



THE ANNUAL FINANCIAL MANAGEMENT CONFERENCE FOR NON-PROFIT ORGANIZATIONS (NPOs) “Exploring Future Possibilities”

Value-For-Money Policies for NPOs-Has regulation come to a halt?

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OUTLINE



- Background
- Value For Money Concept and policies (for whom, of what, by when) and why the clamour
- How to measure Value For Money
- Benefits of Value for Money Analysis
- Limitations and alternatives
- VFM and Regulatory Framework-Is it working?

BACKGROUND



The donor funding landscape is changing rapidly in terms priorities as many middle income countries (MICs) are rapidly transitioning towards self-sufficiency and an end to financial backing from outside donor organizations-a process that has also been called “graduation” from donor assistance (Global Health,2017)

VALUE FOR MONEY (VFM) CONCEPT



- Question about merit, worth or significance of resource use (King,2016)
- Demonstrate value back to benefactors and taxpayers, limited budgets need to well targeted and managed

Contextualization of VFM Concept

Our program reached 100,000 people and provided an economic return of \$3 for every \$1 invested, as well as substantial social outcomes.



 @juliankingnz

Yes, but we'd like you to use cheaper consultants and cut back on air travel.



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- Is it about cost-cutting (reduction of cost of inputs) or efficiency?
- ❖ Not synonymous with either- it is broader
- Efficiency savings can either undermine or support VFM
- Is about striking right balance between economy, efficiency and effectiveness

Basic Definitions

Concepts:

- **Economy**-Reducing the cost of resources used for an activity, with a regard to maintaining quality
- **Efficiency**-increasing output for a given input with a regard for maintaining quality
- **Effectiveness**-successfully achieving the intended outcomes from an activity

Basic Definitions cont....

Concepts:

- **Value For Money**-the optimum combination of whole-life costs and quality (i.e. Fitness for purpose) to meet the user's requirement which can be assessed by using the 3 Es

Tools:

- **Cost-benefit Analysis**-evaluation of the net economic impact of a project
- **Cost-Effectiveness Analysis**-assessment of non-monetized outcomes e.g. .QALY in healthcare

Economy & Efficiency considerations as part of VFM Policy

Economy considerations

Can we get the same or equivalent inputs for less money?

Would using cheaper different inputs risk the effectiveness, including sustainability?

Would using cheaper inputs risk greater maintenance costs over the life of the project?

Efficiency considerations

Can we get the same results while saving on how we manage the activities?

Would making savings as to how the project is managed risk reducing effectiveness, including sustainability?

Would making savings on how the project is managed risk incurring other costs?

VFM For Whom?

- May have different meanings to:
 - ❖ Donors-listen to their core funding constituencies ,the tax payers
 - ❖ Individual beneficiaries-want benefits for their communities (sometimes short-term and sometimes long-term)
- VFM can only be judged against objectives clearly stated and shared by donors and partners-they both want results

VFM of What?

VFM may be relevant to the donor:

- **At global portfolio level**
 - ❖ Donors focus on overall budget and resources as a way to avoid riskier countries and sectors. May consider if objective is to prevent conflict and reach most vulnerable people
- **Specific country programmes level-focus** is to capture synergies and connect with other actors
- **Individual projects and programmes level-focus** on CBA,CEA and less ambitious assessment of VFM

VFM by When?

By when should the benefits of an intervention be realized in order for the costs to be justified?

- **No rule about time scales**
- ❖ Some types of intervention take much longer to bear results than other others with exception to humanitarian assistance that requires short-time horizons alongside longer-term perspectives

