

<b>Value for Money Policy</b>	
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Approved by: OAU Board of Directors	

## Oxfam Australia Value for Money Policy

### 1.1 Definition

Oxfam Australia (OAU) aims to engage in the *best possible use of resources* to contribute to positive significant change for the people it strives to help (generally the most marginalised and vulnerable people). “The best possible use of resources” means seeking *value for money* in every program and project funded by OAU.

Value for money is not simply a question of dollars and cents. It is defined in relation to how funds are used, the scale of impact achieved, the nature and sustainability of the change engendered, and the status of the people this change has reached. DFAT has noted that: “value for money does not always mean choosing the lowest cost option. It requires consideration of the priority of the task, alternative ways of achieving it and the costs and benefits of different approaches”.

### 1.2 Scope

This policy applies to all program activities,<sup>1</sup> including long-term development programs, humanitarian response, advocacy and campaign activities, whether implemented in Australia or internationally. The policy applies to programs directly implemented by OAU and those implemented through partners or other Oxfam affiliates.

### 1.3 Background

OAU takes a rights-based approach to all its undertakings, and financial probity and transparency<sup>2</sup> are central to this. The organisation has a responsibility to demonstrate to those providing funding for its operations that it has used resources wisely to achieve the best possible outcomes for those it helps and those with whom it works. It has a responsibility, importantly, to the people on whose behalf it has raised funds and to the partners who trust OAU to manage finances responsibly.

In assessing value for money, OAU considers how the resources used have enhanced the scale, quality and accountability of programs, produced outcomes that are inclusive of all, including women, girls and marginalised groups, and contributed to sustainable change.

In considering value for money, OAU takes into account four ‘E’s’. These are:

*Economy* – which looks at the resources and costs that should be invested in a program or project to acquire the most suitable (and not necessarily the cheapest) inputs that will lead to the desired changes;

*Efficiency* – which denotes the relationship between what was spent and what was achieved (inputs and outputs). Efficiency is about looking at what a program or project has delivered in relation to what was invested. In this regard, it is always important, too, to maintain quality standards and not diminish them for the sake of lower costs.

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<sup>1</sup> ‘Program activities’ is used throughout this document to refer to all of OAU’s development, humanitarian, campaigns and advocacy programs and projects and OAU-funded programs.

<sup>2</sup> Accountability and transparency are the focus of ‘ethics’, one of DFAT’s Value for Money principles.

*Effectiveness* – which looks at the actual deliverables of a program or project (outputs and outcomes) and asks whether they have been achieved and are likely to contribute to the desired results and sustained impact.

*Equity* – which asks whether vulnerable and marginalised people have been included in the program/project as active participants and that they enjoy equal benefits. OAU includes its partners and the people it seeks to help in participatory processes to set priorities based on their local perspectives and knowledge so that resources are invested in the right things and deliver value to those who matter most.

OAU recognises that value for money considerations will be highly dependent on both the context and risk level of the program or project concerned. In particular, attempts to present value for money as solely related to the number of people reached through an activity is not realistic because the most vulnerable communities, for example, may be in remote areas that are difficult and expensive to reach.

#### **1.4 Key Principles underpinning this policy**

OAU's Value for Money policy is guided by the following principles:

- a) *Evidence-based decision making*:<sup>3</sup> OAU strives to assess the economy, efficiency, effectiveness and equity of its programs and projects using evidence collected through a range of processes, including through consultation with partners and others in the area of proposed activity. This includes knowing potential programs and projects already running or completed, to avoid duplication and to build on earlier or existing initiatives. By appropriately researching and gathering evidence to factor into program/project design and implementation, OAU aims to maximise the use of resources, reduce inefficiency and demonstrate accountability.
- b) *A focus on both process and outcomes*: OAU takes care to choose the most appropriate programs and projects to take forward, focusing on achieving the greatest impact and significant change for the most vulnerable and marginalised people. This means making strategic choices based on evidence and appropriate to the context, risk level and resources available. Where possible, OAU searches out different and innovative ways to achieve the same outcomes with more efficient use of resources, finding better ways to do things and encouraging collective action to increase impact and sustainability.<sup>4</sup>
- c) *Cost consciousness*: OAU is committed to maximising the impact of every dollar spent in terms of both the quality and scale of its programs and projects. This means assessing the *reasonable* cost of acquiring good quality inputs, not always the lowest cost. Cost depends on many things, including location, locally identified needs, timelines and availability. In humanitarian crises, for example, the need to act quickly to deploy life-saving aid will be taken into account in decisions regarding resources as well as cost. OAU's procurement processes are outlined elsewhere.<sup>5</sup>
- d) *Accountability and transparency*: OAU holds itself accountable to the most marginalised and vulnerable people it seeks to help, as well as to supporters and donors.<sup>6</sup> OAU will specify the intended and achieved outcomes of programs and will explain how resource decisions are made and how these relate to each other. Reporting on resources used and how they have achieved the desired impacts is important at

