



Value for Investment
Te Kounga o te Werawera

Value for Money and the 5Es

Designing a context-specific VfM framework

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Introduction

In a nutshell

Organisations that fund and review programs often specify expected value-for-money (VfM) criteria. Commonly, these criteria include some or all of the "5Es": economy, efficiency, effectiveness, cost-effectiveness, and equity. While the 5Es are a useful generic framework, we can bring much-needed clarity by defining them in program-specific terms. My goal is to provide you with strategies for defining each E for your program, making the VfM assessment more meaningful and actionable than a set of generic indicators.

Hi, I'm Julian



I help people use sound evidence and explicit values to make good decisions. I'm on a mission to disrupt VfM assessment. We can make it more credible and useful by combining insights from evaluation and economics. To help with that, I developed an approach called [Value for Investment](#), through PhD research. It's used around the world to evaluate complex and hard-to-

measure policies and programs, to answer questions like:

- 🤔 How well are we using resources?
- 🤔 Are we creating enough value?
- 🤔 How can we create more value from the resources invested?

This e-book collates six short reads I shared on a platform called Substack. My blog series, *Evaluation and Value for Investment*, shares my perspectives on how we can all do better VfM assessments. You can check it out [here](#).

VfM assessments often focus too much on the money and not enough on the value.

We can address this problem by re-framing policies and programs as **investments in value propositions** (that's why I prefer the term "Value for Investment").

Resources are allocated to social policies and programs because of the promise they hold to create value for people - in other words, their value propositions.

If we can define the value proposition, we can **evaluate** how well it's met.

Evaluating involves making value judgements. Those judgements should flow logically from 'facts'

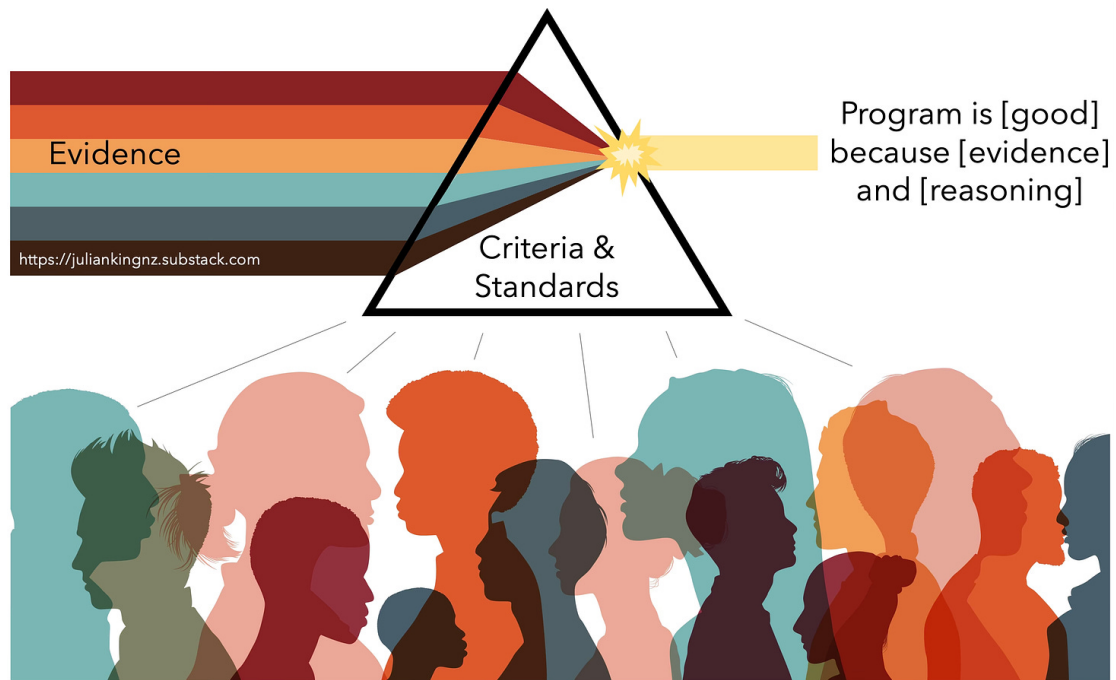


(independent observations of performance) and explicit **values** (what matters to people).

Those values can be expressed as **criteria** (aspects of value) and **standards** (levels of value).

