Cost-effectiveness of projects

Closer definition of terms and efficiency criteria – Success factors – Key questions for planning, implementation and assessment

I. Closer definition of terms

In the context of the projects implemented by GIZ, cost-effectiveness is about transformation efficiency, i.e. the cost-effective achievement of objectives. This may take two forms:

1) The ratio of inputs (costs) to outputs is termed production efficiency.
2) The ratio of inputs (costs) to outcomes is termed allocation efficiency.

In line with the principle of economy, cost-effectiveness is achieved when the best possible cost-benefit ratio is obtained. In the GIZ context, cost-effectiveness means that the best possible outputs and outcomes are achieved using the resources available, while avoiding waste. All measures that have a positive effect on the ratio of inputs to outputs increase production efficiency. All measures that have a positive effect on the ratio of inputs to outcomes increase allocation efficiency.

The following statements can be made based on the cross-section analysis:

This ratio can be positively influenced in the **planning phase** particularly if

- ✓ planning processes are participatory, give consideration to the perspectives of specific target groups and promote transparency;
- ✓ the findings of previous studies (e.g. baseline studies, needs analyses and feasibility studies) can be used;
- ✓ lessons learned from the past (e.g. between project phases) or other DC projects can be used.

This ratio can be positively influenced in the **implementation phase** particularly if

- ✓ monitoring systems (for the regular examination of costs, activities and outcomes) are set up and used, and sufficient M+E resources can be provided;
- ✓ synergies (with other projects, donors and stakeholders) can be harnessed;
- ✓ knowledge management structures can be set up, and knowledge can be disseminated and institutionalised;
- ✓ the project's HR management can use an instrument mix consisting of field staff and national staff, project staff can be regularly trained and staff fluctuation curbed;
- ✓ measures can be taken to ensure the clear communication of responsibilities and roles in the stakeholder setting;
- ✓ the project's management structure can be designed to focus on the partner's expectations and permits maximum social and spatial proximity;
- ✓ a risk management system can be set up that clearly describes risks and potential measures, and is geared to organisations rather than individuals.

During the **assessment phase**, in addition to the above aspects, it is advisable to analyse the following points in order to improve the quality of the efficiency analysis:

- ✓ What definition or understanding of cost-effectiveness is used as the basis?
- ✓ How are the costs divided between the different items (e.g. using the follow-the-money approach)?
- ✓ Was it possible to justify the favourableness of decisions in individual cases?
- ✓ To what extent could quantitative and qualitative data be triangulated?

II. Criteria – Success factors – Key questions for planning, implementation and assessment

Efficiency criteria for planning	**Success factors**	**Key questions**
Using lessons learned (Level 1 – very important)	✓ Contextual experience ✓ Knowledge transfer between phases ✓ Innovation and learning processes	Is there a description of approaches for systematically documenting lessons learned? Can data and findings from previous GIZ projects and/or the projects of other donors be used? Are the lessons learned from other projects critically addressed (put into context)? Are possible limitations pointed out for using the lessons learned in other projects? Are learning processes described? Are lessons learned discussed and evaluated together with partners?
Participatory planning (Level 2 – important)	✓ Participatory preparation of measures ✓ Consideration of target group perspectives ✓ Transparency and ownership	Are measures planned that will promote transparency among partners, e.g. a plan of operations that was elaborated in a participatory process? Are participatory planning elements used in the project phase? Later on during implementation: Are plans updated in a participatory manner?
Using findings from previous studies (Level 3 – significant)	✓ Improved data basis through baseline studies ✓ Alignment with demand through needs analyses and feasibility studies ✓ Targeted use of technical studies	Are needs analyses used to develop activities? Are target values and baseline data compared and taken into account in planning? Can data and findings from previous studies and analyses be used?
Efficiency criteria for implementation	**Success factors**	**Key questions**
Using a monitoring system (Level 1 – very important)	✓ Adequate M+E resources (personnel and cash funds) ✓ Guidance for the implementation of measures: Adjusting and improving services ✓ Convincing decision-makers	Are digital solutions used? (Efficiency) Is the M+E system used to steer the project? Is there a plan for how the information is (to be) used? Are both qualitative and quantitative data collected? Are different methods triangulated? How often are data entered and analysed?
Harnessing synergies (Level 1 – very important)	✓ Synergies with other GIZ projects ✓ Synergies with other German organisations	Is financing shared with other organisations and stakeholders, or are there cofinancing arrangements? Are there joint investment concepts, or jointly implemented measures?

