Looking for volunteers to pilot a theory of efficiency

The Efficiency Lab is looking for projects and programmes that are willing to embark on developing a pilot version of a Theory of Efficiency, and testing it in practice. In this paper you will find what this pilot will be about. The time schedule will be determined in consultation with all organisations that are willing to participate in the pilot.

For more information contact Heinz Greijn (heinz@partos.nl)
On 23 November 2017 the Partos Efficiency Lab organised a conference on efficiency. Important insights shared by a panel of experts\(^1\) include that efficiency analysis is often of very poor quality in project setups and evaluations. This is because there is a lot of confusion about the concept of efficiency.

First, definitions used by influential bodies such as OECD suggest that efficiency is about the relation between costs of inputs and outputs. According to these definitions even a project that has no, or even negative, outcomes or impact, can still be efficient. A definition that can lead to such conclusions is not helpful for innovation and the improvement of interventions. A useful definition must be based on the premise that effectiveness is a prerequisite for efficiency. In other words, without effectiveness there can be no efficiency.

Second, the purpose of conducting an efficiency analysis is often not made explicit. Clarity of purpose is important because it has consequences for the choice of methods and tools used. Two important types of purposes need to be distinguished: 1. comparing the efficiency of an intervention with alternatives or benchmarks, and 2. improving the efficiency of individual interventions.

The experts also looked into ten typical cases of development interventions drawn from the practice of member organisations of Partos. The lesson learned is that in our field it is not always possible to apply the most rigorous methods for analysing efficiency. So what, then, is the best possible way to approach efficiency analysis?

A group of researchers (Barrett, van Wessel and Hilhorst) have suggested a way forward. Based on their research experience with MFSII projects on lobbying and advocacy, they propose that development organisations formulate a “theory of efficiency (ToE)”. A theory of efficiency, in combination with the conceptual framework, methods and tools presented by the panel of experts, could provide the best possible and feasible way to address the efficiency question.

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\(^1\) The panel of experts is composed of:

- Pol de Greve, Development Economist at Context, international cooperation, with experience assessing the efficiency of development projects
- Antonie de Kemp who worked as a researcher for the Netherlands Court of Audit, the Netherlands Institute for Social Research (SCP) and the Institute for Research on Public Expenditure (IOO). He joined the Ministry of Foreign Affairs in 1997, and since 2005 has been an evaluator at IOB.
What is a theory of efficiency?

A theory of efficiency can be seen as a special theory of change focused specifically on change towards improved efficiency. A ToE can be captured in a hypothesis like this one:

*If development organisations specify:

- Their procedures and mechanisms to maximise efficiency?
- How they incorporate efficiency considerations in decision-making on proposed contributions to change?
- How they incorporate efficiency considerations in budget allocation?
- The mechanisms they put in place to monitor efficiency
- Deal with budget deviations (e.g. over-/underspending) in programming?*  

Then they will:

- Be better able to optimise the cost effectiveness of current interventions (optimization of interventions)
- Be in a position to select interventions and approaches that are based on a rationale that considers evidence concerning costs, outcomes and impact (selection of the best intervention methods)
- Accelerate the development of new, more cost-effective interventions (innovating interventions)
- Be better able to justify their expenses (accountability)*

How we will develop and pilot a theory of efficiency

A theory of efficiency is an idea that has not been further developed and tested yet. Therefore, we are looking for two to four organisations or partnerships that are willing to embark on developing a pilot version of a Theory of Efficiency and testing it in practice. To this end organisations/partnerships that participate in this pilot are asked to appoint one, but preferably 2 or more efficiency champions or frontrunners who will be involved in developing and testing the pilot. The champions/frontrunners will first develop a pilot version of a theory efficiency that is tailored to the needs and characteristics of their own organisation. These pilot versions will be developed along the lines suggested by Barrett, van Wessel and Hilhorst. The pilot versions will also incorporate the methods, tools and approaches recommended by Palenberg, de Kemp and de Greve.

Development of the pilot ToEs will be done in a two-day design workshop. During the workshop we will also develop the approaches how to implement and evaluate these pilot ToEs in practice.

Training in preparation for implementing the pilot ToEs

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* According to Barrett, van Wessel and Hilhorst (2014) a theory of efficiency specifies:

- What are the procedures and mechanisms to maximise efficiency?
- How are efficiency considerations incorporated in decision-making on proposed contributions to change?
- How are efficiency considerations incorporated in budget allocation?
- What mechanisms exist to monitor efficiency in advocacy programming (e.g. feedback, cost-benefit reviews or audits)?
- How are budget deviations (e.g. over-/underspending) dealt with in (advocacy) programming?
It is expected that for implementing the pilots several staff will have to be trained in the methods and tools for analysing efficiency that are relevant for their specific practice. For example, project staff that is involved in the value chain development project need to be trained in the methods and tools recommended by Markus Palenberg for VCD projects. Furthermore, project managers, programme managers and M&E managers who are involved in contracting evaluators need to be trained in how to formulate terms of reference for evaluators in such a way that evaluations will lead to meaningful conclusions about efficiency.

Therefore, we will organise these training after the design workshop and before the pilots.

