

Value for Money

Challenges to current paradigms and suggestions for improvement

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Context

- Efficient use of resources and improving Value for Money (VFM) is imperative in HIV and AIDS programs
- Increasing emphasis on VFM in business cases and program design, review of programs and re-programming
- Room for improved understanding among program planners, managers and funders on applying VFM approaches
- Service unit costs are key components of economic evaluations and decision makers may often use cost per service as a proxy measure for VFM

Methods

1. Reviewed recent guidance on assessment of VFM and efficiency from major development partners
2. Reviewed recent studies of service unit costs, particularly for ART but also TB and ITNs

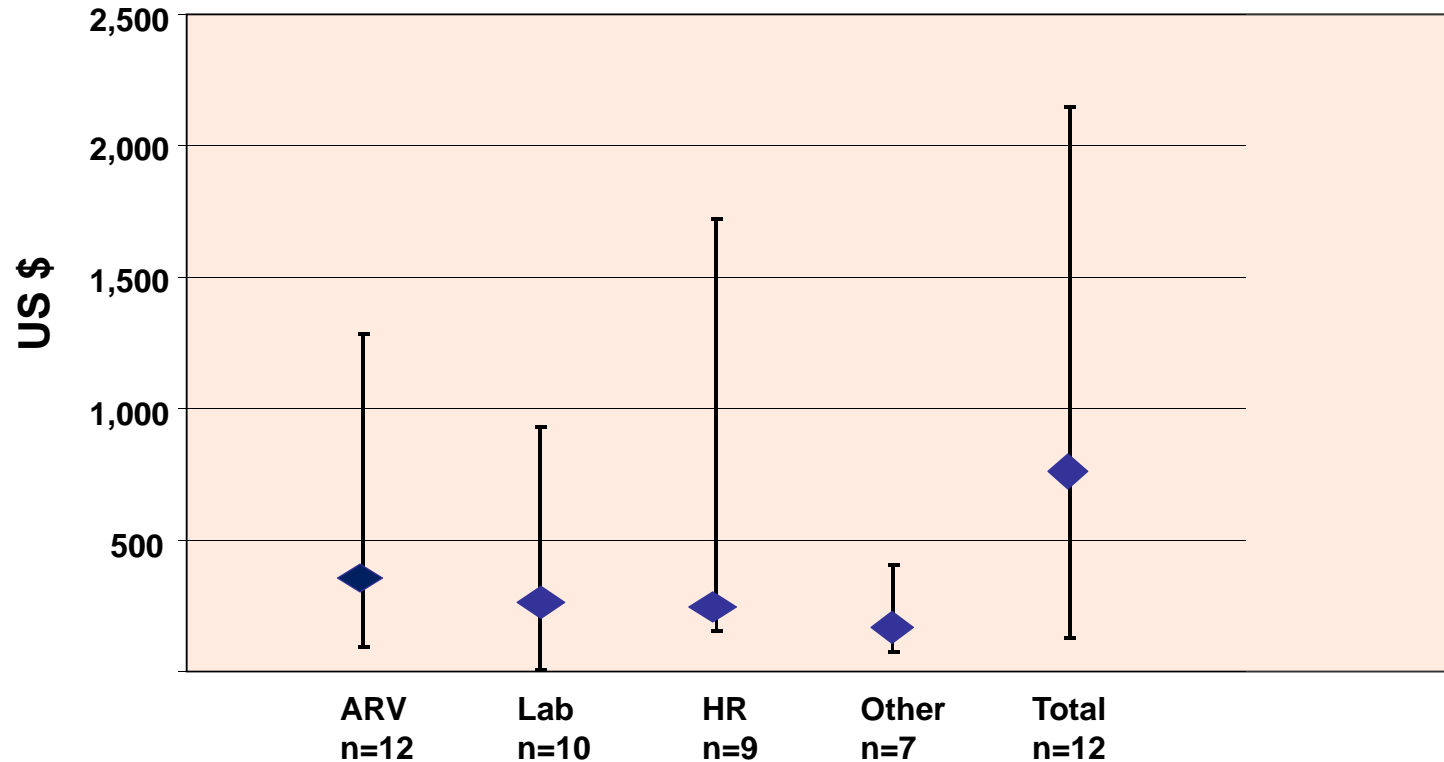
Assessed consistency, adequacy and methodological challenges

Variation in VFM guidance of funders

- **Operational efficiency or cost reduction** are often most prominent
 - Anecdotal reports of narrow cost reduction approach to reprogramming
- **Allocative efficiency and cost effectiveness/utility**
 - Not considered in some e.g. GFATM R10 guidelines
 - Investment Framework promotes certain cost-effective interventions but limited guidance on difficult choices e.g. enabling factors
- **Cost-benefit analysis encouraged by some guidelines**
- **Definitions are often colloquial**
 - Do not clearly cross-map with rigorous economic approaches
 - May not encourage consideration of costs and effects together
- **Limitations of approaches and cautions** are often not explicit
- Focus on **once-off assessment** of VFM to justify funding rather than process for ongoing improvements in VFM

Comparison of service unit costs and cost-effectiveness across programs is challenging

