematically and effectively brought the humanitarian costs of other situations of violence (OSV) within its scope of action, capitalising on its global reach, ability to adapt, capacity to partner, and skills.</p> <p>³⁵₁₇ It will have deepened its understanding of and response to the impact of "megatrends" such as natural disasters, environmental degradation, migration, pandemics, and rampant urbanisation on populations affected by armed conflict and other situations of violence</p>	<p>QUALITY OF RESPONSE By June 2014, the ICRC will have improved and systematised its ability to place the needs of affected populations firmly at the centre of its humanitarian response.</p> <p>³⁵₁₇ It will have strengthened its ability to address the vulnerabilities and build on the resilience of populations in need and will have ensured the improved involvement of beneficiaries in identifying their own needs and formulating adequate responses, to ensure quality and relevance.</p> <p>³⁵₁₇ It will have confirmed its multidisciplinary approach, encompassing integrated planning,</p>		<p>FOCUS ON RESULTS By June 2014, the ICRC will manage its performance to maximise results, using resources efficiently and effectively and improving functioning within and across groups, based on clear definitions of roles and responsibilities as well as individual and joint accountability.</p>

<i>Key Success Factors</i>	Strategic Orientations			
	Reinforce the ICRC's scope of action	Strengthen the ICRC's contextualised, multidisciplinary response	Shape the debate on legal and policy issues related to the ICRC's mission	Optimise the ICRC's performance
		implementation, monitoring, and evaluation.		
	<p>PARTNERSHIPS By June 2014, the ICRC will have established a portfolio of quality operational or thematic (e.g., logistics, emergency response, capacity-building) partnerships with selected National Societies and/or other key stakeholders that have contributed to:</p> <ul style="list-style-type: none"> § enhancing the speed, quality, and relevance of responses (e.g., ICRC, National Society, joint) to identified needs; § improving working relationships with National Societies on issues of mutual interest; § more firmly anchoring the ICRC in specific contexts. 			
	<p>ONS RESPONSE CAPACITIES By June 2014, the ICRC will have contributed to reinforcing the response capacities of selected Operating National Societies, including through joint ICRC – Participating National Society actions, in areas where the ICRC has an important operational presence.</p>			
<i>Access</i>	<p>SECURITY MANAGEMENT By June 2014, the ICRC will have consolidated its security strategy, confirming that acceptance-building and decentralised management are its primary features. It will have successfully adapted its modus operandi (e.g., forms of presence, forms of operation management, types of partnerships, team composition, nature of networks) to the requirements of each context.</p>			
	<p>RELATIONSHIPS WITH ACTORS OF INFLUENCE By June 2014, the ICRC will have improved its access and strengthened the effectiveness of its response by developing relationships with a range of new actors of influence (e.g., mayors of mega-cities, non-state actors, trans-national identity based networks, gangs, etc.)</p>			
<i>Acceptance and Reputation</i>	<p>SUPPORT FROM STATES By June 2014, the ICRC will be considered as a leading humanitarian player by states of emerging influence (e.g., China, Brazil, Iran), as evidenced by their increased political, legal, operational, and financial support. At the same time, it will have maintained its traditional support base.</p>			

<i>Key Success Factors</i>	Strategic Orientations			
	Reinforce the ICRC's scope of action	Strengthen the ICRC's contextualised, multidisciplinary response	Shape the debate on legal and policy issues related to the ICRC's mission	Optimise the ICRC's performance
	MOBILISATION OF KEY STAKEHOLDERS By June 2014, the ICRC will have successfully mobilised political authorities, arms carriers and other important stakeholders in order to foster an environment conducive to respect for life and dignity and for the ICRC's work.			
<i>Organisation and Processes</i>	INFORMATION MANAGEMENT			By June 2014, the ICRC will implement efficient and effective information management processes, which contribute to sound decision-making, communication, and accountability and permit the efficient retrieval of information.
	USE OF NEW TECHNOLOGIES By June 2014, the ICRC will have capitalised on the use of new technologies and vectors to enhance its ability to communicate with stakeholders and improve the effectiveness of its response.			
<i>HR Capacity and Mobility</i>	PEOPLE LEADERSHIP By June 2014, ICRC staff will have integrated the four People Leadership and Management principles (self-awareness, conducive environment, decision-making, and feed-back) into the organisation's way of working, and adjusted individual and team behaviour accordingly.			
	IMPLEMENTATION OF PEOPLE MANAGEMENT VISION AND STRATEGY By June 2014, the ICRC will have implemented a comprehensive people management vision and strategy based on competences and responsibilities, to continue to attract, retain, and develop people with the skills needed to ensure its relevance and efficiency in response to changes in its operating environment. It effectively manages internationally- and locally-hired staff under a common framework.			
<i>Competitive Posi-</i>			LEADERSHIP IN KEY DOMAINS By June 2014, the ICRC will have driven the agenda on developing and clarifying IHL, and influenced the debate on	

<i>Key Success Factors</i>	Strategic Orientations			
	Reinforce the ICRC's scope of action	Strengthen the ICRC's contextualised, multidisciplinary response	Shape the debate on legal and policy issues related to the ICRC's mission	Optimise the ICRC's performance
<i>tioning</i>			the human costs of organised armed violence, the future of humanitarian action and principles, and other emerging issues, in order to strengthen respect for life and dignity and for the ICRC's work on the ground.	
<p>DIVERSIFIED, QUALITY FUNDING By June 2014, the ICRC will have sustained its activities and supported selected partnerships by securing the basis for continuing, quality financial resources, among both traditional and new funding sources.</p>				

Annex 10 – VFM Concept and Tools

VFM CONCEPTS AND THEIR APPLICATION

“**Value for Money**” (VFM) is a concept that has been widely used for some time within the commercial and industrial sectors. Some governments have recently begun to apply VFM concepts when making decisions about foreign aid contributions. The emphasis by some can be seen perceived as a development that is linked to ongoing aid effectiveness debates,¹²⁶ partly driven by the influence of the global financial crisis, and increased public expectations regarding increased accountability and transparency.

There is currently no common agreement on a definition of Value for Money (VFM) as it applies to humanitarian aid; and indeed it is often perceived as a donor-driven concept. VFM is often misinterpreted as a means of merely reducing costs, whereas the main aim of a VFM approach is actually to maximise outcomes in the most cost-effective way.

