

Budgeting for Value for Money

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Why the Specific Focus?

Board Value for Money requirement for R10:

– *Board Decision Point GF / B22 / DP27*

“Prior to the signing of a grant, the Secretariat will provide confirmation that, as far as can be determined based on data available to the Secretariat, the grant budget is in accord with value for money considerations including unit costs”



Value for Money Definitions

- Good value for money is the **optimal use of resources to achieve the intended outcomes** *UK National Audit Office*
- Value for money broadly seeks to **judge the value of particular outputs, outcomes or results against the cost of achieving them** *International HIV/AIDS Alliance*
- Value for money is about **obtaining the maximum benefit with the resources available** *UK Audit Commission*
 - “VFM decision are a daily reality in all our lives. We are constantly choosing which items or services to buy, and judging the right balance for us between quality and cost.”



Background

- The Global Fund has been collaborating with partners to develop standardized tools to measure the value for money of key HIV, TB and malaria services in supported programs.
- The measurements will provide information on the relationship between financial investment in these key services and program outcomes, and eventually between investment and impact on disease burden.



How is Value for Money Measured

- For each key service, the Global Fund and its technical and donor partners are strengthening the implementation of existing costing tools, as well as developing new tools (with guidelines) for countries to use.
- Partners also provide technical assistance to countries to accelerate the uptake and implementation of costing tools



