GUIDED SELF-ASSESSMENT OF PUBLIC FINANCIAL MANAGEMENT PERFORMANCE (PFMP-SA)

A TOOLKIT FOR HEALTH SECTOR MANAGERS

December 2013
This publication was produced for review by the United States Agency for International Development.
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The Health Finance and Governance Project
USAID's Health Finance and Governance (HFG) project will help to improve health in developing countries by expanding people's access to health care. Led by Abt Associates, the project team will work with partner countries to increase their domestic resources for health, manage those precious resources more effectively, and make wise purchasing decisions. As a result, this five-year, $209 million global project will increase the use of both primary and priority health services, including HIV/AIDS, tuberculosis, malaria, and reproductive health services. Designed to fundamentally strengthen health systems, HFG will support countries as they navigate the economic transitions needed to achieve universal health care.

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ACRONYMS

EU:	European Union
HFG	Health Finance and Governance project
M1	Method 1 (referred to PEFA scoring methodology)
M2	Method 2 (referred to PEFA scoring methodology)
MDA	ministries, departments and agencies
MoH	Ministry of Health
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMP-SA	Public Financial Management Performance – Self Assessment
PI	Performance Indicator

ACKNOWLEDGMENTS

The work presented in this document is a proposal for contextualized applications of a proven methodology used to assess the performance of PFM systems at government level: the Public Expenditure and Financial Accountability framework. Rather than reinventing tools that have existed for some time, we have preferred to devote time and energy into finding an innovative and simplified way to utilize parts of the PEFA framework to fulfill our goal of arming Ministries of Health with an easy, replicable and defensible tool for assessing their own PFM performance. We thoroughly acknowledge the intellectual capital that went into the design and testing of the PEFA framework and the years of worldwide implementation as the irreplaceable base material without which this work would not even begin to exist.

Public Expenditure and Financial Accountability (PEFA) reviews are government-wide assessments based on a standard set of indicators. When it comes to Ministries of Health, however, the PEFA framework is underutilized in assessing localized Public Financial Management (PFM) capacity. The technical language, the content, and the requirements included in the PEFA methodology are bound to be a substantial barrier for Ministry of Health (MOH) staff to effectively conduct a meaningful self-assessment and objectively interpret its results. HFG has adapted the PEFA framework to reflect the needs and limitations of a line ministry versus a Ministry of Finance and designed the Public Financial Management Performance – Self-Assessment (PFMP-SA). The tool introduces elements of guidance and coaching to support MOHs in performing either their first or repeated PFM self-assessment.

BACKGROUND

Good performance of Public Financial Management (PFM) systems is one of the elements of governance that should be reinforced in support of sound, evidence-based health interventions. PFM performance, however, is typically assessed by considering the government as a whole, rather than the individual performance of such important sectors as health; often, the impact of PFM assessments on health is not differentiated from the rest of the government sectors. The end result is that recommendations and action plans initiated by the Office of the Prime Minister and/or the Ministry of Finance take time to percolate down to line ministries and are often misunderstood or resisted. Public Expenditure and Financial Accountability (PEFA) reviews are probably the best known examples of such countrywide assessments. Donors such as the European Union (EU) make "sector" or "general" budget support allocation decisions based on PEFA scores; countries formulate PFM reforms based on PEFA assessments; and development partners in general look at PEFA reports to judge the overall PFM status of a given country. When it comes to line ministries, individual sectors, or local government structures, however, the PEFA secretariat does not endorse use of the PEFA framework for assessing PFM capacity. Despite this, countries, donors, and practitioners alike have relied on the framework to assess the health sector and/or local government in places such as Kosovo, Bangladesh, and Armenia. In most cases, the assessments are either performed by third parties or, as in the Kosovo instance, self-administered and facilitated by development partners.

The following are some reasons why a line ministry will perform a PEFA-like assessment:

- Prepare staff for future PEFA assessment at national level
- Respond to stakeholders' request for fiduciary assessment or other requests
- Prepare for a PFM risk assessment
- Incorporate into the ministry's internal review cycle
- Include in a PFM reform roadmap

In addition, considering the bigger picture of governance, the reliability of the PFM systems positively affects the accountability relationships in the health governance framework[1] in terms of oversight, administration of resources (state to providers), and responsiveness (state to citizens/clients), and is in turn affected by the reporting of information obtained by providers.

