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Assessing value for money in complex programmes

OLCA: Outcome Likelihood and Causal Analysis

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VFM and uncertainty

Complex programmes are defined by uncertainty and may face low (initial) chances of success.

Where does that leave VFM assessment?

One of the defining features of complex programmes is uncertainty – uncertainty about how the operating environment will evolve, about how actors will respond to developments and whether the intended outcomes will actually be achieved. At the same time, any investment to help move towards those outcomes is typically small in relation to the size of the task, with a limited span of control over the direction of change.

In these circumstances, people might reasonably ask why invest in any programme that is so uncertain? But the truth is strategic programmes are all about engaging in unpredictable environments – it's where the potentially big pay-offs are to be found, even if their ability to exert a direct influence over those outcomes is small.

In fact, we anticipate that investment in strategic programmes is only likely to increase. As the international arena becomes more contested, as commitment to multilateralism weakens and as individual governments align their international assistance more closely with their foreign policy objectives, governments and organisations are increasingly willing to engage partners in complex settings about their values and interests and to position themselves ready for when the opportunity for change arises.

But how can you assess the value for money of such programmes?

The challenge

Conventional value for money standards are still relevant… but they only take you so far in highly uncertain settings

Economy, Efficiency and Effectiveness

Of course, being able to demonstrate that resources have been obtained in the most economical way, that they have been used efficiently, that they have had the desired effects, and, overall, that the investment was cost-effective, are relevant standards regardless of the type of programme. The challenge in complex settings, however, is applying these standards in meaningful ways.

The challenge of uncertainty

The reason for this is the uncertainty inherent in complex situations, and this uncertainty affects our ability to address value for money questions in three important ways:

- if you simply don't know the likelihood of something important happening, it is hard to judge whether you are applying the appropriate level of resources to its achievement
- more generally, where causal chains are long and interconnected and outcomes are unpredictable, it is hard to demonstrate that you are allocating resources to the aspects of the programme that are likely to have the biggest positive impact on your overall chances of success
- finally, and crucially, if you don't have an idea of what the overall chances of programme 'success' are, it is hard to argue the case that the programme represents a cost-effective investment

How can OLCA help?

OLCA can help managers put a value on reducing uncertainty even by small amounts

Understanding the value of better information

In the first challenge, the programme doesn't know how likely it is that a preferred outcome will or won't happen: it's a "50:50" call. But what if the programme could improve its knowledge and get a much better estimate of the likelihood - say by conducting a large stakeholder survey? Should the programme spend the money?

OLCA allows managers to analyse what difference this better estimate makes to their strategy. If the outcome is a critical step in achieving the programme's ultimate objectives, then knowing whether it is more or less likely, could make a huge difference to the actions the programme takes. Conversely, if the outcome augments the change process if achieved, but does not derail it if not achieved, the additional certainty gained may not justify the expense of the survey.

Using OLCA's robust causal model, managers can scrutinise whether resources are being allocated optimally

Understanding better what interventions are likely to make the most difference

Programmes often comprise multiple activities all working towards the overall aim – support for relevant research, assistance to build the capacity of an organisation, training for key stakeholders, funding for consultations and dialogue, and so on. What represents the optimal allocation of resources between activities in this situation?

In a complex setting, this can't be known with certainty but with OLCA managers can examine whether their current strategy (and resource allocation) aligns with their beliefs about what is likely to happen. Furthermore, OLCA lets managers assess what difference improving the likelihood of intermediate outcomes makes to the overall chances of success to inform decisions about allocation of resources across tasks.

By providing new insight about prospects, OLCA places risk appetite squarely in the discussion about value for money

A more complexity-aware analysis of cost-effectiveness…

Strategic programmes often have potentially big pay-offs, but the likelihood of success is not typically examined rigorously. But without that understanding, it is impossible to demonstrate convincingly the investment is cost-effective.

With OLCA, mangers can estimate the chances of achieving the programme's overall objectives. If financial values can be assigned to these objectives, then OLCA can be used to produce an estimate of expected value, which in turn can be compared with cost. Furthermore, managers can use OLCA to track the changing (hopefully improving) prospects over time.

This is a major advantage for programmes operating in complex settings, with significant potential to inform a intelligent discussion about VFM doesn't end there.

In more straightforward contexts, an unsuccessful investment will be judged poor value for money precisely because of its failure. But in complex settings, where the chances of success at the outset may be low but the pay offs high, should the same standard be applied? Many strategic investments are risky precisely because they are pursuing breakthrough outcomes.

To avoid encouraging (unhelpful) risk aversion, we believe a better measure is whether the prospects for success align with funders' appetite for risk. Answering this question, however, requires a rigorous estimate of the programme's likelihood of success – it's riskiness. Managers can use OLCA to obtain this estimate and engage funders in a serious consideration of this question.