**How we will implement the pilot ToEs**

Because a project cycle can take years it is not possible to implement the pilot in only one project. Therefore, we will implement the pilots in several projects/interventions that are in different stages of implementation of the project cycle including: design, inception, implementation or end-evaluation stage. For example, if an organisation has a value chain development project in the inception stage, a water supply project halfway implementation and a biogas project in the evaluation stage, various aspects of the theory of efficiency will be applied to each of these projects depending on their relevance at that specific stage in the cycle.

**Evaluating the pilots**

After implementation the pilots will be evaluated. Each organisation will do this internally, possibly therein supported by an expert. How this will be done will be determined as part of the design workshop. The findings of the evaluations will be shared and discussed in a 1-day evaluation workshop.

**Publication on how to develop and implement a Theory of Efficiency**

The findings of the evaluation workshop will be shared through a publication and result in guidelines on how the develop and implement a Theory of Efficiency.

**What is in it for you**

Participating in this pilot will generate important benefits for your organisation and for the sector:

- A number of your staff will become experts in efficiency analysis and they can share that knowledge with colleagues.
- The theory of efficiency that they develop will help your project, programme and organisation to stand out in the way the efficiency question is addressed.
- Your organisation will be one of the pioneers in this field and the entire sector will benefit from your lessons learned.

**Resources/additional costs involved for organisations that participate in developing and implementing the pilot ToEs.**

The table below provides an overview of the total number of additional staff days each organisation is expected to invest in developing, implementing and evaluating the pilot ToEs. This overview is based on these assumption that in the current situation organisations already do spend time on the efficiency question. For example, in the case of a project in the evaluation stage, staff will, in the current situation, spend staff time on formulating terms of reference for evaluators that include conducting an efficiency analysis. They will also spend staff time on generating data that evaluators need to assess efficiency. Those activities are not included in the staff time that will be allocated to the pilot. Only the extra time for training staff in improved ways
of formulating ToRs and improved methods for analysing efficiency are considered additional
costs for developing and implementing the pilot ToEs.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Total number of additional staff days for each organisation participating in the pilot</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation and communication before the pilot design workshop</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Participating in design workshop</td>
<td>2-4</td>
<td>Depending on the number of champions/front runners attending. It will be a two-day workshop</td>
</tr>
<tr>
<td>Training in methods and tools</td>
<td>2-8</td>
<td>It will be a two-day training. Some organisations will send one staff to the training. Others may want to send 2, 3 or 4.</td>
</tr>
<tr>
<td>Training in drafting ToR</td>
<td>1</td>
<td>This will be a one-day training. This training will be attended by 1 member staff who will train his/her colleagues. Of course organisations are free to send more staff to this training drafting ToRs</td>
</tr>
<tr>
<td>Implementing the Pilot ToEs</td>
<td>6</td>
<td>These 6 days include staff-time required for introducing other staff to the ToE. These six days do not include time for gathering and analysing data concerning efficiency, because it is assumed that in the current situation staff time is already being allocated to these tasks.</td>
</tr>
<tr>
<td>Evaluating the pilot internally</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Evaluation workshop</td>
<td>1-4</td>
<td>It will be a 1-day training. Some organisations will send one staff to the training. Others may want to send 2, 3 or 4.</td>
</tr>
<tr>
<td>Making contributions to a publication on how to develop and implement a Theory of Efficiency</td>
<td>2</td>
<td></td>
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</tbody>
</table>
The Partos Efficiency Lab

This case is one of a series of ten that was produced in the framework of the Partos Efficiency Lab. The Efficiency Lab was established mid-2017, in response to the finding from the MFS II evaluation that development organisations in the North and the South, as well as evaluators, struggle with the concept of efficiency, and with how to measure and analyse efficiency.

The aim of the efficiency lab is twofold:

• To develop a common understanding among Partos members about the concept of efficiency, the various methods for assessing efficiency, including their advantages and disadvantages.
• To identify and/or develop a recommended repertoire of appropriate policies, methods and tools for addressing the efficiency question in development interventions.

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• Second, the purpose of conducting an efficiency analysis should be made explicit, because the purpose has consequences for the choice of methods and tools used. Two important types of purposes need to be distinguished: 1. comparing the efficiency of an intervention with alternatives or benchmarks, and 2. improving the efficiency of individual interventions.

The experts also looked into ten typical cases of development interventions drawn from the practice of member organisations of Partos. For each of the cases they have provided recommended methods and tools for analysing efficiency. This paper presents one of these ten cases.

The participants of the Efficiency Lab are: Mark Kirkels (War Child), Margriet Poel (SNV), Jeroen Bolhuis (Plan Nederland), Marieke de Vries (CNV International), Arnold van Willigen (Woord en Daad), Erik Boonstoppel (Oxfam Novib), Simon Bailey (Aflatoun), Kees Kolsteeg (GPPAC), Julio C. Garcia Martinez (ZOA), Agnès Marsan (Simavi), Anita van der Laan (Akvo), Jan de Vries (Pax).

Facilitators of the Efficiency Lab are: Anne-Marie Heemskerk (Partos) and Heinz Greijn (L4D)

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