A useful starting point is offered by a brief OECD¹²⁷ paper, which aims to clarify and simplify VFM concepts; the paper defines it as:

- Best use of resources to achieve intended and sustainable outcomes.¹²⁸
- Striking the best balance between economy, efficiency, and effectiveness to achieve the desired impact.

The 4 ‘E’ conceptual framework (**E**conomy; **E**fficiency; **E**ffectiveness; **E**quity) was developed by the UK’s Independent Commission for Aid Impact¹²⁹ to capture VFM using more balanced approach and avoid a myopic focus on costs.

- **Economy** – refers to input cost optimisation to reduce wastage, reducing the cost of resources used for an activity, while maintaining quality. It is useful for VFM analysis, but is limited; it has little impact on choices in terms of ac-

¹²⁶ Jackson, P. (2012) Value for money and international development: Deconstructing myths to promote a more constructive discussion. OECD <http://www.oecd.org/dac/aideffectiveness/49652541.pdf>

¹²⁷ *ibid*

¹²⁸ See also DFID’s Position Paper on VFM <http://www.dfid.gov.uk/Documents/publications1/DFID-approach-value-money.pdf>

¹²⁹ Independent Commission for Aid Impact (2011)

tually achieving results, and can compromise results if too much emphasis is placed on this particular “E”.

- **Efficiency** – involves examining the systems, processes, mechanisms and methods used at the corporate, country, programme and project level; measuring and acting on this is important for VFM analysis and can lead to significantly better overall results and outcomes by reducing inefficiencies;
- **Effectiveness** – involves making choices regarding the design of the overall programme or allocation of funds to activity types at the project or programme level (e.g. food aid vs. cash transfers) to maximise outcomes – for both direct and indirect beneficiaries. This “E” has a direct focus on results and is most likely to best show an overall VFM picture of the organisation.
- **Equity** – although this fourth “E” is not always applied in VFM analysis,¹³⁰ given the ICRC’s mandate and operating context, it was important to include the equity “lens” in the model to ensure specific vulnerabilities such as those related to privation of liberty, displacement, disability, gender or ethnicity are considered in the analysis. The inclusion of equity is intended to take account of protection and assistance challenges for vulnerable groups, and gauge the extent to which the ICRC operations are meeting these objectives. Assisting vulnerable groups often has much greater unit costs of access, and including this fourth criterion should help in justifying apparently high costs. Equitable approaches are also critical to gaining and maintaining access to affected populations (e.g. considering needs of host communities along with those of displaced populations). When trying to cover needs, there is often a tension between efficiency and equity.

While measuring VFM for an entire programme or intervention is the ultimate aim, it is usually more practical to break this down into measuring VFM for constituent elements of a programme, most commonly separate into costs, inputs/activities, outputs and outcomes.

One of the main methods for measuring VFM is benchmarking; although this is often challenging to do in practice, even when comparing agencies that operate in the same country and context. It is usually possible to identify some VFM indicators that can be externally benchmarked, for example, programme/project level indirect support administration overheads in the field, unit operating costs such as staff, travel, accommodation, etc. However, it is usually more problematic to benchmark costs for specific activities and cost-effectiveness indicators (e.g. cost per beneficiary) at programme and country levels, where operating contexts vary significantly. For the

¹³⁰ DFID, for example, uses a 3E VFM Framework.

ICRC, for example, difficulties concerning access and acceptance will need to be taken into account when justifying higher costs.

Using the 4E VFM Framework to Improve Value for Money

Using the 4E framework as a practical tool to improve VFM in approaches involves adapting it during the programme cycle. During the design phase, the framework can be used to help select activities from a range of options, based on considerations around effectiveness, equity and economy. During implementation, there is typically a greater emphasis on the efficiency of day-to-day activities. Post-intervention monitoring seeks to verify what was actually achieved and will tend to focus on effectiveness and equity.

Table 4 Measuring VFM Using the 4 ‘Es’

4 Es	Measurement Systems
Economy	<ul style="list-style-type: none"> Analyse generic unit costs and other various cost ratios and compare them to equivalent ratios from other programmes or agencies to assess their magnitude. Examples of ratios would be direct support costs as a % of programme budget at a delegation level, unit personnel costs, ratio of local staff to international staff etc. Cost ratios can also be collated over time within a programme to benchmark internally, for example comparing costs of a similar humanitarian service using different delivery systems. Cost reductions can be gauged over time due to learning, economies of scale and scope.¹³¹ Economies of scope are an important VFM concept to analyse in the case of the ICRC because of its multi-disciplinary approach, since cost-sharing between different activities is often highly cost effective. Procurement rules lend themselves to competitive tendering whilst maintaining quality along with applicable policies in maintaining partners’ and sub contractors’ cost control.

¹³¹ Economies of scope are conceptually similar to economies of scale. Whereas economies of scale, for an organisation, primarily refer to reductions in the average cost (cost per unit) associated with increasing the scale of production for a single activity type, economies of scope refers to lowering the average cost for an agency in producing two or more activities. Here, economies of scope make a multi-disciplinary approach more efficient if they are based on the common and recurrent use of proprietary know-how or on an indivisible physical asset. For example, as the number of activities undertaken is increased, more people can be reached with the same amount of resources.

4 Es	Measurement Systems
Efficiency	<ul style="list-style-type: none"> • Internal benchmarking¹³² can show evidence of cost savings over time or across activities/countries, for example, when the project/programme/department has migrated onto a new improved system. • External benchmarking is useful when a system or process is sufficiently similar to that in another agency. (E.g. Human Resources functions, Information Technology functions, unit costs of logistics of commodities within a particular region). • Timeliness of response is also an important consideration in humanitarian contexts, as it enables organisations to save lives and preserve the dignity of people affected by conflict. • The quantity of inputs used (e.g. staff days, equipment) to achieve a certain output can also provide a measure for efficiency.
Effectiveness	<ul style="list-style-type: none"> • Benefits of the ICRC activities at the outcome level, including assistance coverage (equity), direct and indirect benefits with suitable attributions, covering expected economic, social, political, institutional, environmental, fragility and conflict, climate change, institutional, and private sector engagement outcomes and behavioural changes associated with the intervention. Examples of benefits would be reduced violence to prison detainees, improved dignity of beneficiaries, improvements with respect of IHL, a better welfare outcome for affected population due to a multi-disciplinary approach. • Potential negative outcomes are also important to consider, e.g. increased violence against a group who are being assisted. • The benefits identified above would have to be qualified and quantified, providing a measure of scale and timing of benefits (i.e. short term versus long term benefits). For example, the number of households receiving food aid, quantified changes in household income due to cash transfers, the number family links re-established. • The attribution of the intervention to the outcomes can be proxied by the contributions of the programme, relative to other interventions and external factors which also influence outcomes. • A final stage would involve valuing benefits in monetary terms to the extent possible. A critical first step would be to assess what is actually realistic in terms of a cost benefit analysis (CBA)¹³³, a rate of return analysis and/or cost effectiveness analysis (CEA). The results of such an assessment would not only help to determine what is feasible for cost measurement, but also help to inform the team's work around VFM definition and language.