Values come from people

Things don't have value; [people place value on things](#). Ask yourself: whose values matter when we're evaluating a social investment that affects other people's lives?



Interpreting evidence through the prism of explicit criteria and standards is called **evaluative reasoning** and is central to evaluation theory and practice.

Evaluative reasoning isn't always visible, but it happens any time we judge the value of something. Even if you don't know you're doing it, you're applying implicit values. In professional evaluation involving value judgements by, with, or for people affected by policies and programs, conclusions are strengthened by making the values [explicit](#).

An evaluation shouldn't just reflect the values of those who pay for it and those who do it for a living.

As evaluators, our role is to understand what matters to people affected by the investment and people who affect the investment.

Therefore, we need to involve people in the evaluation. When we elicit the values of stakeholders and make them explicit, those values become [facts](#) - because they're based on empirical evidence and verifiable through systematic inquiry.

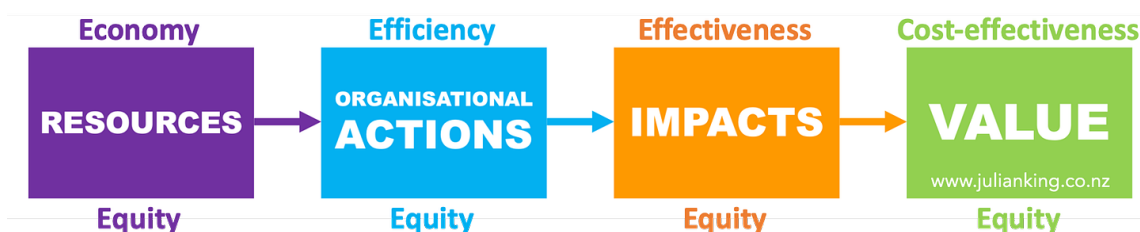
VfM criteria

VfM criteria (aspects of VfM) are often specified by organisations that fund and review policies and programs. **For example**, there's a cluster of five criteria that are commonly used in *ex-post* VfM assessment: economy, efficiency, effectiveness, cost-effectiveness, and equity - sometimes called the "5Es". These criteria are used by the UK's Foreign, Commonwealth and Development Office ([FCDO](#)), National Audit Office ([NAO](#)), and other organisations.

If we use the 5Es, we should define them in terms that are specific and meaningful to the context.

Organisations that use the 5Es provide generic definitions of each E. These definitions are useful but they're not enough.

Each investment has a unique set of circumstances. Criteria should be defined in program-specific terms to facilitate meaningful evaluation.



The 5Es span a program's value chain.

Economy is concerned with stewardship of the resources that are used to fuel actions.

Efficiency looks at the productivity of those organisational actions.

Effectiveness focuses on the impacts of those actions.

Cost-effectiveness considers whether the actions and impacts create enough value to justify the resources used.

Equity is relevant at every level of the value chain.

There's more to VfM than just the 5Es.

The 5Es reflect aspects of good resource use that some organisations, like FCDO and NAO, have deemed to be relevant and important for their organisational purposes. But there's more to good resource use than just the 5Es.

For example, the OECD DAC Evaluation Criteria cover additional aspects such as **relevance, coherence** and **sustainability**, any of which could be applicable to a VfM assessment.

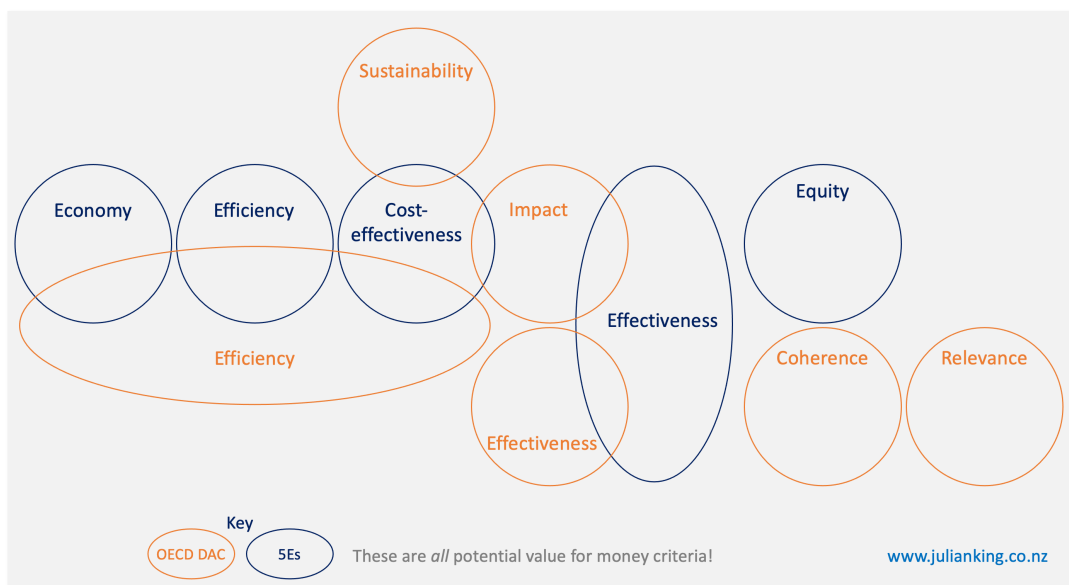
Here are the [OECD DAC criteria](#):



