

Cashing in, Contracting out

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Why am I here?

- Guatemala:
 - Contracted out before I knew what it was
 - just made ‘good sense’
- Marie Stopes International
 - Service delivery agency
 - SHOPS primer



Marie Stopes International (MSI)

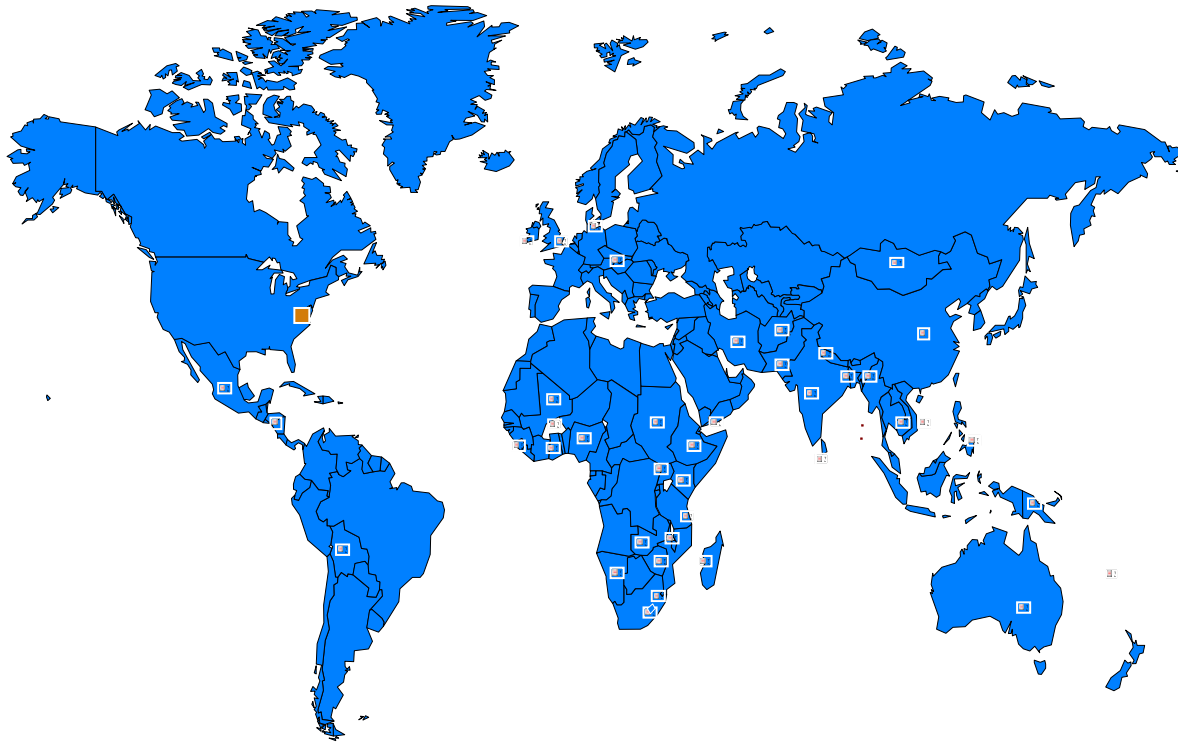


- Grew out of first ever FP clinic in UK (1921)
- Established in 1976
- Named after FP pioneer Marie Stopes
- 'Children by choice, not by chance'
- Modern business methods - sustainability
- Quality reproductive healthcare to world's poor and vulnerable



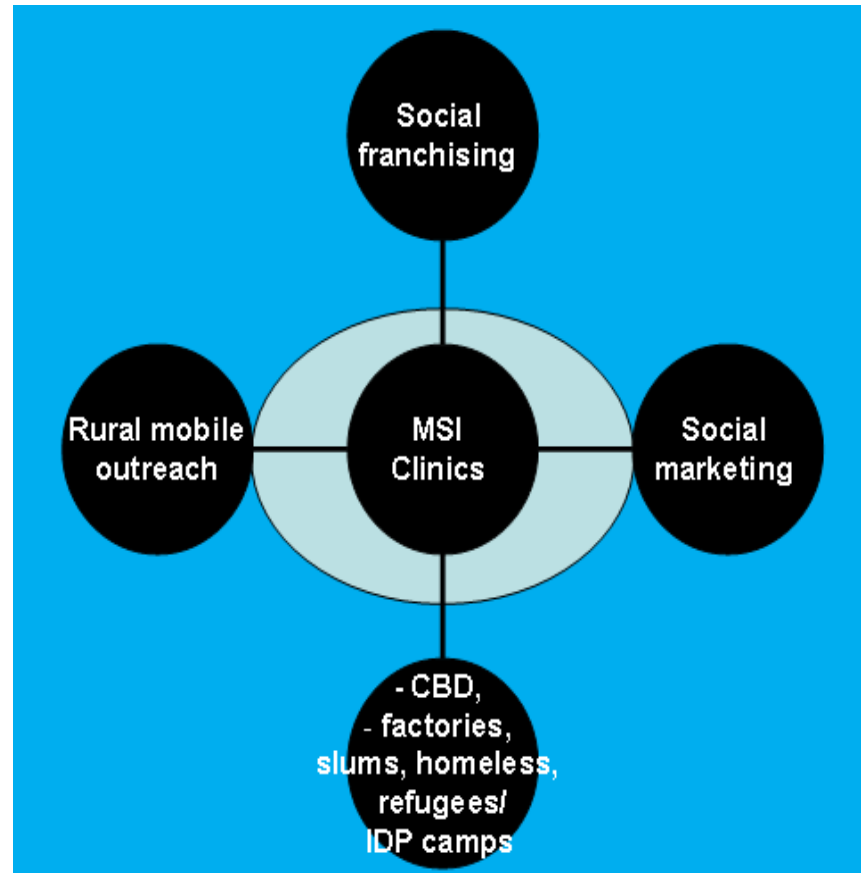
MSI's Global Reach

40 countries – 8,000 staff



MSI's Model and Services

- Family planning counselling and services
- Pre/post natal care
- Obstetrics and safe delivery
- General healthcare
- Childhood illnesses
- Immunisation
- Malaria, TB
- HIV/AIDS and STIs



MSI and Contracting Out

- Contracting out arrangements in many of the countries we work in over several years
 - India, Bangladesh, United Kingdom, South Africa
- Lessons learned over time
- Currently writing primer from perspective of service delivery agencies as part of sub-contract on SHOPS (www.shopsproject.org)

Why are we here?

