Thinking about Value for Money

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When considering a CBI project, it is important to think about the value for money. IOM selects its operational modality, including CBI, based on consideration of the context, needs, and potential for maximized results and impact. In the process of transfer modality selection, a simple calculation can be carried out to help compare the costs associated with different modalities (in-kind, vouchers, cash) and, when possible, with different delivery mechanisms. The calculation has three steps:

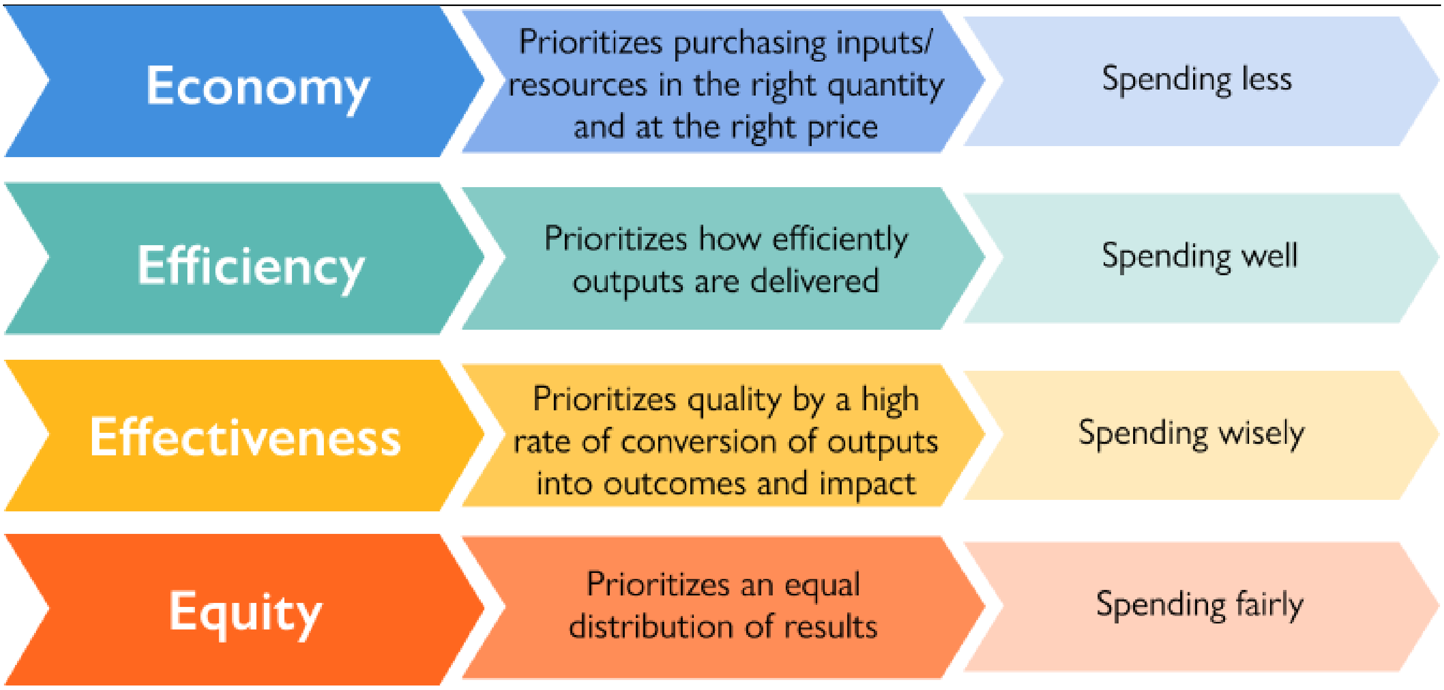
1. Transfer value cost.
2. Delivery and implementation costs of different modalities (and mechanisms).
3. Cost-efficiency calculation. Cost-efficiency is a ratio comparing the total costs (value transfer + delivery and implementation costs) of different modalities (and mechanisms).

[Cost efficiency calculation template (Excel)]

4.8.1 4Es (economy, efficiency, effectiveness, equity)

The 4Es are about achieving the optimal balance between benefits and costs. The primary focus of a Value for Money Analysis is on **economy** and **efficiency**, this is where an optimal balance of benefits and costs is weighed as the basis of total cost and not necessarily the lowest cost. The last E (equity) looks at the extent to which services are available and can reach all people for whom they are intended (spending fairly).

Figure 9: Value for Money - the 4Es



Adapted from Key Aid Consulting's [Cash Assistance: How design influences Value for Money]"

4.8.2 Costs associated with CBI

There are a number of costs to consider when creating a budget for CBI programming, including:

- All staff salaries, fees, directly involved in implementing the programme – e.g. management, design, M&E, and associated staff travel, per diem and training.
- Infrastructure that is directly related to the programme (setting up registration service centres where beneficiaries apply for the programme).
- Transaction fees charged by the financial service provider delivering the money to end users.
- Costs of cards/payment instruments, card readers and printing of vouchers (if applicable).
- IT infrastructure (data centre or platform use service fees) and other equipment relevant to the programme (software, surveys).
- Overhead costs (normally 7 per cent).
- Staff and shared resources across other programmes (e.g. drivers, vehicles or office costs).
- Security, crowd control, and related costs.
- Government infrastructure or personnel shared across other programmes.
- Currencies and exchange rates.

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