The DAC Criteria overlap conceptually with the 5Es in obvious and non-obvious ways.

They have two criteria in common (efficiency and effectiveness) though the two frameworks define them a bit differently. However, the OECD DAC Criteria overlap with FCDO’s definitions of the 5Es in [multiple ways](#).

When we look at wider criteria embedded in various organisations’ definitions of VfM, we can see that we could also consider **ethics, acceptability, accountability, transparency, affordability, probity, proportionality, risk management, innovation, competition, adaptability, scalability**, and more.



That's OK - we can set boundaries. The point isn't to use all the criteria in every VfM assessment but rather to consider and select appropriate criteria for the circumstances.

Criteria are different from indicators

The 5Es aren't indicators, they're criteria - aspects of performance and value that matter. While indicators are often expected to be [specific and measurable](#), criteria are intentionally broader and fuzzier, reflecting their purpose of scaffolding meaningful evaluative judgements. I recommend a stepped approach to evaluation which involves defining criteria and standards before selecting methods. This helps to ensure that the evaluation addresses the aspects of performance and value

that actually matter, not just what's measurable. This approach is detailed in other VfM guides, which you can download from my [website](#).

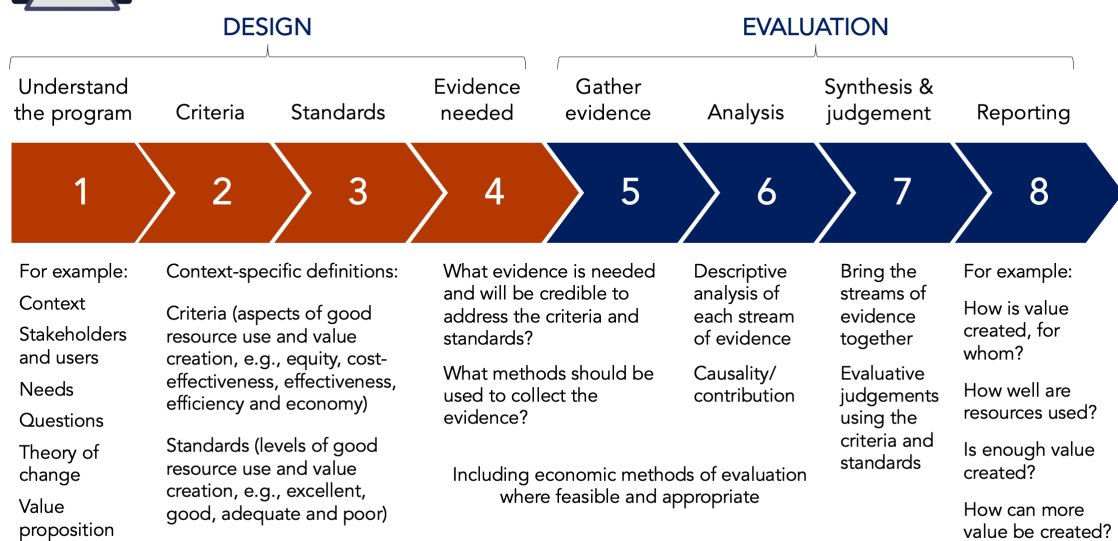
The 5Es are good conversation starters but they're not the full list of potential VfM criteria.

You don't have to use the 5Es, but if you do, I recommend defining them in context-specific terms to facilitate clear and meaningful evaluation. In this guide I share some tips and tricks for doing that.

