Public Financial Management (PFM) Digital Transformation Value-for-Money (V4M) Outcomes

Situation

- Governments leverage digital GovTech (government technology) such as Financial Management Information Systems (FMIS) to operate and automate Public Financial Management (PFM)
- "Value-for-Money" (V4M) has emerged as the key spending performance evaluation concept because governments do not have a business profit/loss "bottom line"
- Good V4M methods measure spending output and outcome results
- Government digital technology acquisitions accelerated during the pandemic to improve citizen service delivery and social support

Complication

Many governments experience:

- procurement and public investment V4M calculations disconnected with government objectives, such as national development strategies

- multi-year government strategy pillars and targets are shared across Ministries, Departments, and Agencies (MDAs)
- overload of potential GovTech solutions that may or may not address government problems or aspirations
- inability to extend citizen and business-facing digital GovTech systems for more comprehensive service delivery while MDAd acquire point solutions addressing single concerns

Question

How can governments leverage V4M to prioritize GovTech acquisitions?

Solution

V4M is an optional deliverable of the FreeBalance Governance Valuation advisory service that improves GovTech acquisition performance. Strategic pillars and objectives are mapped to programs, projects, and activities[1] within revised Charts of Accounts (CoA). Result targets are provided within Charts of Goals (CoG) that integrate with CoA hierarchies. This enables governments to track spending by goals, and to cascade national development strategies to procurement. Governments leverage this V4M structure to prioritize GovTech acquisitions in line with objectives.
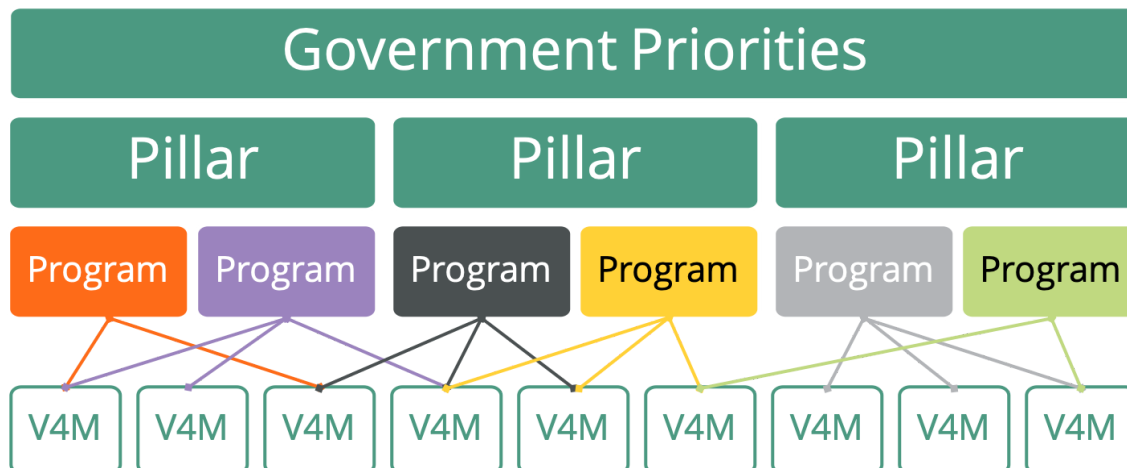
The advisory service sequences V4M adoption across the budget and performance cycle.

- **Inputs**: resources and budgets, such as health budgets, personnel, equipment, facilities and materials
- **Processes**: methods and processes used, such as how innoculations are administered

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[1] This also supports Activity-Based Costing (ABC)

- **Outputs**: count of services delivered, such as the number of inoculations provided
- **Outcomes**: results of outputs, such as the incidence of disease after inoculations
- I**mpact**: results of outcomes, such as the number of productive days worked attributed to inoculations

The sequencing approach enables governments to begin with input and output analysis before adopting more advanced performance measures. These measures become embedded in multi-year planning and budgeting.

V4M measurements can be complicated. Sequencing enables governments to adopt measures based on capacity and data availability. Many governments adopt V4M measures for Public Investment Management (PIM), social investments, or GovTech acquisitions first.
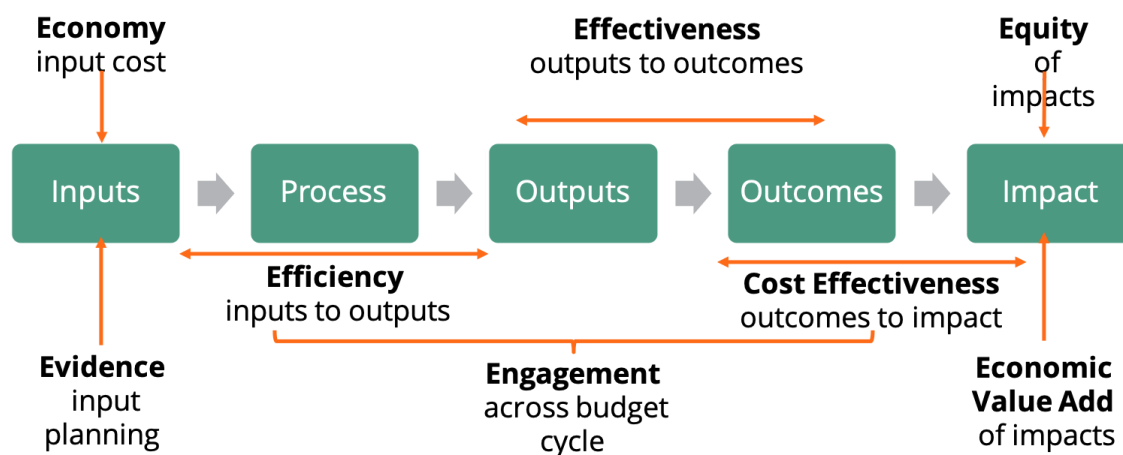
The FreeBalance V4M structure includes traditional and emerging methods.

- **Economy**: cost comparison with similar items, often called "spend management" to identify less expensive alternatives and methods
- **Evidence**: quality of data and analysis used in budget planning
- **Efficiency**: productivity of turning costs into outputs, for example: the cost to deliver an inoculation
- **Engagement**: extent to internal and external engagement to improve spending across the budget cycle, such as healthcare surveys about inoculation service delivery
- **Effectiveness**: measures outcomes, such as the cost to reduce a disease by 1%
- **Cost effectiveness**: measures to delivery impact, such as the cost to increase 1 year of life expectancy
- **Equity**: impact to groups, for example, whether this increase in life expectancy was shared by disadvantaged groups
- **Economic Value Add**: economic results of programs, such as increased number of productive days per inoculation

The V4M approach enables governments to measure GovTech impacts to improve future planning. Governments analyze poor to excellent outcomes to identify success enablers

and constraints not attributable to the acquired technology such as integration. human capacity, or change management.

Appendix: Supporting Material

Supporting FreeBalance blog entries

- [Value for Money in Government Procurement](#)
- [Governance, PFM and Value for Money](#)
- [Complexity of Government Performance Management](#)
- [Government Results and Performance Management: The Unified Approach](#)
- [How to Manage (and Measure) Government Performance](#)