Hypothesis 1

The Primary Health Clinics (PHCs) in peri-urban areas of Mortalia are wasting money.
Unpacking the Problem:
Are the peri-urban PHCs wasting money?

- Are the PHCs buying as much as possible with the funding that it has available?
- This issue is important, even if there are other problems in the budget.
- It wouldn't help allocating more money if it is being wasted
Which Calculations Do I Need to Do?

• First, you need to know how to calculate Cost per Unit

• Formula for the unit cost is:

  \[
  \text{Unit cost} = \frac{\text{Total expenditure}}{\text{Number of units delivered}}
  \]

• Find out if the unit cost is high or low by comparing, in this case to best retail cost in the same area (i.e., in Mortalia)

• Important to use \textit{actual expenditure} where you can.
Let's Try the Calculation

- The Anjala PHC spent D3,350 for 1,000 boxes of Amoxicillin.
- The unit cost formula gives you:
  \[ \text{D\ 3,350} \div 1,000 \text{ boxes} = \text{D\ 3.35/box} \]
- Anjala spent D3.35 for a box of Amoxicillin.
SeDeN’s Research Results

Amoxicillin 2.99
Folic Acid 1.55
Paracetamol 1.39
How much more did the clinics pay *per unit* than they needed to?

- Expressed as a percentage
- The formula is:

\[
\text{Over-expenditure per unit} = \frac{\text{Invoice unit price} - \text{best retail unit price}}{\text{Best retail unit price}} \times 100
\]
How much more of each medicine would each PHC have been able to buy had it bought at this best retail price?

The formula is:

Extra quantity of medicine = \frac{\text{Total on invoice}}{\text{Retail unit price}} - \text{Invoice quantity}
Who is responsible for this?

• The lack of efficiency in a program or a department does not necessarily mean that the administrative or political head is responsible
• It depends on *the reasons for* this inefficiency
• One can gather some evidence from budget analysis, but will need information about the internal workings of the relevant part of government.
How and when can it be fixed?

• Wastage can be caused by many things. Audit reports, service delivery and other data could reveal:
  - High administrative expenditure
  - Corruption
  - Poor procurement practices

• In some cases there are also good reasons for higher unit costs:
  - Prices differ
  - Population distribution more sparse, etc.
How to illustrate this?

• This is about comparing three clinics and the best possible price.
• Percentages of over-payment for medicines work well: “They paid 35% more than they needed to for Folic Acid.”
• Bar charts also make the point.
Bar Charts

- A bar chart shows the relative size of different items being compared.

- Different from a pie chart in that the various prices don’t necessarily make up a whole.

- Bar charts can be used to compare the relative size of a set of variables.
On to the Next Hypothesis…

1. The Primary Health Clinics (PHCs) in peri-urban areas of Mortalia are wasting money.

2. The Primary Health Clinics (PHCs) in peri-urban areas of Mortalia are under-spending.

3. The peri-urban Primary Health Clinics in Mortalia are under-funded.

4. The funds the District Services Program is providing to the peri-urban PHCs fall short of the *per capita* primary health care spending standard set by the Polarus Ministry of Health.