My aim is to equip you with some useful conversation starters to define what good VfM looks like in your program, without getting captured and constrained by preconceived notions of what indicators or methods to use.



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inter-disciplinary | mixed methods | evaluative reasoning | participatory



Equity

I'm treating equity as the first E in the 5Es framework, because it is central to many of the interventions we evaluate. Yet VfM assessments typically treat equity as the last E, or as an afterthought (with an indicator like percentage of beneficiaries from a particular subgroup). Some don't mention equity at all.

Some programs and policies only exist because inequities exist.

In these cases, their purpose is to **address inequities**. We want them to do this as efficiently as possible - but designing a program to "address inequities efficiently" is a very different proposition than designing it to just "be efficient". These things matter if we want to accurately define VfM.

In some evaluations, we've hybridised the 5Es to reflect the centrality of addressing inequities in a program's objectives. For example, [this evaluation](#) and [this one](#), used three criteria along the lines of:

1. **Looking after resources equitably and economically**
2. **Delivering services equitably and efficiently**
3. **Generating social value equitably and effectively.**



A starting point for defining equity in your intervention is to consider:

🤔 **Who needs this investment and why? What inequities does it tackle, and how?**

Examples of equity sub-criteria

What would we see if a program is doing a good job of addressing inequities? The following list is not exhaustive, nor will every point apply to every situation. However, it does offer a few prompts when considering how to evaluate your program on the equity criterion:

🔔 **Equity in power** - e.g., program design, delivery, governance, monitoring, and evaluation are conducted **with** or **by** (not done **for** or **to**) the communities affected ([Wehipeihana, 2019](#))

🔔 **Equity of design** - e.g., program design explicitly identifies needs and inequities, groups intended to benefit, and appropriate ways of including and working with them

🔔 **Organisational equity** - e.g., the program walks the talk of equitable employment; the team's composition reflects the community served; staff from all

backgrounds and cultures feel safe, valued and supported

🔔 Equity of resourcing - e.g., project appraisal and investment decisions explicitly allocate resources to addressing inequities; the level of resourcing is sufficient to support appropriate and meaningful work to address inequities; evaluation and VfM assessment contributes to learning what level of resourcing it takes to reduce inequities

🔔 Equity of access - e.g., interventions are accessible and acceptable to people from key groups intended to benefit (and actually accessed by them); eligibility criteria are applied so that resources reach those with the highest needs

🔔 Equity of delivery - e.g., the service implements explicit strategies to engage effectively with priority groups; [cultural fit](#) between service providers and service users; monitoring data to understand impacts on reducing inequities (e.g., disaggregated by gender, socioeconomic indicators, ethnicity, etc; gathering perspectives of service recipients and their representatives)

🔔 Equity of outcomes and impacts - e.g. real improvements in the lives of people who are intended to benefit, reducing inequities between groups

🔔 Distribution of costs and benefits - for example, [cost benefit analyses conducted from the perspectives of different subgroups](#) (such as property owners and renters) can throw light on who is made better or worse off by a policy.

Cost-effectiveness

The cost-effectiveness criterion directs our attention to whether a policy or program **creates enough value** to justify the investment of resources.

An intuitive doorway into defining context-specific cost-effectiveness criteria is to ask:

🤔 **To whom is the investment valuable, and how is it valuable to them? What would enough value look like?**

The label 'cost-effectiveness' is potentially confusing.

In health economics, we use this label to refer to a specific economic method of evaluation ([cost-effectiveness analysis](#)).

However, the 5Es don't dictate methods. What matters first and foremost is not what method we apply but that we consider the relationship between value created and value consumed, or whether the program meets its value proposition.

Accordingly, the big question we need to consider when addressing the cost-effectiveness criterion is:

What evidence and rationale support the claim that the intervention is worth investing in?

That's an **evaluative question**, demanding a [judgement](#). We can address it by:

1. [Defining the value proposition](#);
2. Defining explicit criteria (what aspects of the value proposition to examine);
3. Defining standards (what 'enough' value looks like for each criterion);
4. Determining what evidence and methods are needed to address the criteria and standards.

After that, we're ready to gather and analyse the evidence, synthesise it through the prism of the criteria and standards, and transparently judge cost-effectiveness.

Economic methods of evaluation (e.g. [cost-benefit analysis](#), [cost-effectiveness analysis](#), etc) can provide important insights to help address the cost-effectiveness criterion. We should use them when we can. I'll start by outlining economic methods and what they contribute to understanding cost-effectiveness. I'll also suggest some alternatives.