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<sup>3</sup> Evidence-based decision making is a focus of the Efficiency component of DFAT's Value for Money principles.

<sup>4</sup> Experimentation and innovation are a focus of the Effectiveness component of DFAT's Value for Money principles.

<sup>5</sup> *Procurement Requirements*: "At a minimum, Oxfam and partners will ensure that complete and accurate records are maintained, documenting the procedures followed in procurement of supplies and services to show that the procurement decisions are made in an accountable and transparent manner. We must keep an asset register that records all capital items (assets) purchased from funds provided under this agreement. We must keep records showing that goods purchased for the initiative are of satisfactory quality, have been delivered on time and in good condition and, where practicable, have been purchased through a competitive process and have in place sufficient controls to ensure open, transparent and unbiased purchasing arrangements." (*Remote Guidance – Guidance for CMCs, Nov.2020*).

<sup>6</sup> *Oxfam International's Program Standards* include a Standard (11) on accountability to stakeholders, although this does not cover financial accountability. However the spirit of the Standard focuses on transparent dialogue, relationship building and empowerment of stakeholders, all central to ensuring value for money. See Annex 2.

several levels including donor reporting, feedback to partners and participants, and messages to the Australian public who support OAU's work.

- e) *Empowerment*: OAU is committed to working with its primary stakeholders – the marginalised and vulnerable people it seeks to help – to define 'value' and to inform the most appropriate approaches in its work. Promoting collective ownership of activities and processes increases the potential for sustainable impact. Where possible, these stakeholders will be asked to participate in monitoring and evaluating outcomes related to value for money and in drawing lessons.
- f) *Leverage*: OAU recognises that working in partnership and leveraging resources on partners' behalf is essential to maximising impact and achieving value for money. By working with partners, OAU is able to achieve more significant and sustainable change and to use resources more strategically. OAU is committed to designing programs that leverage multiple layers of donor funding to maximise the scale, impact and inclusiveness of its programs and to helping to build the capacity of partners so that the results of the program/project are embedded into the locale of the program/project and likely to contribute to longevity.
- g) *Proportionality*: The resources used to evaluate value for money will be proportional to the scope and complexity of the program or project. It is important to balance the cost of staff time and resources required to undertake the assessment with the size of the investment.

## **2. Implementing the Value for Money policy**

### **2.1 Minimum standards**

In addition to upholding the Key Principles, OAU should consider value for money across the program/project cycle and in Australian operations:

- a) Project identification
  - Every effort should be made to ensure that there is no duplication of efforts and that, where appropriate, OAU's program activities build upon the lessons learned and outcomes of earlier initiatives.
- b) Project design and planning
  - When programs and projects are being designed, cost-effective options should be considered.
  - Ensuring program/project designs identify and outline the resources required to deliver the outcomes sought (including where feasible soft resources such as staff time to bring about specific outcomes, for example, partner coordination).
  - Ensure program/project risk assessments consider the potential for fund diversion that may compromise value for money, and include mitigation measures to address this if necessary, to ensure that funds are used for the intended purpose.
- c) Project implementation, monitoring and management
  - Due diligence processes for supplies, services and partners will be undertaken to ensure the best outcomes for the costs involved.
  - All programs and projects should include systems and processes to enable the collection, analysis, reflection and reporting of qualitative and quantitative evidence on value for money throughout the program/project cycle that will be useful for learning and decision making.
  - OAU should ensure that programs, projects and Australian operations comply with the codes and standards to which OAU is a signatory (see Annex 1).
  - It is important to make every effort to ensure that funds are not lost through fraud or corruption. More information on processes to support this can be found in the *Oxfam Anti-Fraud and*