¹³² See annex for additional explanation on VFM benchmarking.

¹³³ A cost-benefit analysis is a modelling tool that brings together, and reduces, a mass of physical and economic/financial data to a single parameter in order to aid decision-making. It can be useful as a guidance tool as long as its limitations are clearly understood.

4 Es	Measurement Systems
Equity	<ul style="list-style-type: none"> • Assessments measure the vulnerability status of affected communities. • Effective targeting and monitoring mechanisms show that assistance is reaching the poorest or most vulnerable. • Design of assistance programmes are conflict sensitive, incorporating Do No Harm approaches.

VFM TOOL/CHECKLIST EXAMPLE

Primary purpose:

- To allow ICRC to **better communicate** to donors its internal decision making processes relating to Value for Money (VFM);

Secondary purposes:

- To highlight to donors/beneficiary governments and their own staff where ICRC has a **comparative advantage** relative to other agencies;
- To dispel myths that ICRC is **relatively expensive** using a relatively light approach using comparative cost benchmarks based on the ICRC's primary cost drivers. This approach would help illustrate how higher costs are justified based on ICRC's specific **value added**, with a focus on hard to reach populations;
- Provide ICRC with a **self-assessment tool** to promote **greater awareness about VFM decision making**, to help improve quality of results measurement, and provide a better evidence base when reporting to donors, noting that some 30% of ICRC's funds are provided by those that place a specific emphasis on reporting and analysis relating to VFM (i.e. Sweden, UK, EU and Canada).
- **Manage VFM-related information** better and more efficiently.

Expected outputs from the VFM tool

For existing or new operations, a **VFM checklist** resulting in an **assessment** in the template as sampled below in the Table below to capture evidence of **results to use in donor reporting, cost effectiveness and efficiency** for donors.

Tool summary

As seen below, the VFM tool is essentially a checklist of questions,¹³⁴ which uses a combination of quantitative and qualitative data and other evidence, using internal and external benchmarks where possible to assess the partner's:

1. Support to Sida's humanitarian strategy?
2. Rationale for intervention? What other agencies are involved in similar operations?
3. Which comparative advantage(s) justify the intervention?
4. Why was this particular operational approach chosen?
5. What are key cost drivers of the programme and how are these being minimised without compromising quality?
6. How feasible is it to estimate cost per beneficiary and/or other cost effectiveness indicators?
7. Who are the main beneficiaries (e.g. which vulnerable groups)?
8. How will intended beneficiaries be targeted?
9. What are the main expected results / outcomes?
10. If relevant, is there an exit strategy that will promote sustainability?
11. What investments in emergency preparedness are appropriate?

Using the VFM Tool

1. *How and when is it appropriate to use this VFM tool?*

The tool can be used as a stand-alone checklist (or elements be integrated into existing guidelines, such as PFR and RBM guidance) to more easily communicate VFM aspects in ICRC operations to external stakeholders.

2. *Who could use the tool?*

ICRC Programme managers, HQ donor liaison officers and other ICRC staff who are the primary interface between ICRC, donors and other external stakeholders.

3. *How could ICRC and Sida each benefit from the tool?*

ICRC operations managers will be able to self-assess their operations, to more systematically determine, judge and evaluate results with an explicit link to budgets and resources to better understand and communicate VFM and the comparative advantage provided by ICRC. In other words, this tool will more explicitly bring together budgets, needs and responses. SIDA will be better informed about the VFM achievements of ICRC operations.

¹³⁴ Steering Group members and other participants had the opportunity of testing this tool during a working group session during a workshop at the end of August.

4. *Are all the steps needed?*

Steps 1 to 9 are the core steps required to provide a ‘VFM story.’ Steps 10 to 13 are optional extra steps to bolster the VFM story. It is recommended that all are answered to provide the full VFM story. They can be answered in a ‘light touch’ way.

5. *How are the 4Es covered with this tool?*

Within the analysis required in each step, some or all of the 4Es will be covered. This is explained in the worked example in the Table below.

6. *How much time and resources does it need to use this tool? Will it divert resources away from operations? How detailed should the answers be?*

A ‘light touch’ application of the tool should not require significant additional resources. Information should be available in existing documents (PFR, self-assessments, reviews, budgets, internal audits). To do an in-depth assessment of “added value may take considerably more time and resources, and require information to be collected from a wider variety of sources and internal staff interviews, and processed and analysed in more detail, possibly by economists/financial experts. For example, cost savings from procurement policies, time savings due to rapid responses of operations may take time to quantify and report. VFM is a relative concept, so benchmarks, where feasible and practical, may be useful and this will take time to collate. Such extra resource costs are an investment, and some of the extra time and resources will be of a “fixed cost” nature (e.g. collecting benchmarks).

7. *Will this involve quantitative assessments?*

Quantitative and financial assessments are recommended, but only where possible in terms of data availability and feasibility of analysis. Budget and cost analysis will involve quantitative assessments.

8. *How will the tool fit into the existing project management tools within ICRC?*

Table 1 below gives examples, based on the ICRC’s South Sudan operations, of existing documents, systems and processes within which the information for VFM is available. A significant amount of information and analysis is already available, and this type of tool should help to organise and summarise this information into a VFM format.

9. *What are the potential risks of using this tool and how can they be managed?*

Tools like this could favour interventions that are easier to measure and encourage donors earmarking funding for these to the detriment of those which are more difficult to measure such as the protection, prevention and cooperation work that key elements of the ICRC’s multi-disciplinary humanitarian response.