[1] Brinkerhoff and Bossert, Health Systems 20/20 (2008) adapted from World Bank (2004, 2007)

METHODOLOGY

Health Finance and Government (HFG) proposes to use the PEFA framework, adapted to the needs of the health sector, to promote ministries of health's self-assessments of the performance of their PFM systems.

> *The PEFA PFM Performance Measurement Framework incorporates a PFM performance report and a set of high level indicators, which draw on the HIPC expenditure tracking benchmarks, the IMF Fiscal Transparency Code, and other international standards. It forms part of the Strengthened Approach to supporting PFM reform, which emphasizes country-led reform, donor harmonization and alignment around the country strategy, and a focus on monitoring and results. This approach seeks to mainstream the better practices that are already being applied in some countries.*
>
> (PEFA Secretariat, 2011)

The methodology governing the assessment of the individual indicators is widely available and well proven. The PEFA secretariat issued a recent guidance manual to facilitate the production of a final PFM performance report.[2] However, the technical language, the content, and the requirements included in the PEFA methodology are bound to be a substantial barrier to Ministry of Health (MOH) staff effectively conducting a meaningful self-assessment and objectively interpreting its results.

Through targeted guidance and coaching, HFG will support MOHs in performing either their first or repeated guided self-assessment of PFMP-SA. Although the assessment is outlined in the PEFA framework, HFG has adapted the framework to reflect the needs and limitations of a line ministry versus a Ministry of Finance. Of the 31 indicators included in a full PEFA evaluation, the PFMP-SA will include the 12 that are most relevant to the health sector.

[2] PEFA "Field guide" for undertaking an assessment using the PEFA performance measurement framework May 3rd, 2012

These indicators are as follows:

1. Expenditure against original budgets by line items and links to programs, priorities, and results
2. Extent, aging, and monitoring of expenditure payment arrears toward suppliers, contractors, and employees
3. Communities and other stakeholders' access to key fiscal information
4. Ministry's practices and success in elaborating medium-term planning, budgeting and expenditure frameworks, or other multi-year approaches
5. Cash flow predictability and control over timely budget execution
6. Access and control over payroll by MOH
7. Adequate, efficient, and transparent procurement system
8. Formal and documented internal controls
9. Internal audit functions, effectiveness and accountability
10. The accounting system provides coherent information on resources reaching lower levels of service delivery
11. The accounting system can produce timely periodic reports and management has access to them
12. The MOH is receiving and using financial information provided by donors for budgeting and reporting on project and program aid.

In line with the PEFA framework[3], the assessment evaluates the set (or subset in this case) of indicators in light of their impact on the six core dimensions of an orderly PFM system (Figure 1):

1. **Credibility of the budget** – The budget is realistic and is implemented as intended.
2. **Comprehensiveness and transparency** – The budget and the fiscal risk oversight are comprehensive and fiscal and budget information are accessible to the public.
3. **Policy-based budgeting** – The budget is prepared with due regard to government policy.
4. **Predictability and control in budget execution** – The budget is implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds.
5. **Accounting, recording, and reporting** – Adequate records and information are produced, maintained, and disseminated to meet decision-making control, management, and reporting purposes.