Potential strategies for framing up program-specific cost-effectiveness criteria

1. Does value, measured in monetary units, compare favourably to costs?

This type of analysis involves valuing impacts and resources in units of money. This can include social and environmental impacts and resources; there are ways of [placing monetary values on intangible](#) things like [wellbeing](#).

$$\frac{\text{VALUE (monetary)}}{\text{RESOURCES}} = \text{Benefit Cost Ratio (or SROI ratio)}$$

💡 **Does the monetary value of impacts exceed the monetary value of resources?** ([cost-benefit analysis](#) or [social return on investment](#)).

💡 **Does the monetary value of impacts at least equal the monetary value of resources under plausible assumptions?** ([break-even analysis](#)).

These analyses can be conducted *ex-ante* (before the event) or *ex-post* (after the event). They can be on a stand-alone or comparative basis. Comparators can include alternative courses of action aimed at the same or different outcomes.

A benefit-cost ratio isn't an evaluative judgement. Our overall determination of whether the resource use creates enough value should take into account the ratio and other considerations such as [sensitivity analysis](#), impacts and resources that weren't included in the monetary valuations, and distributional impacts.

2. Does value, measured in non-monetary units, relative to costs, compare favourably to something else?

Value doesn't have to be measured in money. For example, it can be measured in units of utility, such as quality-adjusted life years ([QALYs](#)) or various other possibilities.

$$\frac{\text{VALUE (non-monetary)}}{\text{RESOURCES}} = \text{Cost-utility ratio}$$

💡 **Does the ratio of non-monetary value to costs compare favourably with alternative courses of action?** ([cost-utility analysis](#)).

💡 **Does the ratio of non-monetary value to costs compare favourably with other relevant interventions in similar contexts?** (cost-utility analysis).

Cost-utility analysis can be conducted *ex-ante* or *ex-post*. Unlike cost-benefit analysis, it isn't informative on a stand-alone basis; we need one or more comparator interventions with the same utility measure to compare ratios or create an [incremental cost-utility ratio](#).

A comparator is distinct from counterfactual. We need both. The comparator is the next-best alternative intervention, or a similar intervention evaluated before. It gives us a point of comparison for an incremental cost-effectiveness or cost-utility ratio. Both the intervention and the comparator will need their own respective counterfactuals for causal inference purposes: estimates of what would have happened in the absence of the interventions.

We also need to judge whether the ratio is 'good'. The method can't make the judgement for us. As always, the evaluative judgement requires [evaluative reasoning](#).

3. Does impact, relative to costs, compare favourably to something else?

We can look at the ratio of an impact (measured in natural or physical units, like number of graduates or number of lives saved) to the costs of achieving it.

💡 **Does the ratio of an impact to its costs compare favourably with alternative courses of action?** ([cost-effectiveness analysis](#)).

$$\frac{\text{IMPACTS}}{\text{RESOURCES}} = \text{Cost-effectiveness ratio}$$


💡 **Does the ratio of an impact to its costs compare favourably with other relevant interventions in similar contexts?** (cost-effectiveness analysis).

Cost-effectiveness analysis can be conducted *ex-ante* or *ex-post*, and requires one or more comparator interventions with the same outcome measure to compare ratios or create an [incremental cost-effectiveness ratio](#).

We still need to judge whether the ratio is 'good'. When we do so, we may want to take more into account than just the ratio of costs to a single numerical outcome measure.

💡 **Can the same impacts be achieved at a lower cost?** ([cost minimisation analysis](#)).

💡 **To what extent does the investment in the intervention pay back through future financial savings?** For example, low-cost early interventions to meet mental health needs may reduce future need for more expensive specialist services. I view this as a form of cost minimisation analysis, in which the impact is the future cost reduction. It's informative as far as it goes, but is a narrow and potentially misleading way to think about cost-effectiveness and VfM, because programs can create social value in ways that don't translate into future savings.

💡 **How do the costs compare impressionistically to a constellation of outcome measures?** ([cost-consequence analysis](#)). This analysis yields a table of cost and outcome figures, leaving readers to decide what it all means. An advantage is that unlike cost-effectiveness analysis which uses a single outcome measure, cost-consequence analysis can include multiple outcomes. However, a major disadvantage from an evaluation perspective is that it lacks a synthesis step. It produces measurements of different costs and outcomes with no clear conclusion. We can do better, by adding a rubric.

