

FINANCE

Finance and value for money

By Bridget Marango ~ Head of Corporate Services



Good planning results in better value for money: Sikhonzile Ndlovhu, Bridget Marango and Loveness Jambaya-Nyakujarah at staff planning.

Photo: Colleen Lowe Morna



“Hey hey, I’m Yoliswa Nokuzola (KZN known as Zola) Mkaza; I am number six out of 10 siblings. I was born and raised in KwaZulu Natal, Kwa-Dlangezwa and Esikhaleni Senkosi (Informally known as Esikhawini). I got my education from there and I was raised there. Growing up with so many siblings was a mission on the battle field. We would all run to our mother when she came home for attention and I was always the last one to get her attention. I joined Gender Links in August 2011 as the finance officer. The nature of work at GL is to do payments, petty cash payout and receipts, do reconciliations, creditor’s payments, banking and preparing for the audit. The most important deliverable is to help my manager to deliver month end reports to the CEO. When I joined Gender Links I was amazed at the level of work. My energy and willingness to learn has made me become open to learning and trying new tasks in my line of work. I have learned how to use Pastel Payroll. If I may say so myself, I have mastered this, and I just love the feeling of adding things to my list of learnt tasks. I now know the steps of the finance system at Gender Links. Pastel Accounting journals, invoice recording for the customers, using different foreign currencies and (don’t laugh!) seeing them in real life and touching them! As Bridget Marango and Mpumelelo Mlilo would say, “Go and tell gogo that you have touched a Euro!” - Yoliswa Makaza, Finance officer.

OVERVIEW



The global economy continues to recover at a slow pace. The ripple effects of the 2010 recession are still real especially in the developing world where the bulk of the income comes from western countries that have been hit hard by the recession. The traditional donor governments are experiencing budget cuts and this affected the global aid budgets.

There is still a scramble for funding and NGOs are working extra hard to remain sustainable.

In March 2011, GL celebrated its 10th birthday. For an organisation that has been in existence for just over ten years, its growth has been phenomenal with 58 staff members and an annual budget of around R30million per annum.

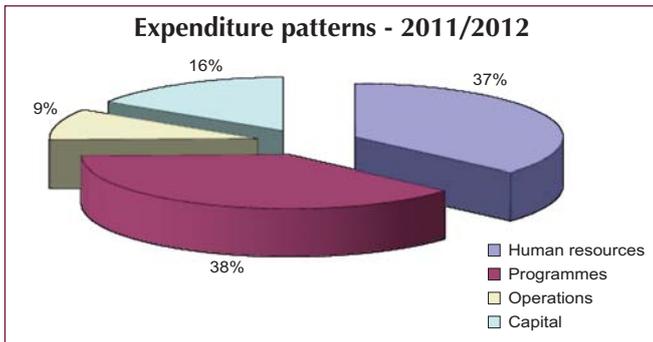
In 2008 GL started accessing sizeable bilateral donor funds like the DFID Governance and Transparency Fund (GTF) and the Netherlands Government's MDG3 fund, which grew the work on the ground. GL started setting up project sites in nine other countries and putting in place minimal infrastructure with skeletal staff from 2009. As the demand for the work grows and as it becomes increasingly difficult to access global funds at regional level due to the ripple effects of the economic slump, sustainability remains the key concern. To stay viable, GL started the process of upgrading the project sites to registered branch offices in order to access local in country funds. Eight branch offices in the SADC region have been registered to date, and three of these are at an advanced stage of signing contracts with donors for in country projects.

Income trend over the past three years

	2009/2010	%	2010/2011	%	2011/2012	%
Carry over donor funds	3 758 714		5 875 081		2 568 658	
Donors	28 457 110	90%	22 972 290	91%	33 859 603	92%
Own	3 136 572	10%	2 140 016	9%	3 016 476	8%
Total new	31 593 682	100%	25 112 306	100%	36 876 079	100%
Annual % mvt			-21%		47%	