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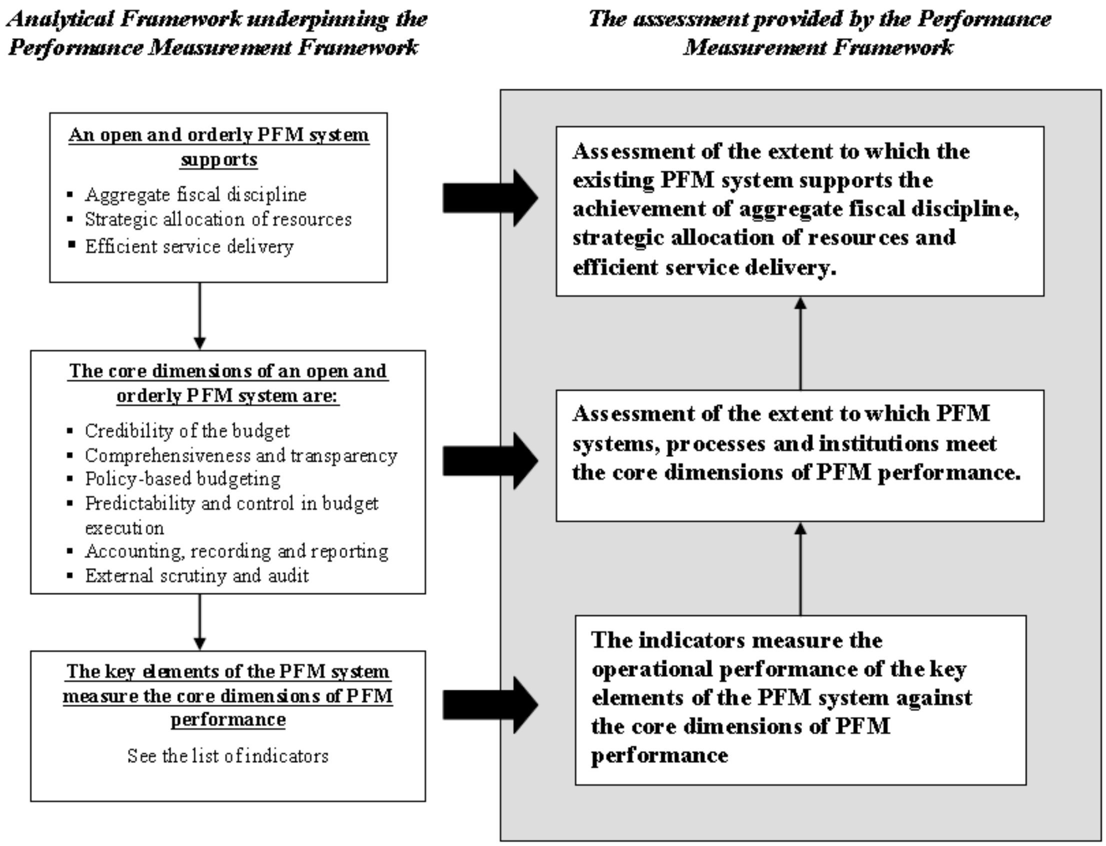
[3] PEFA - PFM Performance Measurement Framework - Revised January 2011

6. **External scrutiny and audit** – Arrangements for scrutiny of public finances and follow-up by executive are operating.

Figure 1: PEFA PFM Performance Measurement Framework



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The methodology for evaluating and scoring the individual indicators also follows the recommendations and guidance currently included in the PEFA - PFM Performance Measurement Framework and in the "Field guide for undertaking an assessment using the PEFA performance measurement framework" (Annex 1). The steps in coaching and guiding the self-assessments are listed below, considering that in the case of repeat assessments, some steps may be redundant if the assessment team remains the same.

The approach for supporting and guiding the self-assessment is based on HFG's collective experience in PFM, governance, and capacity building, and it includes all those elements in the form of an active guidance protocol.

ACTIVE GUIDANCE PROTOCOL

The Active Guidance Team

Although the composition of the active guidance team is instrumental to the success of the self-assessment, the team does not need to be strictly codified at the onset. The following guidance will be instrumental in forming the team: since the assessment is primarily about PFM, at least one member of the team should have public finance and accounting experience; the overarching goal is to define the governance impact that the PFM system has at the level of the MOH and, therefore, a governance expert should be part of the team; to complete the core of the team, a member qualified in institutional capacity building, leadership, management, and facilitation training should be included to provide the coaching needed throughout the relevant phases of the guided assessment.

First Phase: 2–3 weeks

The basic principle behind the guidance approach is that the active guidance team performs an independent PFM review, based on the same set of indicators as the self-assessment and following the same methodology, before engaging with the local self-assessment team. This initial step has multiple benefits:

- The guidance team gets familiar with the main PFM issues affecting the MOH within the country context
- The review can highlight uncommon causes for deviation from accepted PFM practices that need to be taken into consideration while evaluating the self-assessment
- The report generated by the review acts as a baseline on which subsequent discussions can be held with the self-assessment team and discrepancies reconciled
- The guidance team will be able to obtain stakeholders' feedback that might otherwise be kept from the MOH's staff for various reasons.

The guidance team prepares a report based on the independent PFM review that includes notes, scores, and motivations for each of the indicators. Based on the context and conditions found during the first phase, the guidance team revises the content and structure of the self-assessment template if needed, and launches the guided phase of the PFM-SA.

