

## **Background**

The New Zealand Agency for International Development (NZAID) has adopted a range of management options for its scholarship and training activities. These may be grouped into three basic categories:

- managed by NZAID, using NZAID systems
- managed in cooperation with partner countries, using a blend of NZAID and partner country systems
- managed in cooperation with another donor agency, using a blend of NZAID and other donor agency systems.

A common element of each category is the potential to outsource selected programme activities to a management services contractor. While different outsourcing activities occur, there has not been a consistent NZAID policy that defines when this is the appropriate mechanism or approach. Given the increasing interest in this option by NZAID programmes, and the potential impacts on alignment and harmonisation, the study seeks to assist in refining the Agency's approach to outsourcing.

## **Purpose and Objectives**

The purpose of this study was to analyse NZAID business practice related to the outsourcing of scholarship and training management functions, and recommend appropriate policy approaches, taking into account the aid effectiveness agenda and cost-benefit considerations.

The review had three objectives:

- to provide an analysis of the decision-making that led to the outsourcing of NZAID scholarship and training management functions to date
- to develop an outsourcing decision-making framework (in terms of alignment, harmonisation, ownership, sustainability, managing for results and mutual accountability) for the managers of country/regional programmes and scholarship schemes, including a user-friendly methodology for determining the costs and benefits to outsourcing, for multiple stakeholders
- to recommend the preferred NZAID policy option on outsourcing scholarships and/or training functions, and draft the policy and associated guidelines.

Since 2005, NZAID has outsourced selected aspects of scholarship and training programmes at the pre-award and on-award stages. The focus of the desk study was primarily on activities at the pre-award stage.

## **Main Findings**

The study compared costs and benefits of in-sourcing and out-sourcing for management of scholarship and training schemes. The analysis concluded that it is cheaper to in-source even where doing so involves the establishment of new staffing positions, taking into account financial costs and, to the extent possible, non-monetary intangible benefits. The study reported that where outsourcing has occurred there had not been any reported substantial improvement in the quality of management of pre-award processes or the outcomes achieved.

The review suggested that the move to outsource has been driven, to a large extent, by an emerging lack of capacity and/or capability at Post to successfully undertake this function in the face of mounting demands due to aid funding increases and growing devolvement of responsibilities from Wellington . As outsourcing involves expending funds to provide services the report argued that there is reason to apply these funds to developing in-house capacity and capability. In this sense in-sourcing represents a reduction in NZAID operational costs as in-sourcing is the cheaper option.

It noted that the intangible benefits of retaining this function in-house include building a strong knowledge base and capability within NZAID leading to greater depth of engagement with partner governments and other stakeholders, ability to actively align with partner government systems, more time to engage in donor harmonisation and greater ownership of processes leading to quality in decision making. It concluded that there was less operational risk to the organisation in retaining control of delivery of services rather than delegating responsibility to an external agent.

The report provided a draft policy based on its recommendations and a decision tree to assist staff to decide on which option was preferable.

### **Key Issues and Learning for NZAID**

The study usefully documented the costs and discussed the benefits of in-sourcing versus outsourcing of the management of scholarship and training schemes. As such it provides a better information base for discussing options in the future. The report raised some broader issues for NZAID to consider, in relation to building staff capacity and/or capability at posts, the implementation of the Scholarships Management Information System and application of new technology and the wider use of independent academics to assess and select candidates for NZAID scholarships.

### **Follow-up**

The analysis made four recommendations. These recommendations, and the report, have been made available to NZAID programme teams to assist scholarship programme decision-making.

To request a copy of the full report email [aidevaluation@mfat.govt.nz](mailto:aidevaluation@mfat.govt.nz) and quote the reference number - Eva0822.