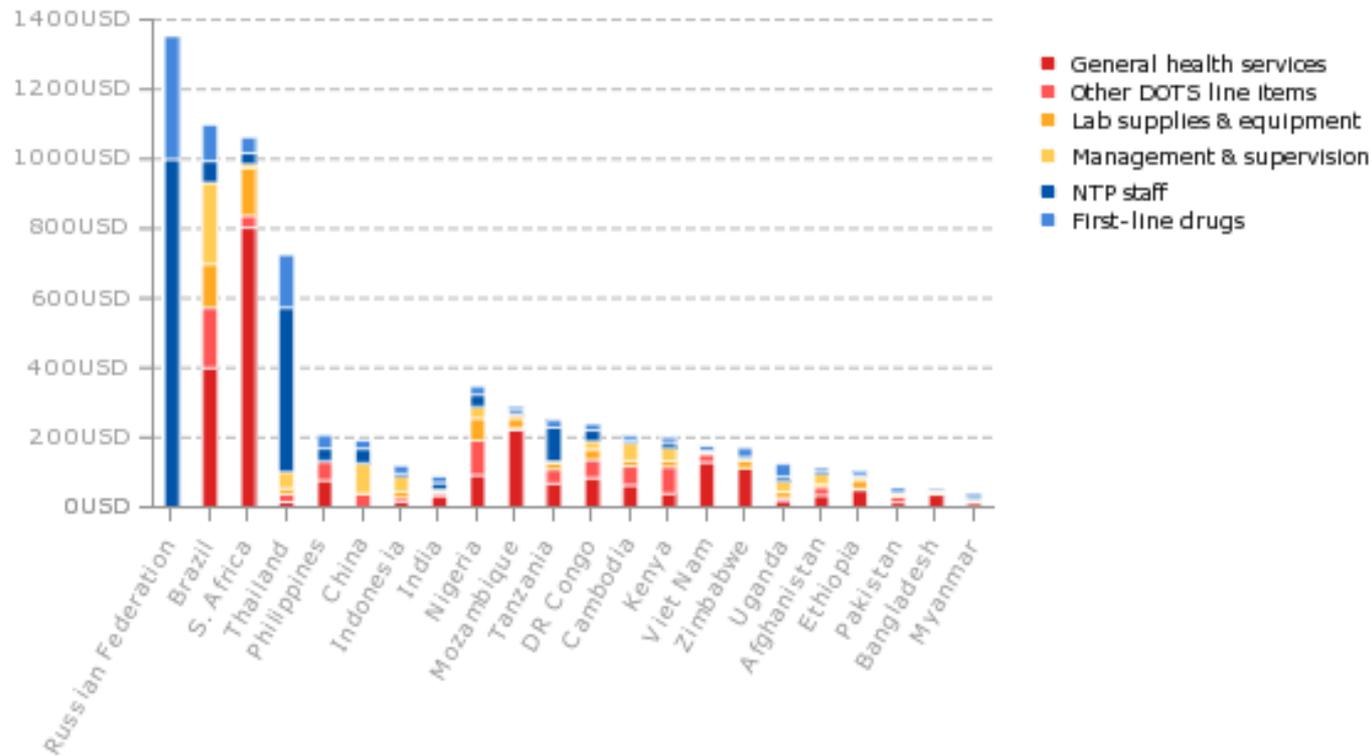
Value for Money on a Global Scale

- Currently, the Global Fund and its partners are working on standardizing the measurement of the cost per person of delivering key services. Alongside the price paid for health products such as drugs and diagnostic materials, these unit costs cover personnel, logistics, program overheads, management, and use of capital goods and infrastructure.
- Key services for which per person unit costs are measured include:
 - DOTS treatment for TB patients;
 - ARV therapy to control HIV and AIDS;
 - Distribution of insecticide-treated bed nets for malaria prevention.



Example: DOTS Treatment

Expenditures per patient treated in national DOTS control programs in high-TB-burden countries, average 2006-8(1):





Improving Value for Money

- Once standardized service unit costing is more widely implemented in supported country programs, the Global Fund anticipates using reported cost estimates in the following ways:

Contextual information in proposal and grant reviews.

Unit cost can be used as an indicator for program planning and budgeting.

Input to evaluations of cost per life saved or per disability-adjusted life year gained to support investment decisions.



