

CHAPTER 04Understanding the
Circumstantial Value of Money

“One’s real worth is never a quantifiable thing .”

Malcolm Forbes

04.01 A euro or a rupee changes its relevance and implication as it trickles down to the grassroots. It is very important to understand the varying value of a rupee at each stage of its downward journey. *Albert Einstein* once argued that the Newton’s “law of gravity” was not applicable in the outer space, it was only circumstantially relevant on Earth, therefore it was not an universal theory.

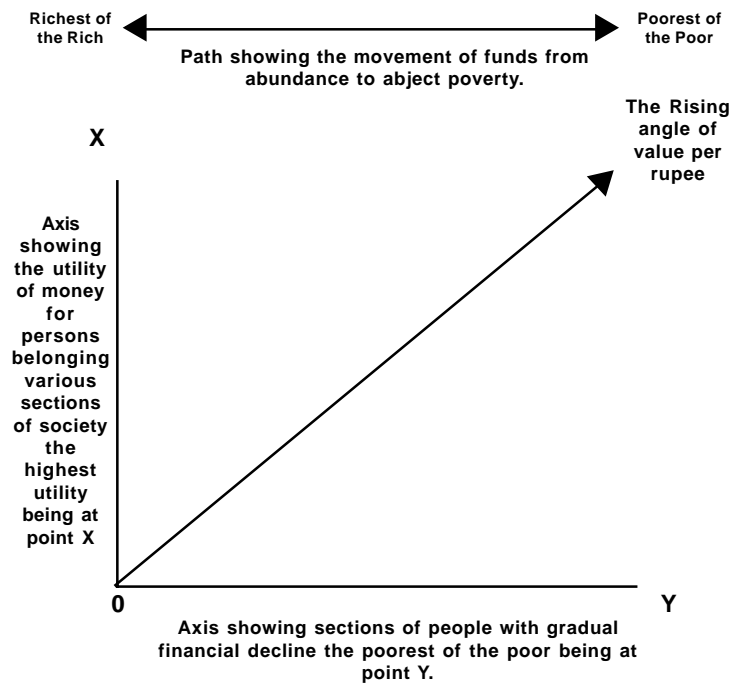
04.02 Similarly the money which is used in the development sector passes through various circumstances and places. The work of an NGO is a linear path. In terms of funds the euro or the rupee travels a long distance. It could be from back donor to the donor, from donor to the partner, from partner to the village level partner, from village level partner to the CBO, from CBO to the community. In this long journey great geographical distances are covered and many intermediary organisations work with a forward accountability. The value of each euro or rupee varies according to the economic dynamics prevailing at the level of each such agency.

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04.03 For instance in difficult Asian conditions a person may survive for the entire month with 10 euro or 500 rupees, but the same amount of money may not provide a proper meal in London or Berlin. But our accounting statements always look for the genuineness of the expenditure and not the value it was able to create. The inability of our financial systems to relate with the value generated by funds spent is a great limiting factor in assessing the quality and efficiency of our work.

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04.04 It is imperative on our part to understand the importance of maximising the circumstantial utility of money. We might be incurring genuine expenditures but we should see that whether the utility from such expenditures could have been enhanced.



04.05 In the above diagram it can be seen that the value of the same amount of money rises if it is spent closer to the fields and the beneficiaries. If we look at the utilization statement of a project, the expenditures incurred under various budgetlines could show a consolidated amount without providing the breakup of the intermediary stages at which it was incurred. For instance we cannot know how much was incurred at partner's head quarter level, project office level, CBO level and the community level. From my experience I have come across horrifying statistics in whatever little analysis I was able to do in some instances. In one instance even in a relief and rehabilitation programme not even 40% of the funds available with the partner were transferred to project office. And the project office had utilized this 40% mostly for administrative purposes under the various programmatic budgetlines, not to talk about the 60% which was retained at the head quarter level.

04.06 Taking rupee physical closer to the community will certainly add to the value it generates. So often defined that the village level animator draws a salary of around 5-10 euros as against 100-150 euros drawn by the programme staff of the same NGO. The meagre salary paid to the animator is a reflection of his/her poor bargaining power. Analysing the circumstantial value generated by an NGO could be a very appropriate way of assessing the social accountability quotient.

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