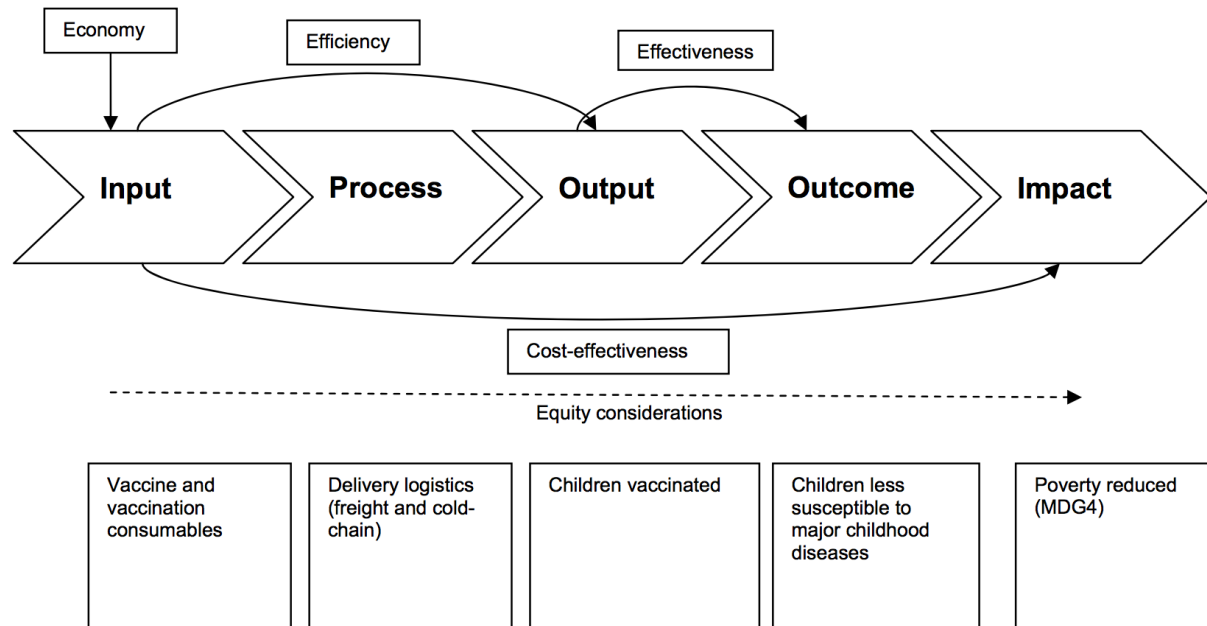
Why the clamour for VFM?

- The drivers for VFM, stem from prevailing austerity in economies for major aid donor countries
- It is now used by donors and multilateral agencies as part of their appraisal and evaluation procedures (e.g.DFID,USAID,DANIDA,e.t.c)
- Renewed interest in its application to aid and development programmes e.g.WB,OECD
- Increased call for aid funding now matched with strong political commitment to ensure equal determination to secure greatest value from the investment

Why the clamour for VFM cont..