	✓ Synergies within German development cooperation	Are synergies used to save costs for the German DC system? Does the project also use knowledge it did not generate itself or data it did not collect itself?
Responsibilities in the stakeholder setting (Level 1 – very important)	✓ Description of roles and responsibilities ✓ Use of 'donor forums' ✓ (Strong) involvement of partners (if there are problems) ✓ Providing a communication platform	To what extent are partners involved (especially in connection with challenges and problems)? Are responsibilities and roles spelled out in writing – at the project, in the partner and the donor setting? Do the partners coordinate the donors? Is there an accepted communication plan? How is it put into practice? Are there regular operational meetings with other stakeholders? Are there regular workshops to compare expectations and allocate responsibilities?
Risk-reduction measures (Level 1 – very important)	✓ Coordination with other donors (stakeholders) ✓ Aligning risk-reduction measures with organisations (not individuals) ✓ Clear description of risks; monitor risks and identify action	Are risks described? Are measures to prevent or manage risks described? Is a risk management system in place? Is it used? Are actions identified on the basis of this system? Are responsibilities for handling risks and challenges clearly attributed? Is there a description of coordination processes with stakeholders?
HR management (Level 2 – important)	✓ Examining the appropriateness of fixed HR costs ✓ Examining closer involvement of national staff with the same qualifications ✓ Adequate instrument mix ✓ Technical qualification of the deployed personnel ✓ Forward-looking HR planning to prevent frequent staff fluctuation or delayed staff assignments	Is there an appropriate ratio between seconded staff/development workers and national staff? Are efforts made to frequently commission national short-term experts with the same qualifications? Are the qualifications of the deployed personnel considered good? Are CPD courses regularly planned and carried out?
Ongoing knowledge management (Level 2 – important)	✓ Dissemination of experience and knowledge ✓ Knowledge management as a key management process ✓ Institutionalising knowledge	How and where are data stored? How easy is it to access and use these data (including the use of digital solutions; see also 'Using monitoring systems' criterion)? How are stakeholders involved in this respect (see also 'Synergies' criterion)? How is knowledge institutionalised? Are there regular operational meetings, workshops, training courses? Do peer learning activities take place? Is knowledge transfer also regularly monitored? Are good practices and negative experiences shared and documented? To what extent are marketing materials, websites and social media used? Are forums and communication platforms regularly used?

Partner management and partner proximity (Level 2 – important)	✓ Setting up a steering committee ✓ Cognitive and spatial proximity ✓ Strategic and conceptual position as regards partner expectations	Can task forces, working groups and committees be jointly established with partners? Are measures examined to achieve spatial proximity to the partner? Are there clear responsibilities for partners and projects? Are suitable channels in place to communicate these responsibilities? Have specific contact persons (at the project and the partner) been appointed for specific tasks? Are partner contributions planned/provided?
Efficiency criteria for assessment	**Success factors**	**Key questions**
Favourableness of decisions (Level 1 – very important)	✓ Regular reflection on the decisions taken (e.g. plan of operations, reflection meetings, M+E) ✓ Examination of results logic/model and adjustment, where appropriate ✓ Make required changes at activities level	Have there been any essential changes in the initial context (offer/commission) e.g. political frameworks, partners, target groups. etc.? Selection of and cooperation with partners, stakeholders and target groups? Are there monitoring and evaluation findings that call for a change of direction? (activities/outputs, forms of financing ...) Have additional results been identified? Do results hypotheses need to be adjusted?
Cost allocation (Level 3 – significant)	✓ Allocate costs to personnel/administration ✓ Distinguish between advisory services and materials and equipment ✓ Follow the money	Have costs been allocated to individual outputs? (Cost per Output Monitoring and Forecast, KOMP) Have costs been allocated to individual activities? (operational planning) Were other types of cost allocation used?

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