Table 5 : VFM Matrix (Example)

VFM Tool/Checklist	Potential Sources of VFM Information								
	External Reporting			Selective External Reporting		ICRC Internal Reporting			
	Appeals	External Audits	Annual Reports plus Annexes	Independent and internal studies and evaluations	Post implementation monitoring results	Planning for Results (PfR)	Regular routine reporting	People management/HR reporting	Internal audit & financial analyses
1. How does the ICRC's mandate and operations support Sida's mandate and priorities in its humanitarian strategy?									
2. What is the rationale for intervention in this country context, political area etc.? What are the primary humanitarian needs?									
3. What other agencies are involved in similar operations? Why is ICRC best or well placed to undertake this activity? Which particular comparative advantage(s) justify ICRC's intervention? Who could potentially fill such a role if the ICRC was not present?									

VFM Tool/Checklist	Potential Sources of VFM Information								
	External Reporting			Selective External Reporting		ICRC Internal Reporting			
	Appeals	External Audits	Annual Reports plus Annexes	Independent and internal studies and evaluations	Post implementation monitoring results	Planning for Results (PFR)	Regular routine reporting	People management/HR reporting	Internal audit & financial analyses
4. What are the ICRC strategies and approaches to meet identified needs? Is it clear why was this particular operational approach chosen on VFM grounds? What were the alternative approaches considered?									
5. What are key cost drivers of the programme? What systems are in place to minimise costs of the key cost drivers and mitigate risks while ensuring quality maintain standards are met?									
6. Is the number of beneficiaries assisted clear? If not, why not? Is there information that would allow estimation of the cost per beneficiary? ...other cost effectiveness indicators (e.g. cost per household									

VFM Tool/Checklist	Potential Sources of VFM Information								
	External Reporting			Selective External Reporting		ICRC Internal Reporting			
	Appeals	External Audits	Annual Reports plus Annexes	Independent and internal studies and evaluations	Post implementation monitoring results	Planning for Results (PfR)	Regular routine reporting	People management/HR reporting	Internal audit & financial analyses
reached, cost per tonne of food distributed, etc.)? What would be suitable comparative benchmarks?									
7. Who are the main beneficiaries (vulnerable groups etc.) and can their numbers be estimated?									
8. Is it clear how the proposed targeting approach will reach the intended beneficiaries efficiently?									
9. What are the main expected benefits in terms of direct changes to people’s lives, or to structures, systems and processes at a results / outcome level?									
10. If relevant, is there an exit strategy that will promote sustainability?									

VFM Tool/Checklist	Potential Sources of VFM Information								
	External Reporting			Selective External Reporting		ICRC Internal Reporting			
	Appeals	External Audits	Annual Reports plus Annexes	Independent and internal studies and evaluations	Post implementation monitoring results	Planning for Results (PFR)	Regular routine reporting	People management/HR reporting	Internal audit & financial analyses
11. Is there an indication of what investments are necessary to maintain an appropriate level of emergency preparedness if the situation deteriorates?									

Table 6 : VFM tool/checklist with worked example from South Sudan¹³⁵

VFM checklist questions	How can these questions be answered?	Which existing ICRC processes or documents are relevant?	Example of VFM assessment using ICRC existing information on <u>South Sudan Health intervention</u> (Assistance)	Analysis using 4 Es to address VFM questions
1. How does the ICRC's mandate and operations support Sida's mandate and priorities in its humanitarian strategy?	Cross-check for consistency between ICRC's mandate and modus operandi.	Appeal, Annual reporting, PfR	Objective is to save lives, alleviate suffering and maintain human dignity for the benefit of people in need who are, or are at risk of becoming, affected by armed conflicts.	
2. What is the rationale for intervention in this country context, political area etc.?	Humanitarian gaps, the market, governance and other failures that give rise to the needs identified and the ICRC goals resulting. Evidence from data collected in	PfR describes the humanitarian needs assessment.	PfR South Sudan identifies the need to regain a strong ICRC role in assisting wounded and sick, including prosthetic and orthotic treatments, and access to water. This is in response to armed conflicts and tribal clashes resulting in urgent humanitarian needs relating to health care, and war wounded people. A continued lack of respect of IHL,	-

¹³⁵ Based on South Sudan's 2013 PfR and grouped according to Key Success Factors categories.

	the field.		causing dead, wounded, displacement, disrupting even further civilians’ livelihood and their access to basic services such as health and water. The lack of infrastructure and the harsh environmental conditions remain a logistical and human resource challenge for all stakeholders implementing humanitarian programmes, especially during the rainy season.	
What are the primary humanitarian needs?	A Theory of Change indicates how actions and responses will meet the needs through a logical results chain.	PfR, although a Theory of Change is not necessarily explicitly described.	Goals in the health sector are to have a strong ICRC role in assisting wounded and sick, including prosthetic and orthotic treatments, and access to water. The ICRC is aware that the response should support existing capacities, and substitute only where required.	A Theory of Change would illustrate the results chain and the key assumptions at each step.
3. What other agencies are involved in similar operations? Why is ICRC best or well placed to undertake this activity? Which particular advantage(s) justify ICRC’s intervention? Who could potentially fill such a role if the ICRC	Demonstrate that ICRC is filling in humanitarian gaps (economically, efficiently, effectively) that no other agency can. Or they are complementing the operations of other agencies.	PfR reports the donor and implementing agents’ activities in the humanitarian sector.	South Sudan hosts a plethora of health agencies; close to 140 NGOs work in the health sector although only 34 have capacity to mount emergency response programmes. Only two other NGOs, MSF and an Italian NGO, are involved in providing human resources for emergency surgical interventions, with an estimated reach of only 25% of the population. Most of this capacity is limited to basic Surgery and Obstetric interventions (performed by general surgeons), so the other actors still rely on ICRC for trauma surgery. The current surgical capacity of the SPLA and other arms carriers is not fully known.	There are clear gaps in the humanitarian landscape in terms of access, feasibility of entry and expertise that the ICRC can fill.

was not present?