4. Does the investment create enough value, as defined in a rubric?

The possibilities we've canvassed so far involve economic methods of evaluation, producing ratios of value or impact to costs.

However, no method replaces [explicit evaluative reasoning](#). We still have to judge overall value, no matter what methods and evidence we use.

Moreover, economic methods [may not always be sufficient, nor necessarily feasible](#) given real-world constraints such as availability of suitable data.

Additional strategies to support evaluative reasoning include the following ways of looking at cost-effectiveness:

💡 **Does the investment meet a defined set of expectations for the resources allocated?** In many policies and programs, where a defined package of resources was allocated to a set of value propositions (e.g., expectations and aspirations), we can assess cost-effectiveness by defining those value propositions and assessing the extent to which they were, or are likely to be met. This can involve any mix of qualitative, quantitative and economic evidence.

💡 **Is the program working as an effective mechanism to grow value?** (e.g., through effects such as leverage, catalyst, magnet, capital, etc - as summarised in this open access preprint [article](#)). I'll expand here on just one example, growing capital assets:

💡 **Does the investment create a legacy that results in sustained change and ongoing value, beyond the life of the program?** Some investments create value by growing capital assets such as infrastructure, knowledge, relationships, or public trust. *Capital assets* are like the goose that laid the golden eggs. There's no point looking for a return on investment (golden eggs, financial or social returns) until the asset (the goose, the business venture, or the enabling *social capital*) is grown and well maintained. When we evaluate the cost-effectiveness of some programs, it makes more sense to evaluate the capital building than the returns.

Overall, we assess cost-effectiveness by judging whether a program meets its value proposition to an extent that makes it worthwhile from the perspectives of relevant people and groups.

Any of the strategies above, or a mix of them, can assist us in making this determination (but can't make the determination for us). The foundational strategy in each case is a clear value proposition and a [rubric](#), co-developed with stakeholders, to scaffold explicit judgements from a situationally appropriate mix of evidence (qualitative, quantitative, and/or economic). Here's an [example](#). More examples on my Vfl [resources](#) page.

Effectiveness

Effectiveness addresses the section of the value chain where we see if an intervention's efforts had some impact. This is distinct from its value to people, which is addressed at the [cost-effectiveness](#) level.

When defining effectiveness criteria for our program, it can help to ask:

🤔 **What outcomes or impacts should we pay attention to that would tell us if the investment is on track to create value?**

Outcomes and impacts are defined in various different ways.

For the effectiveness criterion, I'm using both outcomes and impacts as equivalent terms for changes in people, places and things that are caused by a program's actions, or to which the actions contribute.

When we assess outcomes or impacts, we need to investigate not just what changed, but what caused or contributed to the change. These changes may include real changes in people's lives, like health status or educational attainment, or

footprints of progress toward the bigger outcomes, like changes in knowledge, skills, or behaviour.

If your VfM assessment is part of a wider monitoring, evaluation and learning program, then there may also be an outcomes evaluation underway. In that case, it's important to coordinate workstreams to ensure the VfM assessment and outcomes evaluation are conceptually coherent and collect the right data to serve both purposes.

Keep outcomes distinct from outputs.

Outputs are products or services delivered through the program's actions and substantively within its control, whereas outcomes are consequences of the program and involve some action or change in people, places or things external to the program.

Outputs (e.g., "training was delivered") belong at efficiency level in the 5Es framework. Outcomes (e.g., "the training improved staff performance") belong at effectiveness level.

Outputs are sometimes misclassified as outcomes, perhaps because outputs happen sooner and it may be easier to measure and report what the program delivered than how it made a difference. Conversely,

outcomes are sometimes misclassified as outputs.

If an output or outcome has been misclassified in an existing theory of change or logframe, I reclassify it to the part of the VfM framework where it rightly belongs.

Causal questions and evaluative questions are separate and distinct, though sometimes conflated.

Both involve making warranted judgements based on evidence and logical reasoning, but causal questions focus on why something happened (and how, for whom, in what circumstances) whereas evaluative questions focus on how good something is. Causal inference (determining impact) and probative inference (determining value) have different logics and methods underpinning them. To assess effectiveness, we need both.