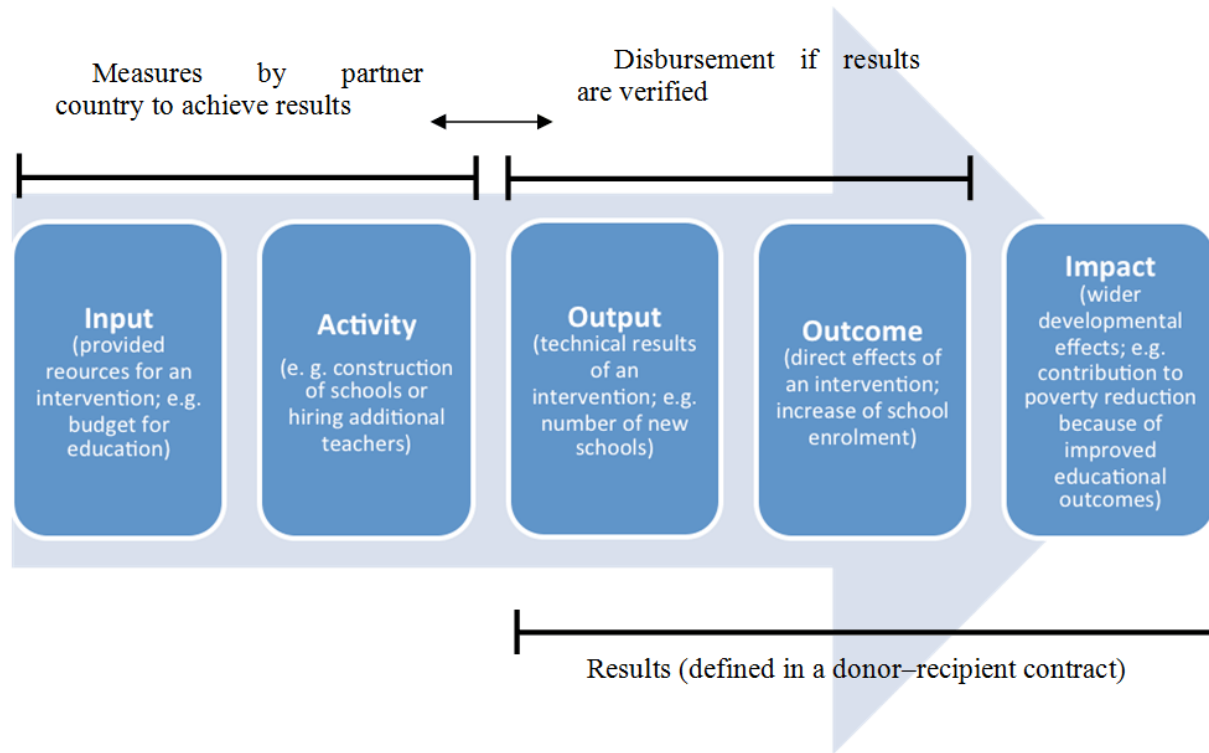
- Follow up on the High Level Forum on Aid Effectiveness principles in Busan 2011 :
 - ✓ Encourage local ownership
 - ✓ Alignment of development programmes around country's development strategy
 - ✓ Harmonization of practices to reduce transaction costs
 - ✓ Avoidance of fragmented efforts and,
 - ✓ Creation of results frameworks

HOW TO MEASURE VFM



HOW TO MEASURE VFM-

cont....



BENEFITS OF VFM



Provides:

- Robust and transparent decision criteria for accepting or rejecting bids
- Framework in which cost outliers can be subject to critical scrutiny
- An opportunity to review the design and modalities of projects
- A budgeting tool
- A means of making choices between alternatives

LIMITATIONS AND ALTERNATIVES



- Inevitable cost differentials in humanitarian aid situations, making it difficult to compare and benchmark costs
- Global portfolio level targeting less risky countries and sectors may lock out the most needy and vulnerable
- *Ex ante* and *ex post* unit costs can differ dramatically due factors such as between the number of beneficiaries actually reached compared to expectations and estimates

Possible Alternatives to Limitations



- Community based analysis-let the beneficiaries define value through feedback-supports dialogue, provides emerging learning and critical reflections on the whether the investments are generating the best possible changes (Action Aid)
- Use of programme specific indicators such as number of health visits per beneficiary (British Red Cross)

VFM Policies -Have regulations come to a halt?



Forms of state regulation:

- Registration
- Annual compliance reporting
- Licensing
- Political activity
- Tax compliance
- Notice of plans to dissolve

VFM Policies -Have regulations come to a halt cont..



PBO Act 2013



NGO
Coordination
Act 1990



Self-regulation

VFM Policies -Have regulations come to a halt-cont..

Self –regulation:

- Both the coordination Act 1990 and PBO Act 2013 have components of self-regulation
- PBOs are required to apply the principles of transparency and accountability to all their affairs and activities, whether with the Government, their beneficiaries, donors, other PBOs or other stakeholders

VFM Policies For -Have regulations come to a halt-cont..

- PBO Act 2013-unoperational over 2000 days since signed in law. Was meant to:
 - ✓ Repeal NGO coordination Act 1990
 - ✓ Ensure transparent and efficient regulation of civil society in Kenya
 - ✓ Set clear rules on registration and create a system in support

2017-leading political parties signed pledge to implement it but still nothing has happened



**Thank
You!!!**

Questions