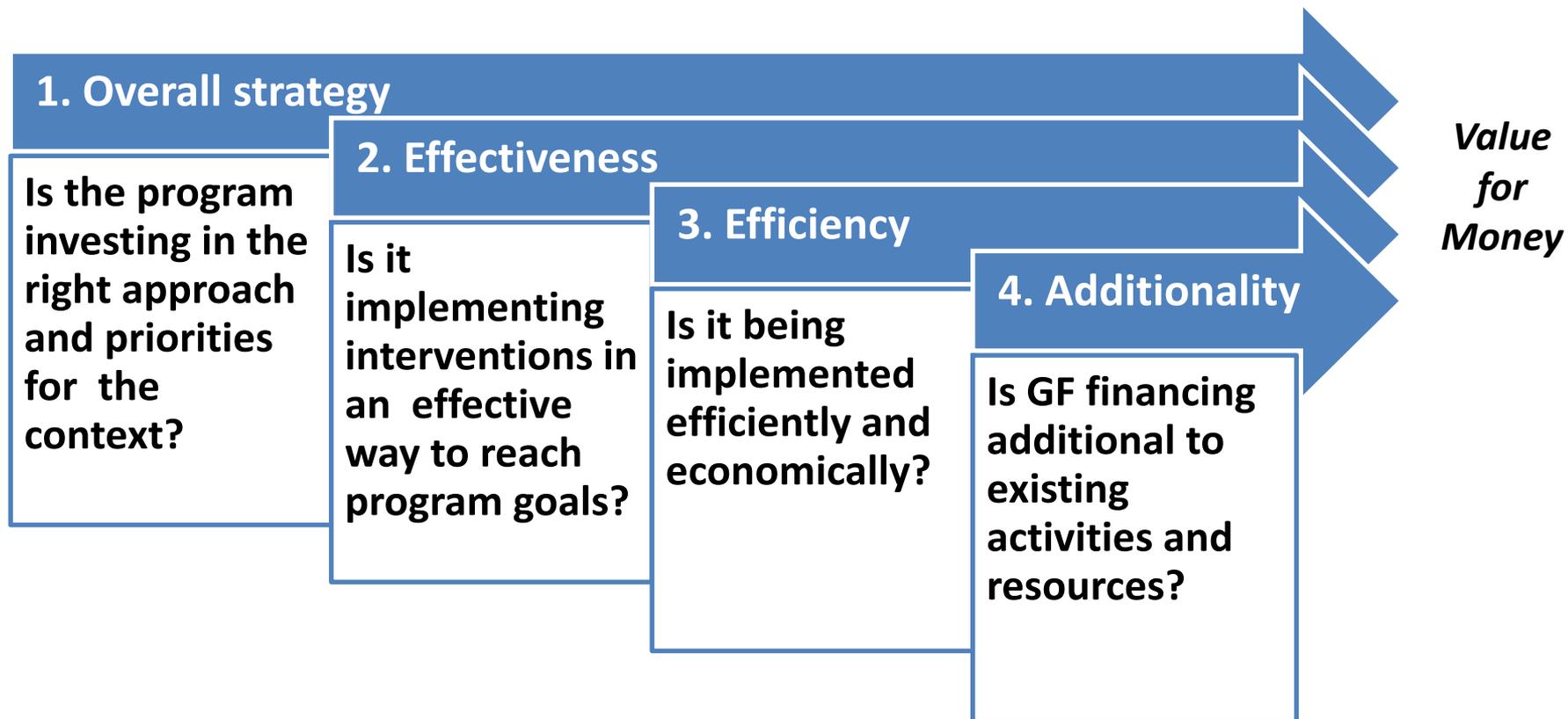
Global Fund VFM Framework Development

- Standardized approach
- Clear Understanding of Costs
- Equipped with the right tools
- Linkage between investment & impact
- Monitoring & Evaluation
- Knowledge Sharing between Partners
- Program Integrity
- Measurement of time-delayed benefits
- Reporting tools v's in-depth studies?

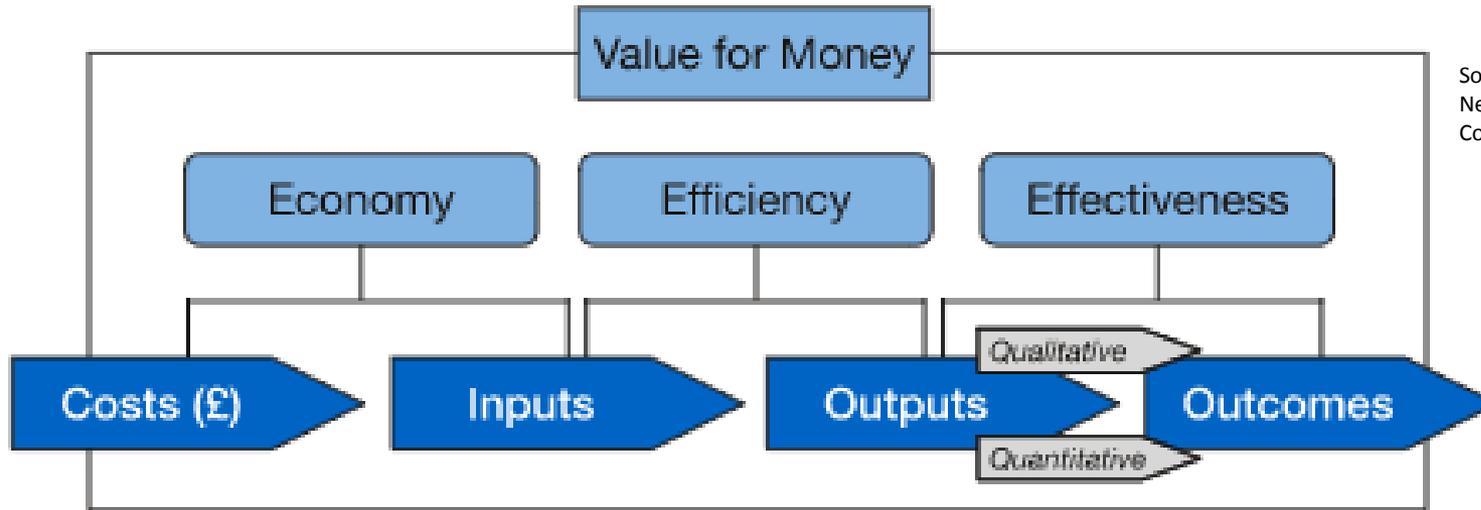


Value for Money in Grants

Four key questions must be addressed to assess value for money:

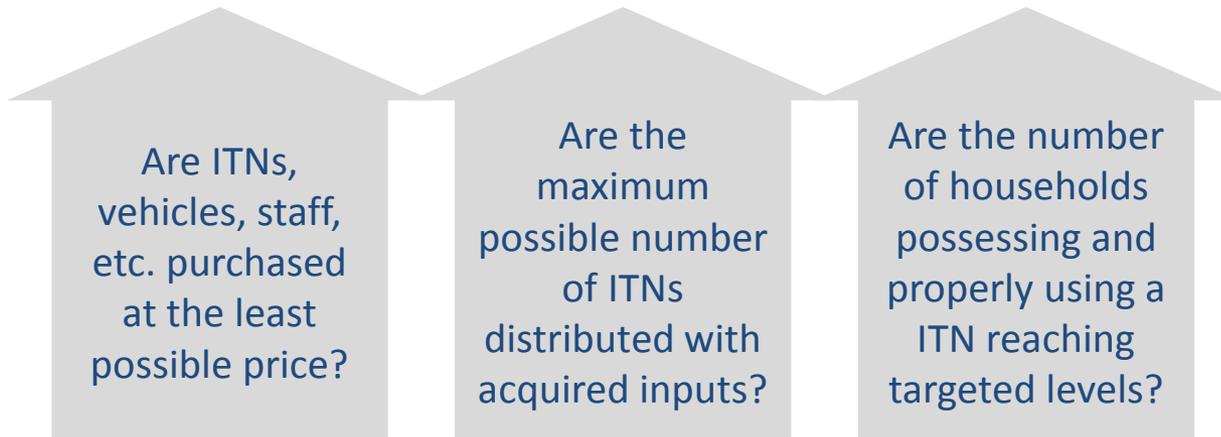


Standard Value for Money Framework



Source: Improvement Network, UK Audit Commission

For example:





VFM & Round 10 Grant Signing

Principle for confirming VFM:

- Utilisation of checklist that covers all 4 areas of VFM
- Role of checklist is to support decision making in negotiation process, to focus on both sides of the vfm equation: best possible value to be gained with optimal use of resources
- Secretariat will not duplicate TRP work but through the negotiation process confirms that intended vfm can be realised or improved

“Prior to the signing of a grant, the Secretariat will provide confirmation that, as far as can be determined based on data available to the Secretariat, the grant budget is in accord with value for money considerations including unit costs”



Round 10 Checklist

Version: 28Mar2011-2

DRAFT

Grant: FAN-101-G01-X

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Round 10 Grant Signing Value for Money Checklist (Draft)

The Country Team has analyzed the Round 10 grant documents and available information for value for money considerations. Our summary is outlined below.



Consideration	Confirmed By (initial)	Issues and Actions
1. Overall strategy: Has the proposal strategy been accurately translated into a grant which can achieve its goals?		
1.1 Has the overall proposal strategy been accurately translated into the grant ? * ‡	(CT)	
1.2 Where there is an approved national strategy , is the grant consistent with it? ‡	(M&E)	
1.3 Are targets consistent with the proposal, other grants, and national targets ? Are any revisions from the proposal justified and reflected in the budget? ‡	(M&E)	
2. Effectiveness: are interventions being implemented in an effective way to reach the program goals?		
2.1 Are there any interventions that are clearly not based on sound evidence or international guidelines? § ‡	(CT, KMU)	
2.2 For key health services, is the service package defined and documented, referring to national or international guidelines? ‡	(M&E)	
2.3 Is a program evaluation/review in Phase 1 planned and budgeted, including a review of impact and value for money? ‡	(M&E)	
2.4 Is the grant using pharmaceutical and health products included in the original proposal and in line with WHO and international guidelines? ‡	(PMU)	
3. Efficiency & economy: are the costs of activities appropriate for achieving the outputs, with costs of inputs minimized (economy) and productivity of resources maximized (efficiency)?		
3.1 Has the PSM plan and related budget been reviewed by PMU based on review...		

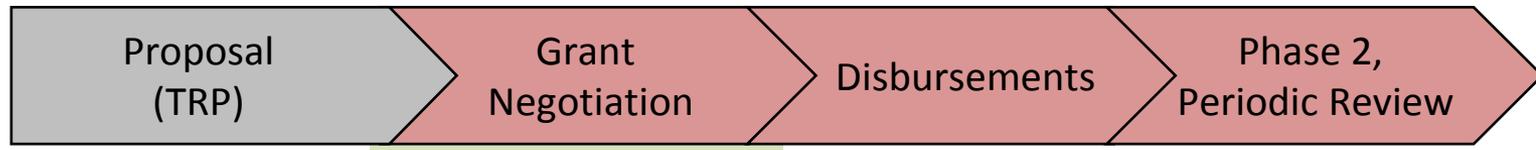
Consideration	Confirmed By (initial)	Issues and Actions
efficiently managing the proposed procurement, inventory and distribution of health products? ‡	(PMU)	
3.6 Has the grant budget undergone a review by the Program Finance team based on LFA reviews? What are the efficiency savings compared to the proposal amount? ‡	(Program Finance)	
3.7 Are costs in the following high risk areas appropriate and well-justified: training, salaries, overheads? ‡	(Program Finance)	
3.8 Are other major costs reasonable , reflecting current unit prices and appropriate quantities ? ‡	(Program Finance)	
3.9 Focused on key interventions in large grants. Where possible from the grant budget, is cost per service reasonable/ in-line with historical ranges? ‡	(PIE, Program Finance)	
3.10 Is the PR management capacity and structure appropriate for efficient implementation? ‡	(CT)	
4. Additionality: is the grant non-duplicative to existing activities and financial resources?		
4.1 Are there clear indications that financing is duplicative to existing activities and resources? ‡	(CT, Prog Finance)	
4.2 Government spending is expected to be maintained or increased, and has been included in the grant agreement? ‡	(CT, PIE)	