<p>4. What are the ICRC strategies and approaches to meet identified needs? Is it clear why was this particular operational approach chosen on VFM grounds? What were the alternative approaches considered?</p>	<p>Need to use ICRC's list of comparative advantages tailored to the specific context and make the case for why it is necessary, quick, efficient, effective, economical etc. for ICRC to intervene relative to other agencies.</p>	<p>The Key Success Factors highlights ICRC's comparative advantages</p>	<p><u>Relevance: (breadth and depth, quality of response, of response, multi-disciplinary approach)</u></p> <p>During clashes, the monitoring of the number of wounded and type of injuries will feed into the ICRC'S protection dialogue and included into FAS sessions with the aim of reducing violations.</p> <p>Through our close dialogue with the parties in conflict, the ICRC is in a better position than other organisations to rapidly respond to victims in need of emergency assistance with the support of trained SSRCS volunteers whenever possible.</p> <p>Prepositioning of stock in Juba, Wau, Bentiu, Malakal, and logistic capacities means that the ICRC can rapidly respond to needs of displaced people and support protection dialogues.</p> <p><u>Access: (influence, hard to reach populations)</u></p> <p>ICRC access in the field is very good. In only a few areas, the ICRC has been denied access due to 'security concerns' on behalf of the authorities.</p> <p>ICRC Presence in Northern regions is critical, due to being neglected or inaccessible by agencies. This points to a key gap of service provision that ICRC is filling.</p> <p>The ICRC is recognised in SS for its mandate, its operational capacity, and its capacity to be present in remote</p>	<p>Show some of this monitoring data to demonstrate that programming is better, e.g. show the numbers of wounded receiving assistance to shows efficiency gains in this type of operation.</p> <p>If data is available, the ICRC could provide stronger evidence of the rapid response in terms of time between the alert and a response.</p> <p>A description of who is or isn't present in these northern regions. Shows effectiveness of</p>
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and sensitive conflict regions where few have access

In the field, the resumption of field presence and activities since 2011 have contributed to a positive image of the ICRC in the communities where it is present.

Acceptance and reputation (trust, goodwill)

The ICRC is respected and known for follow-up on commitments (*no "empty promises"*). The ICRC's participation in inter-agency coordination seems understood and accepted, although it is not possible to participate in all UN meetings.

Organisation and Processes (Information management, new technologies)

ICRC donation of medical material to selected health structures in the field (civilian and/or military) located near the areas of clashes allows the stabilisation of patients and their transport to more adequate health facilities. The ICRC has capacity to support the MoH in case of recurrent epidemics, such as cholera.

HR Capacity and Mobility

ICRC specialises in quick deployment of specialist staff into the field so as to maximise the efficiency and effectiveness of ICRC operations. National staff retain institutional memory. The Internal Audit has explicit recommendations on improvements to HR functioning in South Sudan, including recommendations on internal processes

ICRC.

Beneficiary feedback shows evidence of the ICRC's effectiveness

If details are provided the following indicators for supply chain management of medical distribution:

- Lead times
- Stock out rate
- Cost per unit of warehouse space
- Dead stock rate
- Unit fully allocated cost per unit of equipment

In time, these can be

			<p>that allow information preservation and exchange.</p> <p><u>Competitive Positioning</u></p> <p>By being present at multilateral fora of intervening humanitarian actors in the capital and in the field, the ICRC will be able to be better informed about their activities and to explain its role and modus operandi in South Sudan.</p>	<p>benchmarked externally to show the efficiency of ICRC supply chain management</p> <p>Field trip to South Sudan suggested that institutional memory amongst national staff was key to keeping capacity strong. Need to add some indicators on this – e.g. length of stay of national staff, length of void periods of key staff members.</p>
<p>Why was this particular operational approach chosen on VFM grounds, were other similar activities considered?</p>	<p>Awareness of viable operational activity options. Need to show that decisions have been based on costs, efficiency, feasibility. These choices should meet the ToC requirements.</p>	<p>The PfR process sets out the operational choice.</p>	<p>E.g. Actual activities are:</p> <ul style="list-style-type: none"> ● ICRC donation of medical material to selected health structures ● Prosthetics and orthotics staff, capacity, service provision for victims of war in Juba ● Access to water ● Malakal paediatrics ward infrastructure and operating theatre infrastructure ● Malakal Teaching Hospital, to enhance its capacity to respond to mass trauma and emergency surgery Wa- 	<p>Provide qualitative and quantitative evidence where possible to help donors understand why operational approaches were selected instead of other potentially viable options. Evidence could</p>

			<p>tHab activities in ICRC priority zones, relevant for health outcomes for both displaced and resident populations.</p> <ul style="list-style-type: none"> National society capacity building for First Aid training <p>Both civilian and military surgical capacities need to be better understood in order for the ICRC to determine how to further improve access to medical services for weapon wounded.</p>	<p>take the form of:</p> <ul style="list-style-type: none"> Cost Speed Efficiency Feasibility Capacity Theory of Change Exit strategy description Support to national capacities prioritised over substitution 	
5.	<p>What are key cost drivers of the programme and the factors which drive them?</p>	<p>The key cost categories are those that comprise the bulk of the budget.</p>	<p>Yes, the finance department does activity costing and PFR process undertakes this assessment</p>	<p>Need budget to identify key cost drivers categories. In South Sudan logistics and transport is a key cost category.</p>	<p>With key cost categories identified, analysis must be undertaken to understand their drivers. Geography and difficult terrain drives the transport costs in South Sudan.</p>
	<p>What systems are in</p>	<p>Need to show that these cost</p>	<p>Purchasing, pro-</p>	<p>Establishing medical distribution centres inside the coun-</p>	<p>It is recommended that</p>

place to minimise costs of the key cost drivers and mitigate risks while ensuring quality maintain standards are met?

categories are minimised (without reducing quality). Cost economy can take place through buyer power, economies of scale, economies of scope, competitive tendering, efficiency in supply chains methods, IT systems and platforms etc
Unit cost examples where relevant and meaningful.

curement, supply chain, fleet management policies all exist.

try allows ICRC to benefit from lead time pooling (reducing uncertainty of lead time variability) as these are decoupled from importation delays. Establishing of global, regional, national and local contingency stocks allows immediate emergency response (within a defined capacity) without the need for expensive (international or national) air transportation.

details are provided the following indicators for supply chain management of medical distribution:

- Lead times
- Stock out rate
- Cost per unit of warehouse space
- Dead stock

In time, these can be benchmarked externally to show the efficiency of ICRC supply chain management.

