

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

Situation

- Digital GovTech, including FMIS, is pivotal in operationalizing PFM. The concept of "Value-for-Money" (V4M) has become crucial for evaluating government spending performance, especially as governments accelerate digital technology procurement to enhance service delivery and social support during and post-pandemic.

Complication

- Challenges include:
 - Disconnection of procurement and public investment V4M calculations from broader government objectives, such as national development strategies.
 - Diffused strategic goals across various Ministries, Departments, and Agencies (MDAs), complicating coherent digital transformation efforts.
 - Overwhelming array of potential GovTech solutions, making it difficult to discern which technologies align with government problems or aspirations.

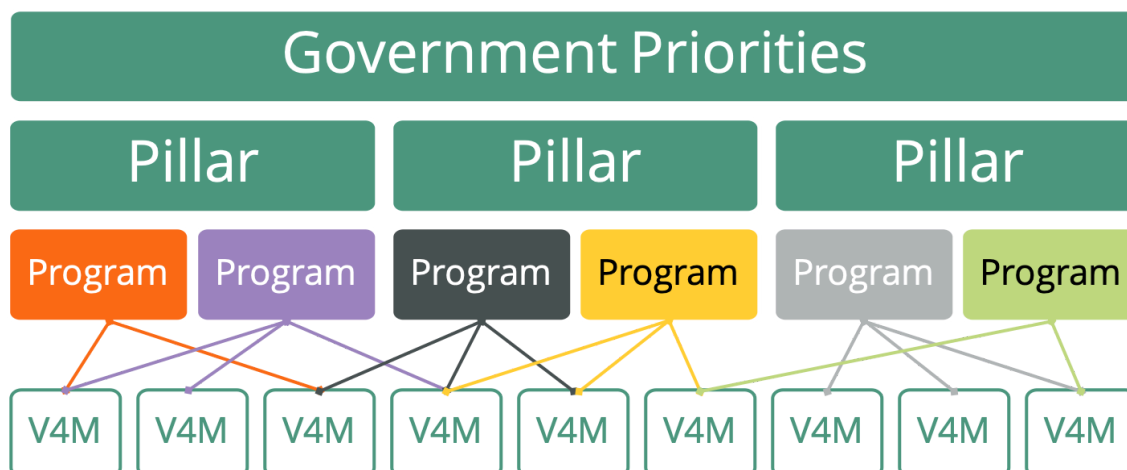
- Struggles to expand citizen and business-facing digital GovTech systems for comprehensive service delivery, with MDAs often opting for narrow, point solutions.

Question

How can V4M methodologies be leveraged to optimize GovTech acquisitions in alignment with government objectives?

Solution

- The FreeBalance [Governance Valuation advisory service](#) incorporates V4M as a strategic framework to enhance GovTech procurement performance, connecting spending with government objectives through:
 - Mapping strategic pillars and objectives to programs, projects, and activities within a revised Chart of Accounts (CoA).
 - Integrating Result targets within Charts of Goals (CoG) that dovetail with CoA hierarchies, facilitating goal-oriented spending tracking and enabling strategic alignment of procurement with national development strategies.
- This approach sequences V4M adoption across the budget and performance cycle, covering inputs, processes, outputs, outcomes, and impact, progressively enabling governments to refine performance measures embedded in multi-year planning and budgeting.
- V4M measures are diversified to include economy, efficiency, engagement, effectiveness, cost-effectiveness, equity, and Economic Value Add, among others, guiding governments in comprehensive GovTech impact analysis and future planning based on capacity and data availability.

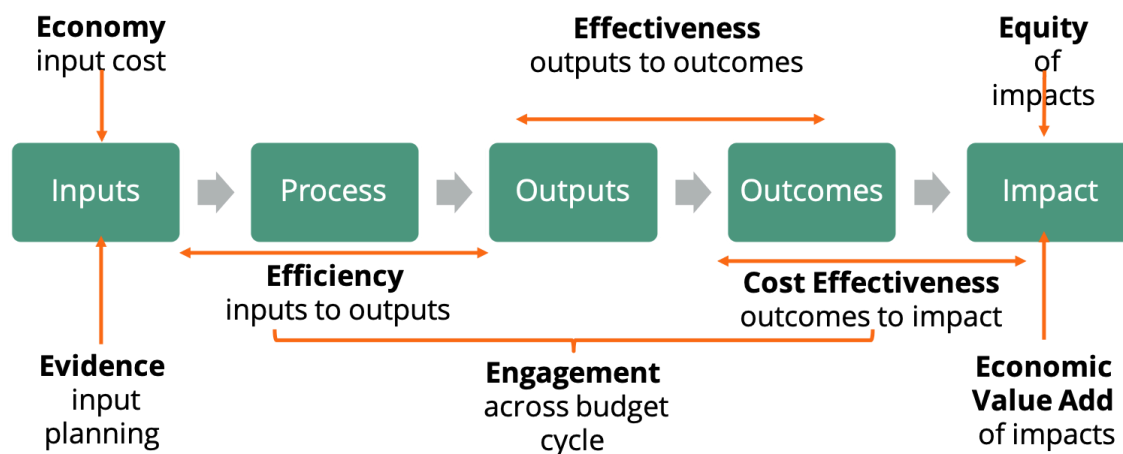


The [advisory service](#) sequences V4M adoption across the budget and performance cycle.

- **Inputs:** resources and budgets, such as health budgets, personnel, equipment, facilities and materials
- **Processes:** methods and processes used, such as how inoculations are administered
- **Outputs:** count of services delivered, such as the number of inoculations provided
- **Outcomes:** results of outputs, such as the incidence of disease after inoculations
- **Impact:** 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

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](#)