*Corruption Policy and the Oxfam Terrorism Financing and Financial Crime Policy (Terrorist Financing, Money Laundering, Sanctions and Export Control).*

d) Project evaluation

- It is important to ensure that program/project evaluations include questions covering value for money that are relevant to the purpose and scope of the evaluation.

e) Project exit

- OAU should leverage its influence and collaborations with partners and networks to optimise the scale and sustainability of its impact.

## **2.2 Additional good practice**

- When programs and projects are being designed, different models, approaches and strategies should be analysed and compared along with the costs involved (within OAU and externally) so that maximal input/output ratios are obtained, documenting the rationale for those selected.
- Outlining the expected depth of change (systematic and sustainability), equity (inclusion of and benefits to the most marginalised and vulnerable people), and where feasible, the scale (numbers), when developing Theories of Change, defining expected outcomes and developing monitoring, evaluation and learning frameworks.
- Promoting standalone value for money assessments of programs/projects where resources permit, in proportion to the scope and complexity of the investment.

## 2.3 Value for Money Responsibilities and Accountabilities<sup>7</sup>

Accountable	Activity
<b>Program/Contract Managers in Australia and in-country</b>	<ul style="list-style-type: none"> <li>• Responsible for ensuring that all staff read this policy and implementation guidance and understand how it relates to their work.</li> <li>• Responsible for ensuring that this policy, including ways of implementing it, are adhered to and reflected in OAU programs/projects and operations and that the required capacity to do this is built in.</li> <li>• Responsible for sharing this policy and notes on implementing it with relevant implementing partners.</li> <li>• Responsible for ensuring that value for money is considered throughout the program/project cycle and, in particular, that it is reflected in appropriate indicators that will form the basis of monitoring, evaluation and lessons-learned.</li> </ul>
<b>Unit Manager or Country Director (or equivalent)</b>	<ul style="list-style-type: none"> <li>• Responsible for ensuring relevant staff have adequate awareness, capacity and support to effectively implement this policy.</li> <li>• Responsible for integrating consideration of this policy in country-level planning, budgeting and resource allocation.</li> </ul>
<b>Program Director and Executive Lead - Public Engagement</b>	<ul style="list-style-type: none"> <li>• Responsible for ensuring that all programs, public policies and statements meet the principles and expectations outlined in this policy.</li> <li>• Responsible for ensuring that this policy is consistent with any updated versions of donors' own value for money policies and expectations.</li> </ul>
<b>Chief Executive</b>	<ul style="list-style-type: none"> <li>• Responsible for holding Section Directors accountable for the implementation of this policy.</li> <li>• Responsible for promoting the principles of this policy, as appropriate, within the Oxfam International Confederation.</li> </ul>

## 2.4 Related Documents and Further Resources

- Oxfam Anti-Fraud and Corruption Policy <https://oxfam.box.com/v/oaufraudpolicy>
- OI Terrorism Financing and Financial Crime Policy <https://oxfam.box.com/v/AidDiversion>
- OAU Procurement Policy <https://compass.oxfam.org/communities/oxfam-australia/groups/finance/wiki/procurement>
- One Oxfam Supply and Logistics Manual <https://oxfam.box.com/v/SupplyLogisticsManual>

<sup>7</sup> Unless specified otherwise, these refer to OAU positions. In-country, job titles may differ and during inductions and training/briefings, these responsibilities should be clarified. It is important to make sure that all responsibilities are covered.