6. Is the number of beneficiaries assisted clear? If not, why not? Is there information that would allow estimation of the cost per beneficiary? ...other cost effectiveness indicators (e.g. cost

Cost effectiveness indicators (cost per outcome) are useful for internal and external benchmarking purposes.
Number of beneficiaries and cost per beneficiaries are useful for ball park comparisons with other similar programmes if feasible and appropriate, to allow an un-

For health interventions, direct beneficiaries can be estimated for some of the activities – see above. Cost effectiveness indicators can be estimated. Useful for internal benchmarking, or benchmarking against

<p>per household reached, cost per tonne of food distributed, etc.)? What would be suitable comparative benchmarks?</p>	<p>derstanding of what drives outliers (i.e. very high cost per beneficiary figures). This brings together the budget and results.</p>		<p>other agencies' costs and to justify seemingly high cost per beneficiary figures by analysing their drivers.</p>
<p>7. Who are the main beneficiaries (vulnerable groups etc.) and can their numbers be estimated?</p>		<p>War wounded, victims of violent conflict, tribal conflict, internally displaced persons.</p>	<p>Human Development Index (HDI) indicators could be used to show their socio economic and vulnerability status. This provides stronger evidence on equity, and justifies any higher cost to reach vulnerable people.</p>
<p>8. Is it clear how the proposed targeting approach will reach the intended beneficiaries efficiently?</p>	<p>The targeting approach is analysed to understand how effective it is in reaching intended beneficiaries.</p>		<p>An ex post analysis of inclusion and exclusion errors in the targeting provides a view on how effective the targeting is. These error rates can eventually be benchmarked.</p>

9. What are the main expected benefits in terms of direct changes to people's lives, or to structures, systems and processes at a results / outcome level?	Direct benefits are identified, quantified and monetised if possible to measure the outcomes.	The PfR process has existing indicators at the outcome level, particularly for assistance measures.	Better access to health, protection and welfare services for the war wounded, victims of violent conflict, tribal conflict, internally displaced persons.	The changes that the operations make to people's lives are estimated here, qualitatively and quantitatively.
10. If relevant, is there an exit strategy and clear evidence of sustainability?	If relevant, explain how the features of the operation are focussed on sustainability rather than straight substitution		The ICRC have taken a 5 year commitment for Malakal Hospital, which includes infrastructure works beyond the parts that it is supporting (Surgery and Paediatrics). These extra works are electricity and maintenance, wiring, waste management etc. There is strong consciousness amongst ICRC staff to ensure that this is not pure substitution. ICRC explicitly maintains a dialogue with Malakal hospital authorities, and Juba on the question of counterparts for ICRC staff in the hospitals and other aspects of good hospital management.	Evidence on the results of dialogue, transference of knowledge to local staff, milestones, targets etc would be relevant here to show sustainability and effectiveness.
11. Indicate the investments to maintain an appropriate preparedness level.	Contingency planning for emergencies, investments in stocks and HR.	PfR	The delegation will increase its emergency response capacity for people affected by armed conflict and displacement. This will include components of shelter, water, EHI, food and be integrated with health, protection and communication activities In parallel – and by focussing our efforts in defined priority zones - the delegation will increase the resilience of	Analysis of consequences on effectiveness and efficiency for different “insurance premiums”

populations likely to be affected by conflict and displacement through livelihood support, particularly in the fields of animal-health, agronomy, fisheries and water & sanitation facilities.

Resilience is cost effective, there is empirical evidence on this. So by showing that ICRC are investing in resilience, this shows that they are avoiding future potential emergency response costs. This can be quantified.

Annex 11 – Background of the ICRC

The ICRC was founded in 1863 and has a specific mandate, given its role as the primary guardian of the Geneva Conventions. The ICRC is an impartial, neutral and independent organisation with an exclusively humanitarian mission to protect the lives and dignity of victims of armed conflict and other situations of violence and provide them with assistance. The ICRC is a unique and specialised organisation within the global humanitarian system which often accesses and operates where other organisations are not present.

The ICRC's current institutional strategy for 2011-2014 aims to reinforce the scope of the ICRC action and strengthen their multi-disciplinary approach. It also aims to help the ICRC shape the debate on legal and policy issues as well as to optimise its performance. The ICRC divides its activities into four activity categories that are based on the Geneva Conventions and the Statutes of the Movement:

- Protection core activities include visiting prisoners and maintaining dialogue with detaining authorities to ensure that prisoners are treated according to IHL or applicable international standards; protecting civilians that primarily suffer most of the consequences of armed conflict¹³⁶ and other situations of violence, and reuniting families¹³⁷.
- Assistance core multi-sector activities range from emergency relief distributions of food and non food items to programmes for sustainable food production and micro-economic initiatives (including cash assistance). They also include water and habitat activities to ensure access to water in conflict zones and violence-prone areas and create or maintain a sustainable living environment. Health care activities give people affected by conflict and other situations of violence access to basic preventive and curative health care that meets universally recognised standards.
- Prevention – to fulfil its mission to protect the lives and dignity of victims of war and other situations of violence, and to provide them with assistance, the ICRC seeks to ensure the respect of the rights of people affected by ensuring that authorities and other actors are aware of those legal obligations that are enshrined in international humanitarian law and international human rights

¹³⁶ According to the Geneva Conventions of 1949 and their Additional Protocols of 1977, civilians and all persons not taking part in combat may under no circumstances be the object of attack and must be spared and protected