We have multiple options at our disposal for tackling causal questions - quantitative and qualitative, experimental, quasi- and non-experimental. All options (and combinations thereof) are on the table as far as I'm concerned. [Select according to context](#). [Horses for courses](#). [No gold standards, except sound reasoning](#).

We also have multiple options for tackling the evaluative part of the assessment - for example, determining whether the outcomes and impacts meet, exceed or fall short of reasonable expectations. There are [multiple approaches to evaluative reasoning](#). My writing focuses mainly on [rubrics](#) and [mixed reasoning](#).

In VfM assessment, intended and unintended outcomes matter.

VfM assessments often focus on whether a program is achieving its intended outcomes. From this perspective, the assessment of outcomes should align with a theory of change or logic model. Often, intended outcomes are identified by program architects. However, we should also seek to understand and evaluate outcomes through the lens of recipients' needs and expectations. What's more, some outcomes may be unintended and could be positive or negative, with implications for the overall value of the investment. Different people can experience different outcomes, so it may be important to consider for whom, when and why a program is effective.

Efficiency

Efficiency is concerned with how productively an organisation (program, company, etc) carries out its intended actions, using inputs (like staff, offices and computers) to deliver outputs (like services or products).

One way to measure efficiency is with ratios...

For example, imagine a vaccination program. We know the cost of the program (financial resources). We know the number of vaccination staff (an input). We can count how many people were vaccinated (an output). So we can produce ratios like:

- Average number of people vaccinated per staff member (outputs divided by inputs)
- Average cost per person vaccinated (costs divided by outputs)

ACTIONS
(OUTPUTS)

= Efficiency ratio

RESOURCES
juliankingnz.substack.com

To judge whether these ratios are good, we need to compare them with benchmarks based on the efficiency ratios of other

interventions in similar contexts, or with the level of performance we consider possible in theory.

As a sophisticated example, a technique called [data envelopment analysis](#) can be used to evaluate the relative efficiency of multiple units producing the same outputs (e.g., a chain of fast food restaurants) by comparing efficiency ratios and identifying the most efficient units as benchmarks.

...but ratios are just one way of looking at efficiency.

If you own a chain of burger joints, average cost per burger may be worth comparing. But if you're running a complex adaptive program aimed at contributing to systemic changes by working iteratively and politically to meet evolving needs and priorities, what units of output are you even going to produce ratios for? For example, average cost per bespoke research product, or per piece of policy advice, won't help us to assess efficiency. It'll give us some numbers but as each output is unique, and lacks a benchmark, we won't know how to interpret the results.

Efficiency ratios are relevant to VfM but if we treat efficiency as no more than ratios, we could miss the opportunity to do something more meaningful.

More broadly, we can ask:

🤔 **What ways of working will ensure we get the most value from the resources invested?**

An important aspect of maximising VfM through organisational actions is productivity.

Poor old productivity is sometimes misunderstood. It's not about working harder or maintaining services in the face of budget cuts. It's about using resources (time, money, effort, creativity, etc) to best effect, so that we can have more of what we value.

Productivity encapsulates multiple ways of looking at efficiency, such as:

🔍 **Allocative efficiency**, or doing the right mix of things. For example, does the program prioritise objectives and allocate resources accordingly? Does it have a balanced portfolio of actions to deliver across all of its outputs? Are there opportunities to do less of something in order to do more of something more valuable?

🔍 **Technical efficiency**, or delivering the right quality and quantity of outputs. Efficiency ratios are indicators of technical efficiency, but the underlying

criterion is broader. For example, it includes delivering the right volume of work within budget, on time, and to the expected quality standard. It takes into account reasons for deviations from plans in order to distinguish program performance from other issues like [emergent strategy](#), changes in political and economic conditions, etc.

🔍 **Dynamic efficiency**, or adapting and improving. For example, becoming more efficient by monitoring, evaluating, reflecting, learning, adopting new technologies, actively managing risks, responding to opportunities and changes in context, etc.

🔍 **Relational efficiency**, including communication and trust - a foundation that enables programs to operate smoothly and without which, resources may be wasted. A new program may become more efficient (and effective) over time as relationships develop. Building these relationships is an investment, requiring resources and time. The investment should be made explicit to appropriately monitor and evaluate progress toward outcomes and VfM.

Allocative, technical, and dynamic efficiency have textbook definitions in economics, which we summarised in the [Guide to Assessing VfM](#) that I co-authored with Oxford Policy Management, and adapted into the practical

interpretations above that can be applied in VfM assessment.