## Annex 1

### Relevant Standards, Codes and Obligations

<p><b>Australian Council for International Development (ACFID) Code of Conduct (June 2017)</b></p>	<p>The Code is underpinned by a set of values which inform the behaviours of all members all the time. The values are translated into high-level Quality Principles that are then translated into specific commitments and associated compliance indicators. In relation to value for money:</p> <p><i>Quality Principle 8: Resource Management</i></p> <p>8.1 – We source our resources ethically.</p> <p>8.2 – We ensure that funds and resources entrusted to us are properly controlled and managed.</p> <p>8.2.2. – Members are effective in their use of resources and minimise financial wastage in the planning and implementation of activities.</p>
<p><b>Oxfam International Program Standards</b></p>	<p><i>Standard 11: Programs are accountable to stakeholders</i></p> <p>Programs have explicit mechanisms and processes in place in order to demonstrate accountability for inputs, rights-based approaches, and for outputs, outcomes and impact. Accountability mechanisms and processes engage donors, partners, governments, allies and, most importantly, the vulnerable and marginalised themselves in transparent dialogues about Oxfam’s strategies, program design, results and its way of working with and for others.</p>
<p><b>Department of Foreign Affairs and Trade (DFAT) Value for Money Principles</b></p>	<p>DFAT has developed eight value for money principles and expects all its delivery partners to give effect to these principles:</p> <p><i>Economy</i></p> <p>Principle 1 – Cost consciousness Principle 2 – Encouraging competition</p> <p><i>Efficiency</i></p> <p>Principle 3 – Evidence-based decision making Principle 4 – Proportionality</p> <p><i>Effectiveness</i></p> <p>Principle 5 – Performance and risk management Principle 6 – Results focus Principle 7 – Experimentation and innovation</p> <p><i>Ethics</i></p> <p>Principle 8 – Accountability and transparency</p>

<p><b>Code of Conduct for the International Red Cross and Red Crescent Movement and Non-Governmental Organisations (NGOs) in Disaster Relief</b></p>	<p>The Code of Conduct is a voluntary code outlining key standards for international development and humanitarian response. Oxfam is a signatory to the Code.</p> <p><i>Principle 9</i> – We hold ourselves accountable both to those we seek to assist and those from whom we accept resources. We recognise the need to report on our activities, both from a financial perspective and the perspective of effectiveness. We will also seek to report, in an open fashion, on the impact of our work and the factors limiting or enhancing that impact. Our programs will be based upon high standards of professionalism and expertise in order to minimise the wasting of valuable resources.</p>
<p><b>Core Humanitarian Standard (CHS) on Quality and Accountability (2014)</b></p>	<p>The CHS describes the essential elements of principled, accountable and high quality humanitarian action.</p> <p><i>Commitment 9</i> – Communities and people affected by crisis can expect that the organisations assisting them are managing resources effectively, efficiently and ethically.</p> <p><i>Quality criterion</i> – Resources are managed and used responsibly for their intended purpose.</p> <p><i>Key actions</i></p> <p>9.1 – Design programs and implement processes to ensure the efficient use of resources, balancing quality, cost and timeliness at each phase of the response.</p> <p>9.2 – Manage and use resources to achieve their intended purpose, minimising waste.</p>
<p><b>Oxfam Australia Program Management Procedure (PMP)</b></p>	<p>The OAU PMP outlines the part value for money considerations play across the program/project management cycle. This manual is a key instrument in ensuring value for money is understood and integrated into work by OAU Country Directors and Program Managers.</p>

## Annex 2

### Definitions

For the purposes of this policy, OAU uses these definitions:

<b>Value for Money:</b>	The best use of resources to contribute to positive, significant change in the most vulnerable and marginalised people's lives.
<b>Accountability:</b>	Processes through which an organisation makes a commitment to respond to and balance the needs of stakeholders in its decision-making processes and activities, and delivers against this commitment in a transparent way.
<b>Significant change:</b>	This is assessed in relation to the scale (number of people benefiting), depth (intensity and sustainability of change) and inclusion (change benefiting people who are vulnerable and marginalised based on evidence and the needs they and local partners have identified).
<b>Economy:</b>	The costs and inputs that went into a program or project. Economy is about assessing the reasonable cost to acquire good quality inputs that will enable the desired changes to be realised.
<b>Efficiency:</b>	The relationship between inputs and outputs, ie what is delivered in relation to what was invested.
<b>Effectiveness:</b>	The relationship between outputs and outcomes, to show what is being achieved and assess the delivery of desired outcomes and sustained impact.
<b>Equity:</b>	The equal inclusion of vulnerable groups, where programs include and produce equal benefits for different groups, especially the most vulnerable and marginalised.