- Clients need affordable, quality reproductive health services
- Service delivery agencies need clients and funding/revenue stream
- Governments want to do what is right for its citizens and have made promises, need to fulfill
- Contracting out is one tool in the toolkit



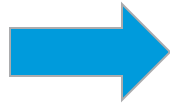
Take Away

If you remember just one thing, remember:

Contracting out isn't always easy, it isn't always a money maker for service delivery agencies, but when done right, it can be beneficial for all parties involved and more importantly can help service delivery agencies and governments meet their social mission to help the underserved.



Contractors



Contracting Out

- Contract:
 - Agreement between 2 + parties
 - Can be formal or informal/relational
 - *best if formal/legal*
 - Many types (Franchising, Contracting in, grant, sole source/competitive, single/multi tier, etc)
 - Creates obligation and legal relationship of rights/duties
- Contracting out:
 - A contractual agreement by which government pays contractor to provide goods/services on behalf of the government outside of public facilities.



Contracting out – a response to?



- Perceived/real inadequacies in public sector health services
 - Limited availability, geographic reach
 - Shortage of trained personnel
 - Poor incentivization and motivation or too many competing priorities
- Culturally sensitive FP services
- Need to meet global health targets
- Public preference for private care
- Growth in # of high quality/brand recognized NGO's

Motivations - Government



- Improve quality of FP/RH services and health outcomes
- To deliver culturally sensitive services
- To improve coverage and access to services
- To improve impact and reach of public sector health expenditure

Motivations – Service Delivery Agency



- Social mission/goals – increase reach
- To generate revenue – sustainability
- For longer term objectives – relationship development

Win/Win Scenario

- For service delivery agency:
 - Helps meet social mission
 - Builds capacity and relationships
 - Secures regular revenue
 - Enhance organizational reputation
- For government:
 - Capacity gaps covered
 - Cost efficiencies
- For clients:
 - Improved quality and coverage of services
 - Possibly lower priced services as compared to paying full price

Case Studies



- Discuss motivations for entering into contracting out agreement
- Think about challenges that might arise

Challenges

- SDO can get niched into certain services
- Financial:
 - Limited cost recovery (SDO):
 - *Slow payment*
 - *Too low initial bid/hidden costs*
 - *Need sufficient evidence to prove services/government audit procedures*
 - Cost saving (Government): not always case



Challenges

- Relationship Management (SDO):
 - High turnover
 - Need regular liaison and networking
- Political difficulties/changes
- Contractual
 - If not formal – no legal recourse
 - Contract flaws – need for modification

Challenges

- Administrative:
 - Cumbersome reporting/management requirements – staff time
 - Weakness in contract management
 - Bureaucracy – can slow process

Things to consider – contract preparation

- Don't bid for the sake of bidding
- Be clear about organizational goals
- Do as much research and preparation as possible
- Understand political/operational context and drivers of donors/government
- Ensure that all necessary accreditations/paperwork in place
- Be available – have good presence on the ground
- Cultivate good relationships with donors/governments/ behave in politically sensitive manner
- Cultivate good relationships with other SDOs/network widely in health sector
- Be prepared for contract award process to be slow and unpredictable

Things to consider – Contract/project design

- Ensure the contract is clear – roles, targets, evaluation
- Ensure full independence in contract
- Look hard at financing/costs
- Ensure sufficient income generating activities in project
- Design safeguards against cost increases
- Set budget at higher than minimum level
- Factor in salary increases and inflation
- Stipulate minimum salaries/do not compromise on compensation
- Run projects with funds that are advanced before spend

Things to consider – Contract/project design



- Try to control how funds are utilized
- Predetermine sourcing of logistics – don't let procurement slow
- Ensure good arbitration clause built in to contract
- Design local authority involvement at strategic level/ensure community participation
- Ensure branding guidelines built into contract

Things to consider – contract implementation

- Make quality of services primary concern
- Prioritize understanding of government weaknesses in contract management
- Be prepared for resources to become stretched – maintain overhead funds
- Be prepared to absorb unexpected costs
- Network regularly and proactively with government/donors
- Appoint dedicated liaison personnel
- Keep clear and thorough financial records
- Carry out transparent internal audits

Things to consider – M & E

- Determine M & E approaches and tools in advance
- M & E should be included in contract implementation plan
- If possible, M & E should be conducted by independent 3rd party
- M & E should be ongoing throughout project
- M & E should be linked to payment cycle
- Ensure that M & E systems are coordinated – government/donors/partners/sub-contractors

Troubleshooting

- Ensure that potential issues can be rectified with solid paper trail
- Try to avoid recourse to arbitrator where possible, if needed, be maximally transparent

SHOPS Primer



- SHOPS is USAID's flagship project in private sector health
- 2009-2014, Leader with Associates
- Led by Abt Associates
- Primer due out this fall
- Companion piece to PSP-One primer
 - PSP-One primer being updated
- Please contact me or check on www.shopsproject.com



Thank you

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