

Hypothesis 1

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



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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 *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:
$$D\ 3,350 / 1,000\ \text{boxes} = D\ 3.35/\text{box}$$
- 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:

$$\text{Extra quantity of medicine} = \frac{\text{Total on invoice}}{\text{Retail unit price}} - \text{Invoice quantity}$$



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.

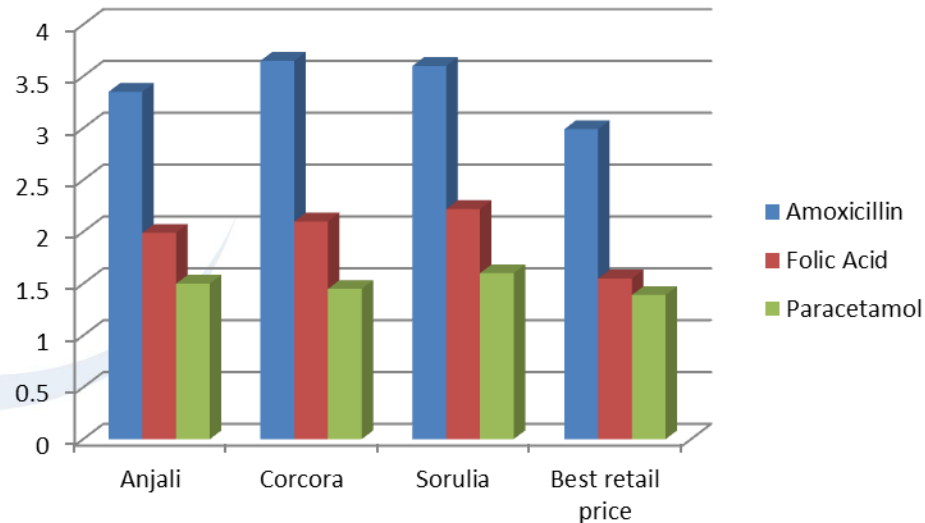
How to illustrate this?

- 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.