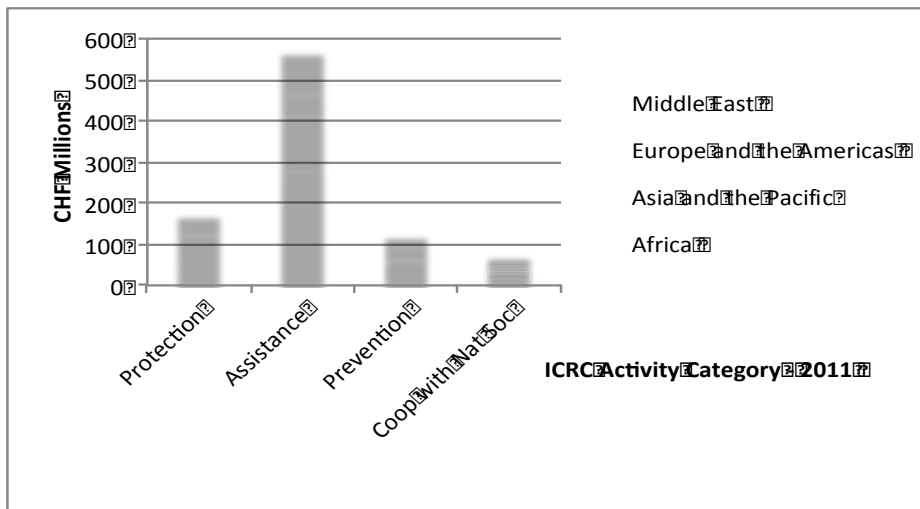
¹³⁷ By tracing people, exchanging family messages and seeking to clarify the fate of those who remain missing.

law. To promote the respect of IHL, core activities include continuous dialogue with key stakeholders, the dissemination of the Geneva Convention and the promotion of integration of IHL in national legislation.

- **Cooperation with National Societies:** the ICRC works closely with the National Red Cross and Red Crescent Societies and with their International Federation in order to ensure a concerted, rational and rapid humanitarian response to the needs of the victims of armed conflict or any other situation of internal violence.

Using data from the ICRC's 2011 Annual Report as an example, the figure below displays that over 50% of expenditures are for assistance.

Figure 5 Expenditures by Activity Category according to Region



Each geographical zone has its own specific and varied humanitarian characteristics and the ICRC adapts to address the specific humanitarian needs and operational challenges faced by each delegation. This means that the proportional effort on the different programmes will vary from delegation to delegation, as well as from geographical zone to geographical zone. For instance, in Africa, budgets include a higher proportion for assistance activities (68%) compared to other geographical zones due to the need to respond to large displaced and vulnerable populations. Only 35% of support in Europe and the Americas goes to assistance programmes, as the vulnerable populations are smaller. At the same time, Europe and the Americas invest more than twice as much of their budget, compared to any other geographical zone, on prevention activities (26%) due to the widespread simmering tensions and low-intensity conflicts in Eastern Europe and Latin America.¹³⁸

¹³⁸ Report to the Director of Financial Resources and Logistics 2012 (pgs 4-5)

6.3.1 The Movement and Cooperation with National Societies

The International Red Cross and Red Crescent Movement is the largest humanitarian network in the world, comprised of nearly 100 million members, including over 13 million volunteers¹³⁹ and several million supporters in 187 National Societies. The Movement is guided by its fundamental humanitarian principles¹⁴⁰ and has the capacity to reach millions of people. The Movement has three main components:

- The International Committee of the Red Cross (ICRC)
- The International Federation of Red Cross and Red Crescent Societies (IFRC)
- National Red Cross and Red Crescent Societies (NS)¹⁴¹

Cooperation within the movement is one of the top institutional priorities in the ICRC's 2011-2014 Strategy. The National Society of the country can even take the lead with the ICRC's support.¹⁴² It can be key both in terms of strategic influence and they are increasingly assuming a lead role in the overall humanitarian response to a crisis (as is the case currently in Syria).

Within the International Red Cross and Red Crescent Movement, the ICRC usually serves as the lead agency during armed conflicts or other situations of violence, leading and coordinating the Movement's humanitarian response.¹⁴³ When the ICRC assumes the role of lead agency, it implements its own activities, while also taking responsibility for coordinating the response of other Movement components. In such situations, the ICRC promotes and directs the contribution and involvement of other Movement components in international relief operations. More broadly, the resources made available to the Movement are coordinated and managed in ways that ensure that maximum benefit is derived for the affected populations. Nevertheless, in the

¹³⁹ According to the IFRC "Value of volunteers" study (2011), p.7 "two in every thousand people around the world volunteer for the International Red Cross and Red Crescent Movement. Active Red Cross and Red Crescent Volunteers donated nearly 6 billion US dollars worth of volunteer services in 2009 worldwide, or nearly 90 US cents for every person on earth.... Volunteers extend the paid workforce by a factor of between 1 and 20,000 with a median average of 20 volunteers to every paid member of staff. The regions with the highest ratio of volunteers to staff are sub-Saharan Africa, South-East Asia and East Asia" where most of the conflict and disasters most frequently strike.

¹⁴⁰ The seven Fundamental Principles of the Red Cross and Red Crescent include Humanity, Impartiality, Neutrality, Independence, Voluntary service, Unity and Universality. For more information see: http://www.icrc.org/eng/assets/files/other/icrc_002_0513.pdf

¹⁴¹ The National Red Cross or Red Crescent Societies embody the Movement's work and Fundamental Principles working in more than 180 countries. They act as auxiliaries to the public authorities of their own countries in the humanitarian field and provide a range of services, including disaster relief and health and social programmes. In times of conflict, National Societies assist the affected civilian population and, where appropriate, support the army medical services.

¹⁴² Some illustrative examples include the lead role taken by the Kenya Red Cross following the post-election violence in 2008 who were supported by seconded ICRC staff and the role of the Syrian Red Crescent in the current crisis.

¹⁴³ This lead role is primarily guided by the Seville Agreement <http://www.icrc.org/eng/resources/documents/misc/57jp4y.htm>

countries visited, the complementarities between the ICRC and IFRC approach to cooperation were not evident to the team.

The ICRC often works closely with National Red Cross/Red Crescent National Societies and regularly uses private contractors. In recent and current major humanitarian crisis, such as Ivory Coast, Libya, South Sudan and Syria, working through the National Society (NS) allowed the ICRC to be one of the few international organisations present on the ground while peers relied heavily on remote management.