Ways of working that make good use of resources go beyond productivity. For example, something I've learned, especially when supporting evaluations in Māori and other indigenous contexts, is that [how](#) something is done can matter as much as what it achieves.

Any aspect of organisational actions is up for consideration if it affects the extent to which the resource use creates value. For example, effective teamwork, “walking the talk” of organisational strategy and values, and, if your office is anything like mine, keeping the coffee machine topped up, are all important enablers of productivity.

Economy

I'm covering economy last because it's typically mentioned first. I'm not just doing that to be contrary. Economy steals too much of the limelight, because it addresses resource use - an aspect of a program that's often one of the first and easiest things we can quantify - and because spending is a sitting target for political point-scoring.

Unfortunately, this can reinforce the perception of a program as a 'cost' rather than an investment in a value proposition - and this myopic view can work against VfM by focusing on cost-cutting rather than long-term value creation.

Typically, economy is concerned with the conversion of resources (which, to funders, means money) into inputs (such as staff, consultants, equipment, etc) needed to deliver a program. In other words, it's about *buying stuff*.

Usually, definitions of economy in VfM assessments focus on frugal management of funding and minimising the cost of inputs - with [one organisation's framework](#) going so far as to define economy as "*spending less*".


I am not a fan of this definition.

Oscar Wilde wrote in 1892 that a cynic is someone who "knows the price of everything and the value of nothing." In VfM assessment we cannot afford such cynicism, because our job is to understand value. As we well know from our own purchasing decisions, value doesn't equate with cheapness. Sometimes it's best to spend a little *more* in order to get a disproportionate gain in value through improved quality, fitness-for-purpose, and impact.

This isn't a licence to spend, spend, spend. Budgets have ceilings. We need to manage them well by buying the right inputs, of the right quality, at the right time and price to fuel productive delivery, effective and equitable impacts, and create worthwhile value.

In other words, economy isn't "spending less". It's *managing resources well* to support the other four Es (efficiency, effectiveness, equity and cost-effectiveness).

I suggest we take a broader view of economy, by asking:

 **What resources are invested and by whom? What does good stewardship of those resources look like?**

When we approach economy from this perspective, it leads to the insight that money is only part of the investment.

Examples of other resources and their stewardship include:

🔑 Looking after **intangible resources** such as political capital, knowledge, skills, cultural and technical expertise, relationships and reputations.

🔑 Understanding the **footprint** of the program on the extraction and use of natural resources and minimising harmful environmental side-effects.

🔑 Good **human resource** management practices, such as recruiting talent from diverse backgrounds, fostering an inclusive organisational culture and paying staff equitably, which contribute to program effectiveness and societal value.

🔑 Considering **trade-offs** between cost minimisation and broader dimensions of stewarding resources - e.g., balancing competition-based procurement strategies with opportunities to build the capacity of small local suppliers to the longer-term betterment of a more competitive, diverse and equitable marketplace.

Of course, stewardship of money is important too.

Aspects of good financial management include considerations such as:

💰 Using sound procurement practices (e.g., competitive tendering where appropriate and feasible, [whole-of-life costing](#) of significant items).

💰 Paying reasonable prices for inputs (e.g., average cost per unit of significant items such as salaries, consultant fees, office space, airfares, etc., are not excessive).

💰 Managing risks of cost increases (price and/or volume-related).

💰 Proactively finding [economies of scale](#) and/or scope, savings and 'best deals'.

💰 Leveraging support from partner organisations to grow the funding base and/or access resources in-kind (e.g., pro bono technical assistance, low or no cost use of meeting facilities).

💰 Sound financial management and probity arrangements.

💰 Risk management to minimise frictional losses (e.g., potential leakage of funds due to informal or corrupt transactions after funding has been disbursed from the program to subcontractors or the community).

Bottom line

The 5Es aren't a definitive VfM framework – there's no such thing - but they're useful conversation starters for *ex-post* VfM assessment. Rather than use generic VfM criteria, we need program-specific criteria, defined with stakeholders to reflect agreed aspects of VfM. This e-book shares concepts to help you define each E in *your* context. You don't have to use the 5Es; other criteria may be more appropriate for *ex-ante* VfM assessment or for your circumstances.

More on the Value for Investment approach

Free resources at www.julianking.co.nz



Blogs and updates at <https://juliankingnz.substack.com>



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