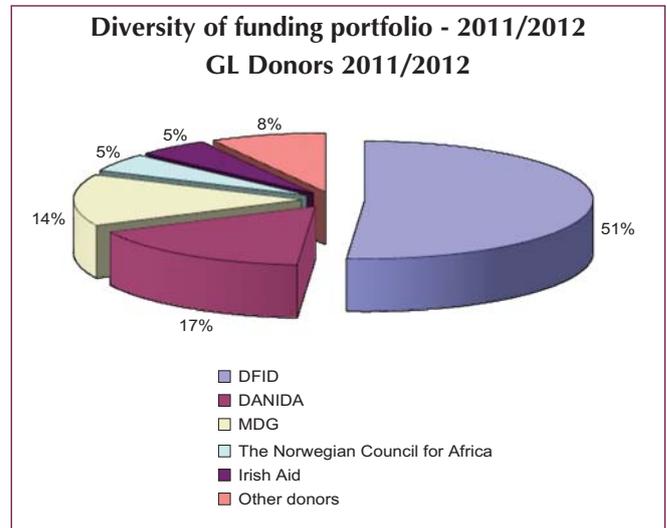
The table shows a 47% increase in income in 2011-2012 compared to the previous year, due to donor funds being called in, and GL receiving a new grant for the DFID's PPA fund that boosted donor income. The establishment of the Gender Links Training Institute and the acquisition of GL Cottages boosted "own" resources.

Expenditure patterns - 2011/2012



Programme expenditure accounted for 38%, and human resources 37% of total expenditure due to the increased capacity in the branch offices and the increased use of consultants for specialised areas like the GBV Indicators research. Capital expenditure rose to 16% of total expenditure due to the acquisition of the GL Cottages. Operations remained within acceptable levels at 9%.

Diversity of funding portfolio - 2011/2012
GL Donors 2011/2012



In 2010/2011 DFID emerged as GL's biggest donor. In the past year, GL received a second DFID grant, the PPA and this increased the percentage of funds received from DFID to 51%. This however is a temporary situation as GL received the good news in mid 2012 that it has been awarded a substantial grant over the next four years by the Netherlands government FLOW fund.

Other donors breakdown		
Donor	Amount	%
UN Women	757 268.00	2.2%
Hivos	692 395.00	2.0%
Diakonia	537 025.00	1.6%
Norwegian Church Aid	393 838.00	1.2%
MOTT Foundation	274 919.00	0.8%
FES	101 164.00	0.3%
Total	2 756 609.00	8.1%

The other donors provided 8% of the total income received. Although their grants are small, they are GL's traditional donors that helped with programme and institutional support for GL to be where it is today. It is also important to keep all donors on GL's books for as long as possible to ensure sustainability especially in the event that GL ceases to get grants from big funders. Keeping a portfolio of many donors has its own challenges as demonstrated in the table below:

Key facts about GL Donors			
Donors	2010/2011	2011/2012	2012/2013
Total no.	9	11	11
Total no. with three year agreements	5	4	5
Total no of reports	23	22	23
Align with FY	5	2	3
Contracts allow one audit at the same time	All except MDG	All 5 separate donor audits were done earlier than GL audit due to earlier deadlines than GL AGM	All separate donor audits will be done earlier than GL audit due to earlier deadlines than GL year end and AGM

The table shows that:

- The total number of donors in the coming year remains at 11.
- The number of donors with three year agreements decreased to 4 in 2011/2012 and is expected to go back to 5 in the coming FY although this figure could increase when some of the applications outlined in the funding report materialise.
- The total number reports declined slightly in 2011/2012 but it is expected to go up again the coming FY.
- As applications are concluded at different times during the year, it is becoming difficult to align grant financial periods to GL's financial year. GL has changed its FY to December each year and this will bring synergy with some donors. Specific donor audits will be done as required..

Future projections

GL starts the new financial year with R30 million in secured funding and R7 million under negotiation and close to fruition. With GL's growth in programmes, country offices and increased staff base, there is need to secure more funding if all the planned programmes are to be implemented. The secured funding decreases considerably in the coming years 2014 up to 2015. This is because of the DFID GTF, DANIDA and Hivos grants coming to an end. Efforts are underway to secure more big funds with numerous applications to the EU. GL is pursuing several in country donors for local funding. In addition to the efforts with donor funds, GL's is expecting to generate more revenue from the Gender Links Training Institute and the Gender Links Services (see next section on diversification and sustainability). Through learning from the DFID PPA Fund, GL is also taking the issue of Value for Money (VfM) more seriously.