Key Success Factors of the ICRC

The ICRC's Key Success factors¹⁴⁴ provide a good point of reference when assessing the ICRC's comparative advantage, notably:

- **Relevance** of the ICRC's means meeting priority needs of people affected by armed conflict and other situations of violence in a timely manner, and using the ICRC's traditional modes of action (support, substitution, persuasion, mobilisation, denunciation). This enables the ICRC to meet its overall strategic objectives to save lives, alleviate suffering and maintain the human dignity of people in need who are, or are at risk of becoming, affected by conflict. Humanitarian assistance is based on the Geneva Conventions of 1949 on the protection of the victims of war and their Additional Protocols, and other instruments of IHL.
- **Access** refers to reaching people affected by armed conflict and other situations of violence in order to assess their situation, to deliver aid and to document allegations of abuse or violations of IHL and relevant applicable law committed by parties to the conflict.¹⁴⁵

The ability to achieve this relies on its impartial humanitarian approach, which allows the ICRC to engage in an independent dialogue with all parties to the conflict.¹⁴⁶ The ICRC is not only recognised for its ability to gain access, but also to act as a catalyst to help open up the humanitarian space through negotiation and persuasion and facilitate entry by other humanitarian agencies.¹⁴⁷

¹⁴⁴ See the "Roadmap" in the Annex for more details

¹⁴⁵ Common article 3 to the Geneva conventions indicates that "An impartial humanitarian body, such as the ICRC, may offer its services to the Parties to the conflict". In principle the Parties to the conflict must allow and facilitate rapid and unimpeded passage of humanitarian relief for civilians in need, which is neutral and independent.

¹⁴⁶¹⁴⁶ As described in the ICRC's 2012 annual report, "*Regular contacts with the Iraqi central government, the Kurdistan regional government and representatives of the main political parties at central and regional levels were sought to enlist their support for ICRC operations and help the organisation improve its on-the-ground access*". As a result, the ICRC managed to extend its presence in areas most affected by past and present sectarian violence between the Kurdish, Shiites and Sunnis factions, notably, and in the disputed territories and in central Iraq.

¹⁴⁷ A clear example of this was seen during the field visit to South Sudan, where there were clear ex-

- **Reputation and acceptance** refers to the way in which the ICRC is perceived by parties to the conflict and other key stakeholders. Acceptance of the organisation involves parties to the conflict and other key stakeholders recognising and accepting the neutral, impartial, and independent nature of the ICRC and its specific mandate under IHL and the Statutes of the Movement to protect and assist those affected by armed conflict and other situations of violence.

The ICRC has a specific branding and humanitarian mandate, enshrined in the Geneva Conventions and Additional Protocols, to protect the lives and dignity of victims of armed conflict and provide them with assistance, according to International Humanitarian Law (see section on Protection). This mandate is more comprehensive than those of other contemporary humanitarian actors, including UN agencies. The ICRC’s reputation and the extent to which the organisation is accepted directly influence its ability to gain access to victims, obtain adequate funding, attract and retain qualified staff. The ICRC’s reputation for defending, promoting and developing the principles of IHL represent a priority for many bilateral donors. Financial support to the ICRC enables the humanitarian community to highlight the importance of International Humanitarian Law and to ensure a needs-based response (in terms of types of needs and types of targeted populations that would not be covered by other humanitarian actors).¹⁴⁸

- **Organisation and Processes** refers to the structure of the ICRC and its decision-making, ways of working, and information management processes. It includes the management models, structures, procedures and rules that govern the work of its staff and contribute to the ICRC’s reputation as a professional, effective and efficient organisation. At the core of the ICRC’s organisational model is the ability to mobilise a multi-sector response using an “all-victims” approach. This contrasts with other humanitarian organisations, which tend to respond based on their mandate and/or specific sector expertise.¹⁴⁹ Similar flexibility can also be seen in the ICRC’s ability to rapidly scale up operations when the situation requires.¹⁵⁰

pectations by other agencies that the ICRC would help them to gain access to Jongele, which had been affected by armed inter-tribal conflicts.

¹⁴⁸ Evaluation du partenariat entre la DG ECHO et le CICR et des activités financées par la DG ECHO; Grunewald et al. (2006).

¹⁴⁹ As part of the UN-led humanitarian reform, it was hoped that a coordinated cluster system would provide this type of multi-sectoral coverage. However, the 2010 Phase II Cluster Evaluation found that this objective had not been met: “*Inter-cluster coordination is ineffective in most cases and there is little integration of cross-cutting issues. Multidimensional and cross-cutting issues are neglected in most assessments and are not sufficiently taken into account in the humanitarian response in the case study countries*” (page 10).

¹⁵⁰ This phenomenon was observed during field visits in both South Sudan and Iraq.

- ***Human Resources (HR) Capacity and Mobility***: refers to the organisation’s values, policies and methods for managing its staff. It also refers to the willingness and readiness of staff members to better serve the ICRC and people affected by armed conflict and other situations of violence. HR policies are tailored to the ICRC’s unique mandate and emergency situations. There is a conscious focus, observed within the ICRC, to recruit motivated and competent mobile international and national staff. Recruitment is structured along a core competencies model, to ensure a skills set which matches those necessary in ICRC operations. The People Management Strategy that was approved by the ICRC Assembly in February 2012 is designed to transform the human resources function to deliver more effective and efficient services.

A key VFM component of HR management is the balance between national and international staff and, in this respect, the ICRC faces more challenges than many other agencies due to its confidentiality and impartiality requirements.¹⁵¹

Competitive Positioning: the combination of the ICRC’s brand, mandate, and operational model offers many advantages that few agencies can match. Not least is that they provide a multi-disciplinary approach, which means that can provide several forms of intervention at the same time. Other agencies are specialised, providing only one or two intervention areas.

¹⁵¹ An example of how ICRC manages this was observed in the Middle East during a period of particular sensitivity, when ICRC temporarily deployed an experienced international staff member to support the Head of Delegation in handling confidential materials.



Study: How to Define and Measure Value for Money in the Humanitarian Sector

This collaborative study was designed to support ongoing bilateral dialogue by improving Sida's understanding of how the ICRC assesses quality and costeffectiveness of their operations while, at the same time, helping to advance the ICRC's results-based agenda. Sida also saw this study as a useful starting point in improving their understanding of how value for money (VFM) concepts can apply to other humanitarian partners.

The study proposed a VFM definition and a model for the humanitarian sector, along with relevant tools and guidance, while highlighting key potential risks so that these could be managed. The Steering Group for the study prioritised three recommendations; a joint recommendation to use the proposed VFM tool to facilitate a strategic dialogue and recommendations for the ICRC about how they can more clearly communicate their comparative advantage and also identify financial systems to more effectively support results-based approaches while helping to improve understanding of VFM of the ICRC's operations.

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