

Danmission Value for Money policy

Introduction

Danmission is an independent, Christian-based organization rooted in the Danish Evangelical Lutheran Church, and over 200 years of history and global presence in Africa, Asia and the Middle East.

Danmissions Value for Money (VfM) policy outlines Danmissions approach to maximising the impact of resources spent to implement our Programme Strategy. This is conceptualised through the three E's: Economy, Efficiency and Effectiveness.

Danmissions approach to VfM includes elements as Code of Conduct, Sustainability Policy, Salary policies, clarity on roles and responsibilities, focus on IT-systems (SharePoint, project data base, ERP etc), increased digitalization etc.

Danmission organizes its work with respect for the volunteers, who put both time and money into Danmissions work, e.g. in our Second-Hand shops. VfM is mainstreamed into our use of financial resources, including our institutional funding. We emphasize VfM in the way we work. It means a lot to the volunteers that the funds are handled with a focus on VfM. Our basis is financial consideration and thrift. The Board of Representatives is the guardian of this.

Background

VfM was first introduced in the international development sector by UK Department for International Development (DFID)

In August 2022, MFA referred to "UK AID – FCDO – Guidance note on VfM" as follows:

"VfM is about maximizing the impact of each taxpayer's pound spent to improve lives. The purpose is to develop a better understanding of costs and results so that more informed, evidence-based choices can be made. This is the process of continuous improvement."

At the same time, MFA referred to "Value for money – NGO Support" by Bond¹ as follows:

"Unless an NGO can monitor costs and measure outcomes, it will struggle to engage meaningfully with value for money

The foundation of good value for money is good management systems."

In other words, VfM is about using evidence about what works and what does not to make decisions that allow organizations to improve their impact. VfM is, therefore, not only a product but also a process.

¹ https://www.bond.org.uk/wp-content/uploads/2022/08/value_for_money_-_what_it_means_for_ngos_jan_2012.pdf

Structure of Danmission

The purpose of the present structure of Danmission is to ensure as high a quality in the programmatic work as possible and to have a focus on documented results, quantitatively as well as qualitatively.

The matrix structure of Danmission is built around country and regional offices close to the partners and the geographical contexts. The offices are responsible for implementing the programmes and managing the relationship with Danmissions partners in accordance with approved country programmes.

HQ defines the strategic, financial, and operational framework within which the country and regional offices operate. HQ provides resources and capacity building within thematic, technical and organizational areas. Country and regional offices can request capacity building, if necessary.

In the interaction between country and regional offices and HQ, there is a continuous learning and professional development, which can accommodate both geographical differences and cross-cutting considerations. Among other things, this happens through thematic teams for each of Danmissions three themes, Contextual theology for faith and social action; Dialogue and peacebuilding; Sustainable, just and equitable stewardship.

The purpose of the structure is to support proximity to partners and knowledge of the context through the country offices, combined with strong strategic direction, effective systems and good governance through HQ support, and opportunities for engagement of volunteers.

Danmission's VfM approach

Danmissions approach to VfM is defined through its conceptualization of Economy, Efficiency and Effectiveness. Each of the three is concepts and their application in Danmission are described below:

Economy

Overall, Economy can be described as procurement of the appropriate quality at the right price. It is important to emphasize that economy is not about reducing costs but ensuring that you get the most out for the cost.

Danmission ensures economy in all its resource mobilization through below systems and processes:

HR systems are in place securing that adequate competencies are in place at both HQ and CO level and that staff salaries are appropriate. Salaries at HQ follows "Finansministeriets lønoversigter", as defined in the staff handbook. Salaries and social benefits at CO's are based on principles in the CO-manual and must be in line with comparable donor agencies and partners.

Procurement: A procurement manual has been developed and is implemented at all programmatic work.

Danmission requires partners to manage projects in accordance with the Partner Accounting Manual. Partners are herein required to adhere to Danmissions Procurement manual or similar and other matters related to ensure correlation between cost and quality.

Efficiency & Effectiveness

Overall, Efficiency can be described as how well inputs are converted to outputs. Effectiveness can be defined as how well outputs from an intervention achieve the desired outcome according to the result of the framework.

Danmission works with efficiency and effectiveness throughout its project and annual cycles in order to continuously ensure both efficiency and effectiveness in its work. Below approaches are implemented to achieve the desired outcome according to the results framework.

General structures/systems

Roles and expertise: Danmissions defined roles within the organization structure and prioritisation of internal expertise (e.g., through thematic and technical advisors at HQ), improve the internal learning in Danmission and institutionalised *know-how*. Furthermore, Danmission internal capacity and knowledge (e.g., elaboration of the programme strategy through *Position Papers* on each of Danmissions three thematic areas) improves the organization's comparative advantages. This focus and the resources can improve both **efficiency** and **effectiveness**, as the institutionalisation of learning, expertise and know-how will lead to adjustments in the design and implementation of projects.