Customers at the market place in Gweru, Zimbabwe, know how to get the best for their buck.

Photo: Colleen Lowe Morna

VALUE FOR MONEY

Good VfM ensures the optimal use of resources to achieve the intended outcomes. GL's work involves a lot of research and advocacy. The main cost drivers are travel, workshop venues, conferencing and accommodation, publications and productions, consultants and IT. GL recorded savings from good procurement practices for the first time in the year under review. This came to R1.9 million. Significant VfM improvements over the past year include:

Procurement

- GL streamlined the duties of the Procurement officer and increased focus on sourcing quotations, establishing suppliers' databases and producing monthly cost savings reports for management.
- GL established a suppliers' database for recurring costs like hotels, conferencing venues and local travel in all the SADC countries where these services are required to ensure that the most cost effective suppliers are engaged and eliminate the need to phone around every time there is an accommodation or conferencing venue request and this saves time and communication costs.
- Air travel is one of GL's main cost and the Procurement officer sources flights online and only engage the travel agent on complex and group bookings. This enables GL to access cheaper flights online where these are available and to continuously track if the travel agent is delivering value for money in the options they present to us.
- GL continues to source three competitive quotations when procuring goods for comparison and negotiating with suppliers for lower prices to ensure products are purchased at the best possible mix of price and quality.
- GL conducts an annual review of framework arrangements; only suppliers who deliver VfM are renewed.

Planning

GL works with a five year strategic plan broken down to annual plans that inform the semester plans. At the biennial planning, all programmes share their country specific plans with dates. This provides management an opportunity to think laterally across programmes and link programme outputs, dovetailing workshops and meetings to save on time and travelling costs. As programme staff plan their travel, all programme requirements are taken into account and they are required to carry GL publications to avoid freight costs.

Leveraging

GL leverages its resources by forming smart partnerships for cost sharing. GL approaches partners with projects that they may have a common interest and discuss how the project can achieve both organisations' set targets and how costs can be shared to realise the intended outcome. A recent example is when GL collaborated with the Government of Botswana through their Women's Affairs Department (WAD) to conduct the GBV Indicators Research. The research cost approximately R1.5 million. GL contributed 20% and WAD contributed 80% of the resources required. Over the last year, GL recorded in-kind support for the first time. This came to approximately R2.2 million.

GL also leverages its advisory services with programme work by accepting consultancy work only where there is a fit with our programme work to ensure that our set targets are still achieved with the resources availed from the consultancy and the planned programme budget can be used cover a wider scope or reallocated to other needy activities. An example is when GL worked with the Government of Namibia and the Government of Seychelles on Gender Mainstreaming where the governments paid for GL's costs and services and the funds that were originally intended for this project were used to bring in more countries than originally planned.

GL also sources in kind donations as a cost saving mechanism. GL partners with local municipalities and other local government bodies who are able to provide in kind support like free venues for workshops and free office spaces for satellite offices. In middle income countries like Mauritius and Botswana, it is difficult to fundraise for our work as donors work through the government and to leverage on the available resources, the country offices source for any kind of support they can get from the municipalities and ministries they work with. GL Plans are in place to expand this web to private sector as companies usually have social responsibility budgets that can be used to fund particular events or research.



GL procurement officer Shamiso Chigorimbo (centre) at the GL Gender Justice and Local Government Summit.
Photo: Gender Links

Financial management

Effective financial management helps an organisation with managing its budget, allocating resources, tracking expenditure and making decisions supported by an understanding between costs and performance. GL's finance function competently captures all the financial transactions and accurately reports on the position of each and every project. Programme expenditure is monitored diligently to avoid over or under spending without compromising delivery. Most budget holders fully understand their budgets, the cost of their activities and the value of their intended outcomes. GL holds programme and budget review every month and managers have to come up with innovative ways of delivering their set outcomes by leveraging on the available resources. These may involve seeking smart partnerships, in kind support or dovetailing events as explained above. The outcome of these meetings informs the direction of the projects. Through prudent financial management, GL's directs and controls resources in ways that maximise benefits and reduce costs to ensure value for money as we achieve the organisation's set goals.