* In the exceptional clear cases where this is not the case, these grants should not be proposed for signing, but considered for referral to Phase 2 panel and back to the TRP. Such a decision should refer to existing OPNs, for example on *Changes to scale and scope of programs*.
 § Where the removal of an ineffective or inappropriate intervention would result in a material change, the decision should refer to existing OPNs, such as *Changes to scale and scope of programs*.
 ‡ These considerations are primarily part of *existing processes*, placed here to emphasize and document key components that contribute to value for money.
 ‡ These considerations are primarily *new checks*; refer to guidance note for additional information.



VFM Framework Across Grant Lifecycle

Portfolio Grant Management



1. Overall Strategy +
2. Effectiveness

- Proposed activities are technically sound, appropriate, priority
- Interventions are well-designed to reach outcome/impact goals

- Confirm proposal goals translated into grant agreement with quality, defined services, and targets not reduced
- Clearly ineffective activities identified and removed

- Program is reaching agreed targets
- Disbursements based on performance

- Program achieved targets: output, outcome, impact
- Ineffectiveness addressed or funds reduced
- Reprogramming for changed contexts
- Future funding based on performance

3. Efficiency

- Activities are proposed at minimum cost for achieving outputs

- Confirm economy & efficiency in costs reviewed and savings identified
- Review and benchmarking of major finance and procurement costs

- Program is reaching targets with agreed resources

- Cost efficiencies identified (1) Past implementation (2) Future budget
- Inefficiencies addressed in next phase

4. Additionality

- Funding request is non-duplicate to existing resources and activities
- Domestic resources are defined and reasonable

- Potential overlap to existing activities / resources checked
- Domestic resources are defined in grant agreement
- Program has plan for measuring disease spending

- Other sources are providing planned funding

- Domestic co-funding was provided
- Grant funding remains additional for next phase



Implications for Budget Preparations

- Improvements can be achieved by:
 - ✓ reducing costs for the same outputs
 - ✓ reducing inputs for the same outputs
 - ✓ getting greater outputs with improved quality for the same inputs
 - ✓ getting *significantly* more outputs, more outcomes, or improved quality in return for marginally increased resources
- Value for money should not be equated to budget cuts
 - Beware of economists: “know the price of everything and the value of nothing”



Program Finance Assessments:

Efficiency & economy review of non-health product budget items

Considerations:

- Is the grant proposing to achieve outputs at an appropriate cost?
 - ✓ Are non-health product costs reasonable, reflecting current **unit prices** and **appropriate quantities** (GF Assessment: budget review)?
 - ✓ Are costs in **high risk areas** (e.g. training, salaries, overheads) well justified and in accord with detailed guidelines (GF Assessment: budget review)?
 - ✓ Are the **costs per service** for key interventions, where information is available in grant documents, in-line with historical ranges?
 - ✓ Is **management capacity and structure** appropriate for efficient implementation?
 - ✓ Are other major costs reasonable, reflecting well-justified prices and quantities?
 - ✓ Are unit costs for major health products in-line with international reference and recent market prices?



Program Finance Assessments: Additionality

Considerations:

- ✓ Is requested financing **non-duplicative** to existing activities and financial resources?
- ✓ Is government spending on disease program is expected to be maintained or increased?

CT signoff & Actions

- Information available on potential duplications (from LFA) will be checked with PR
- Action: used to remove overlaps or development of risk mitigation actions



Summary

Benefits to the PR, the Global Fund and our Partners

- ✓ **Improve program planning, budgeting** and target setting for maximizing health impact
- ✓ **Identify variations in service unit costs** within and among supported programs. The explanations for these variations, including bottlenecks that may require additional resources and economies of scale, will contribute to better investment decisions.
- ✓ Encouraging and providing incentives for **country programs to improve resource allocations and implementation** and **demonstrate economic efficiency.**



Q&A