ART unit costs by component - average and range*

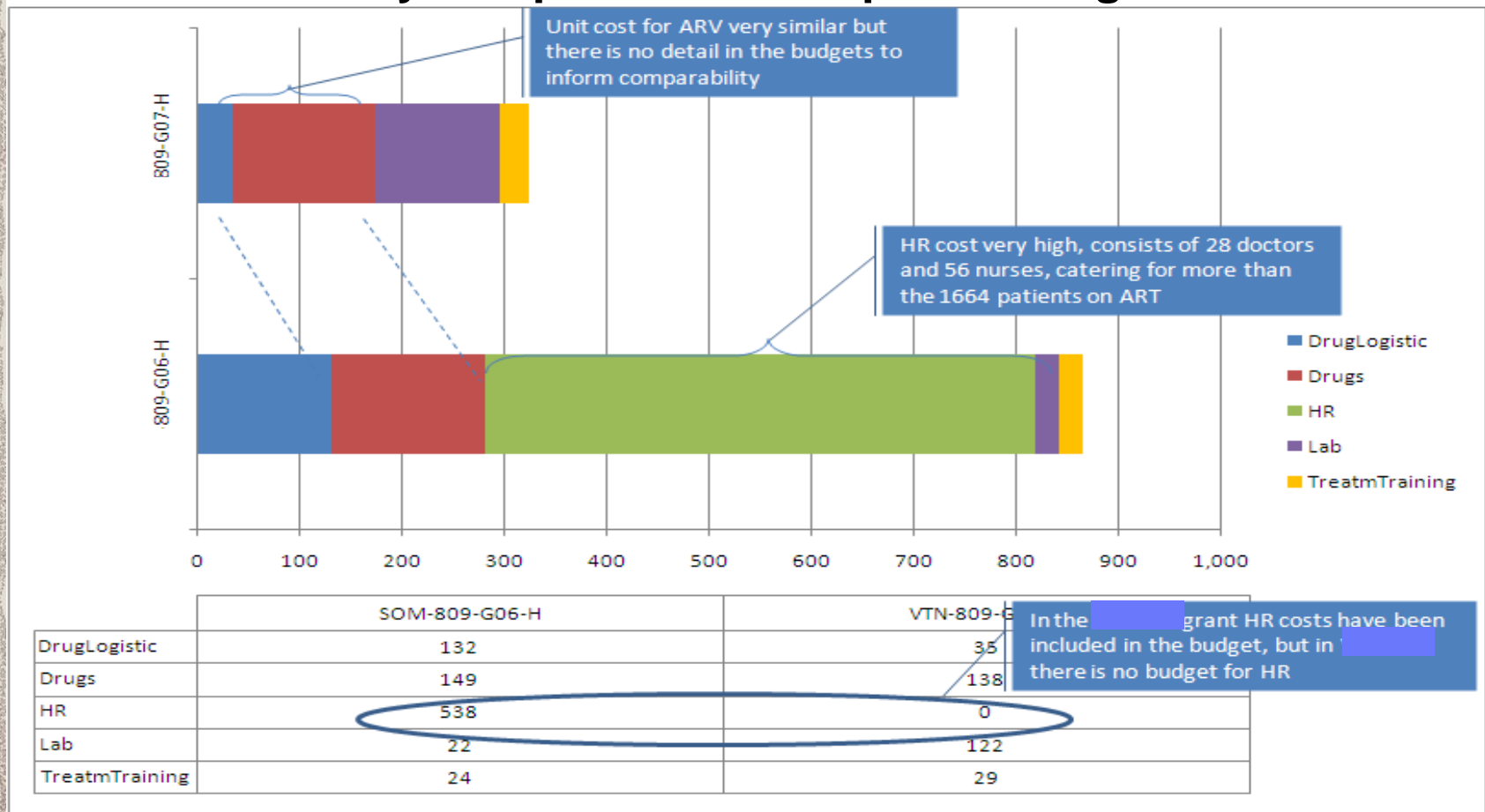


* Simple average of unit costs not weighted by e.g. size of program

Large differences often reflect costing methodologies, sample biases, or the range & nature of data elements included, rather than different efficiencies

Funder's information for comparing service unit costs across programs is often limited

ART unit costs by component – example of two grants



- Interpreting differences (or *apparent consistency* with benchmarks) is often difficult due to uncertain completeness and accuracy of cost component data
- Funding applications and service unit costs often exclude important costs e.g. program management, wastage, other funders' inputs

Results of unit cost review (cont)

1. Quality of available data on costs, outputs and outcomes is often problematic
2. Reliable VFM assessment requires in-depth understanding of programs being compared and data behind indicators
3. Program budgeting, finance & reporting systems do not generate good data for VFM indicators or active management of VFM
 - Obtaining a clear picture of program costs and VFM indicators requires investment in financial and costing systems
 - Not certain that it is cost-effective or developmentally sound to re-orientate budget and reporting guidelines to produce better unit cost information
4. Inter-country comparisons pose particular technical and ethical challenges
5. Country ownership is key to obtaining reliable data
 - Countries value guidance to improve financial information to manage VFM

Conclusions

1. Moderate stakeholder expectations of how easy it is to assess or compare program allocative & operational efficiency
2. Improving VFM will be an ongoing project for most programs
3. Updated guidelines could improve:
 - Rigour and consistency in VFM assessment
 - Incentives and guidance for programs to systematically identify and realize opportunities to improve efficiency

A "Process" approach to ensuring program VFM

To ensure programs pay sufficient, ongoing attention to efficiency and VFM issues

1. Evidence of allocative efficiency of interventions and efficient service models?

2. Cost structures and drivers understood?

3. Research / information gathering plan to fill evidence gaps?

4. Plans in place to address inefficiencies?

5. Systems to monitor efficiency improvement?

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