Partner Cycle Systems

In order to ensure a strong foundation for implementation of projects, due diligence is carried out for all new partners. The purpose of due diligence is to get an overview of the partner's competences and map out what capacity building is possibly needed.

Project Cycle Systems

Output + Outcome based budgeting: Danmission conducts all project budgeting at output and outcome level. This supports analysis and assessment of the **efficiency** of the project in terms of how the budget is distributed between outputs and the relative weight of activity/support costs.

Scalability: Scalability or the potential of replication is considered already in the design of new projects. Hence best practices can easily be upscaled or replicated, which will then lead to more **efficient** and **effective** projects.

Context analysis: Partners conduct context analysis in project descriptions and Danmission conduct context analysis in Country/Regional Programmes, this enables, projects and programmes to be adjusted according to the context, and through that to become more **effective**.

Sustainability: All projects are designed with sustainability and an exit plan in mind, which is described in the project description. This ensures that the changes are designed to be sustainable, lasting changes and that the changes to some extent continue to emerge after the end of project implementation, hence it improves **effectiveness**.

Project financial reporting: Danmissions partners report on the financial status of their projects, at least every six months including annual audit reports. As part of this reporting, partners provide proposals for budget reallocation according to updates in the context analysis and current implementation status. These reallocations provide an opportunity to improve the **efficiency** and **effectiveness** of the project funds through allocation to outputs and outcomes, where the funds can provide a bigger impact. The reporting is always conducted in tandem with a programmatic report to ensure correlation between the financial and programmatic status.

Monitoring on output level: Danmissions format for partners' bi-annual narrative progress report has a clear focus on reporting on input and output level, as partners are asked to share an updated *Activity Plan* and updates in the *Logical Framework Analysis Matrix*. This ensures ongoing monitoring of changes and progress on input and output levels and enables ongoing learning and adjustments to ensure **efficiency**.

Monitoring on outcome level: Danmission and partners use Outcome Harvesting as the monitoring methodology to harvest results on outcome level. The methodology enables a focus on the changes in behaviour of the actors we work with (outcome), whereas the focus previously was more on the immediate results of the activities (output). An integrated element of the outcome harvesting methodology is to use the harvested outcomes for analysis, learning and adjustment, which will lead to improvements in **effectiveness**.

Learning and adaptability: Learning and adaptability is key in many of Danmissions process and templates, and support efficiency and effectiveness by ensuring that past experiences are used to improve output and outcome achievements. Here are some examples of processes ensuring learning and adaptability:

- *Project description:* In the format for project description Danmissions partners are obliged to describe which (if any) previous experiences the project builds on. This ensures that lessons learned from earlier is being considered.
- *Recommendation of Approval Note (RAN):* When Danmission approves a new project, several capacities within Danmissions (e.g., Programme Managers, Thematical and Technical Advisors, Country Directors, and Controllers) write their recommendations for the project, this ensures that internal expertise, learning and know-how from previous experiences are drawn into the new project.

Annual Cycle Systems

Annual Budget: As part of its annual budget process, Danmission ensures, that adequate resources are available for the implementation of the planned outputs in the coming year. Furthermore, the process includes analysis of the distribution of the budget between the different geographical and thematic areas of Danmission's Programme. This supports an **efficient** and **effective** allocation of resource according to the priorities of Danmission, e.g. money where they matter the most.

Quarterly Budget Follow-Up: Danmission ensures internal follow-up on all programme budgets quarterly. The purpose of the budget follow-up is to ensure that resources are reallocated from activities, where they are no longer needed, to activities, that could use additional. This ensures a continuous **efficient** and **effective** use of Danmission's overall resources.

Timeregistration: Timeregistration is used for all Danmission projects. When developing the project budget, budget for time registration is planned and included in the budget. This ensures that the necessary resources are available as input to the project, i.e. that the project is **efficiently** designed. Each quarter, Danmission conducts an internal follow-up on hours spent on the project, in order to ensure, that resources have been spent **effectively** on the projects both according to plan and in relation to achieved outcomes.

VfM going forward – next steps

Danmission continuously work towards improving our VfM in order to achieve greater results in our work. Therefore, we have plans for coming initiatives and updates to the Danmission VfM approach.

Currently plans are in motion to secure:

- Continuous focus on systematisation of learning and adjustments, e.g., through advanced use of analysis of harvested outcome statements in relation to Danmissions new Global Results Framework in order to xxx
- Value For Money analysis combining financial data with results data, ex-post, from the OH database and coming results framework, in order to xxx
- Revisit travel policies for both HQ and CO staff. In order to xxx
- Development of stronger analytical tools and guidelines for project budgets, in order to XXX
- Continued capacity building of staff to ensure that VfM is integrated in the day-to-day practices, in order to xxx