Programme Evaluation Series
03/2025

Evaluation of the FAO Flexible Voluntary Contribution Mechanism

Annex 3. Lessons for future FAO/FVC cost analysis

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
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Lessons for future FAO/FVC cost analysis

1. This annex provides a set of lessons from the cost analyses.

1. The cost analysis sought to answer the question 'What are the costs of managing (including identification and selection) versus implementing Flexible Voluntary Contribution Fund (FVC) activities?' The process of undertaking the analysis highlighted several lessons that may be helpful when approaching similar analyses in the future.

    i. Most cost analyses are inherently comparative. Once a cost figure is generated, the follow-up question is how that figure compares to other similar estimations. In this analysis, there is no comparator to the primary findings and therefore, no way to assess if these figures are high, low or reasonable. In the future, the Food and Agriculture Organization of the United Nations (FAO) could conduct a comparative cost analysis with FVC to similar global pooled funds, UN-managed funds or a large bilateral managed mechanism.
    ii. Create a portfolio approach to assess the impact and the cost effectiveness, cost-efficiency, and cost benefit at the project level. Creating a culture of using cost and impact data can help guide future investments of scarce resources for the greatest impact. FVC could also investigate using A/B testing as a means for quick, low-cost, data-driven decision-making. These cost findings could be informative to Resource Partners and FVC about how and where scarce funding should be allocated.
    iii. Investigate if the Field Programme Management Information System (FPMIS) can be better utilized for cost analysis. Using existing systems for cost analysis helps to ensure sustainability, but FPMIS may need significant redesign, which may or may not be a cost-efficient way forward.
    iv. Investigate options to help remove barriers to finance top up investments for successful FVC projects. Top up funds invested into proven projects can provide additional resources to the existing population being served or scale the project to additional beneficiaries. Top-up funding can be a very cost-effective approach due to the benefits of economies of scale and leveraging existing investments. Also, top-up funding can reduce the time spent by FAO personnel creating new proposals instead of focusing on current successful investments. This recommendation is not directly related to cost analysis but could be inherently useful to FVC's aim of being as cost efficient and cost effective as possible.

2. Cost analysis can be a detailed and time-intensive process. While real-time time tracking yields the most accurate estimates, it can place an unwelcome burden on those documenting their time, especially if there is no clear direct benefit to them. For each cost analysis, stakeholders must weigh if the amount of effort required is justified by the potential value of the results. Not all cost analyses are equal. For low-stakes questions, reasonably accurate estimations may be sufficient. However, when the cost question carries high-stakes implications, such as informing major funding decisions, policy choices or scale-up strategies, greater rigour and precision are warranted. FAO may wish to consider what cost questions are of the greatest value to decision-making and prioritize those questions that have the greatest potential impact on future funding.

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