

OPR - overspending pattern recognition

Short description

Overspending pattern recognition allows one to identify cost inefficiency in program design and implementation. It is based on a number of recurrent patterns that increase costs without a comparable contribution in the achievement of goals. The idea of OPR is to recognize the pitfalls, make them explicit, and either resolve them or accept them. OPR has very much to do with how interests are structured and within Meta-Frame is part of the realm of 'interests',

OPR – patterns and questions

	Pattern	Questions
A	Overdesign	Are the parties that take care of the design of the main element of the program and those that safeguard the budget the same? Is this likely to have consequences for the costs of the program?
B	High running costs	Are the parties that take care of the investment and the parties that have to fund the running costs the same? Is this likely to cause unnecessary high running costs?
C	Wish-listing	Are criteria and wishes collected with or without consideration of the costs or the availability of alternatives? Is this likely to lead to ignoring cost effective alternatives?
D	Forced spending	Are there perverse incentives rewarding spending without achieving results? How do they affect actual spending?
E	Ill-timing	Are the several sources of funds available when spending needs to be done? Is budget availability between different sources well-coordinated?

Overdesign

Overdesign is typically a problem that occurs when risk and uncertainties are designed away by players that have no financial responsibility. The larger the difference – in time and in administrative space – between designers and budget holders, the larger the risk of overdesign taking place. It becomes even worse if the designer bears substantial liabilities if things go wrong, financially or reputation-wise, but is not accountable for cost efficiency. Overdesign often takes place in the areas, where there are many unknowns and assumptions have to be made.

Example:

When implemented, the Left Bank Outfall Drain was one of the world's largest investments in drainage. It consisted a series of measures to remove excess water from the soil profile, that causes the salinization of the soils and had a severe effect on crop production and social well-being. However in the absence of long term rainfall data and detailed soil maps, a number of assumptions have to be made with respect to the total volume of excess water that needs to be drained away through various measures. These assumptions were made on the very 'safe' side and the drainage infrastructure

that was designed by the engineering team had too large a capacity. This translated in higher investment and higher running cost than necessary.

High running costs

In planning there is often a trade-off between reasonable investment costs and reasonable running costs. Often the decision on investments ignore subsequent running costs – particularly as the parties involved in either fields are different entities.

Example:

When Water Boards became responsible for the maintenance of bridges in the Netherlands, they replaced iron bridge railing with aluminium railings to save on painting expenditures.

Wish-listing

Wish-listing occurs when criteria and preferences are collected without constraints such as budget ceilings or available alternatives taken into account. Wish-listing then results in a large number of minimum conditions, that added all up may blow up the budget.

Example:

In Houten Municipality a new municipal office was planned. Preferences were collected from the different future users of the office building. These were bundled and given to the architect. The budget estimate which came with this design resulted in a budget estimate that was far in excess of what could be made available, particularly as in the meantime the municipal economy was in a down-turn.. The issue created considerable furore. To break the deadlock in the end several existing office locations were looked at and a comparison was made with the earlier formulated wish-list. Some wishes of some groups could not be met. Discussion took place with these different groups on acceptable alternative arrangements.

Forced spending

Forced spending occurs when budgets have to be exhausted because allocations otherwise may lapse. It is a common strategy of organizations that want to preserve their spending levels and are fearful of being punished for under-spending. Forced spending also occurs when there are perverse incentives on disbursement – such as staff rewards for disbursement irrespective of effectiveness. Forced spending often takes place before budget expiry.

Example:

The National Drainage Project in Pakistan was considered a flagship project by the World Bank and has a budget allocation of 500 Million Dollar. Once started it became clear that there were too many loose ends and that a lot of preparatory work was not done. Implementation and disbursement was very slow – which reflected badly on the task managers of the project concerned. When the electricity bills for the drainage well fields came the task manager were quick to propose that this would be paid out of the project loan, even when this had nothing at all to do with the achievement of the project objectives.

Ill-timed financial streams

Ill-timed financing occurs when the time-window for spending is unnecessary short and may be incompatible with program requirement. Ill-timing also often occurs in co-financing when interdependent parts of a program draw on different financial resources

and funding from one or either source is not assured. The result is that budget requests for each resource may be inflated. This leads to forced spending, if both are approved.

Example:

For local government programs in India budgets only become available in February and have to be formally exhausted by end of March. The result is a mad rush of giving contracts and administratively spending money in a short two-months interval. This interval moreover may be awkward and not match spending requirements. Budgets for agricultural trainings for instance become available in the off-season.

Strength

OPR is a quick method to detect some major areas of resource wastage. It should then translate in different planning and budgeting systems within the program logic.

Limitations

OPR is a quick scan – and constant alertness is required.

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