Second Phase: 3–4 weeks

The guidance team supports the MOH in identifying the right members of the self-assessment team. Ideally, the self-assessment should be carried out by five members, with equal scoring rights, as follows:

1. One representative of the planning unit of the MOH
2. One representative of the budgeting/accounting unit of the MOH
3. One representative of the World Health Organization or relevant United Nations organization familiar with the MOH
4. One representative of the Ministry of Finance, possibly with a liaison role to the MOH
5. One representative of a nongovernmental development partner chosen by the MOH

The MOH self-assessment team will work on all 12 indicators, following the PEFA methodology, and the team's work will be facilitated by selected member(s) of the guidance team. The self-assessment team will then score the various indicators, and will do so by agreement of the majority of the team members.

Third Phase: 2–4 weeks

The self-assessment team and the guidance team will compare and discuss the results of the assessment and will come to a consensus on a joint, guided self-assessment report on the 12 indicators, to be finalized and authored by the self-assessment team. The discussion and the results will highlight the issues, strengths, and weaknesses in the self-assessment teams as much as they do the PFM system. The focus will be on identifying needs for further capacity building to improve future self-assessments. The report itself, once cleared at the MOH level, will then be officially disseminated via the members of the self-assessment team and through media and venues appropriate to the country context.

INDICATORS' ASSESSMENT GUIDELINES AND TEMPLATE[4]

1. Expenditure against original budgets by line items and links to programs, priorities, and results

Aligns with PEFA's PI-2: Composition of expenditure outturn compared with the original approved budget

Within an aggregate expenditure in line with budget, there could be significant variation in the way money has been spent against budget when viewed, for example, at line item level or at a Unit or Function or Office levels. This indicator, therefore, seeks to identify how the variance in expenditure composition has exceeded the overall deviation. When looking at the MOH's PFM performance, it is necessary to draw conclusions on how the expenditures not only reflect amounts budgeted on aggregate, but also if and how these expenditures relate to plans, programs, priorities, and expected results.

Dimension to be assessed: (i) The difference between actual primary expenditure and the originally budgeted primary expenditure (i.e., excluding externally financed project expenditure).

Score	Minimum Requirements (Scoring Method M1 see Annex 1)
A	In no more than one out of the last three years has the actual expenditure at line item level deviated from budgeted expenditure by an amount equivalent to more than 5% of budgeted expenditure.
B	In no more than one out of the last three years has the actual expenditure at line item level deviated from budgeted expenditure by an amount equivalent to more than 10% of budgeted expenditure.
C	In no more than one out of the last three years has the actual expenditure at line item level deviated from budgeted expenditure by an amount equivalent to more than 15% of budgeted expenditure.
D	In two or all of the last three years the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 15% of budgeted expenditure.

4 See also PEFA framework and field guide

Dimension to be assessed: (ii) Expenditures are linked to technical programs, MOH priorities, and expected results.

Score	**Minimum Requirements (Scoring Method M1 see** Error! Reference source not found.**)**
A	The expenditure is linked to programs, priorities, and results.
B	The expenditure is linked to programs and/or priorities and/or results (2/3).
C	The expenditure is linked to programs or priorities or results (1/3).
D	There is no link to programs, priorities, or results.

2. Extent, aging, and monitoring of expenditure payment arrears toward suppliers, contractors, and employees

Aligns with PEFA's PI-4: Stock and monitoring of expenditure payment arrears

Expenditure payment arrears are expenditure obligations for which payment to employees, suppliers, or contractors is overdue. In the absence of any specific local definition, the default period for assessment is 30 days from receipt of the supplier's invoice for goods or services. In the case of staff payroll, the arrears occur immediately once the due date is not met.

Dimensions to be assessed: (i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock. (ii) Availability of data for monitoring the stock of expenditure payment arrears.

Score	Minimum Requirements (Scoring Method M1 see Error! Reference source not found.)
A	(i) The stock of arrears is low (i.e., is below 2% of total expenditure) (ii) Reliable and complete data on the stock of arrears are generated through routine procedures at least at the end of each fiscal year (and includes an age profile).
B	(i) The stock of arrears constitutes 2-10% of total expenditure, and there is evidence that it has been reduced significantly (i.e., more than 25%) in the last two years. (ii) Data on the stock of arrears are generated annually, but may not be complete for a few identified expenditure categories or specified budget institutions.
C	(i) The stock of arrears constitutes 2-10% of total expenditure, and there is no evidence that it has been reduced significantly in the last two years. (ii) Data on the stock of arrears have been generated by at least one comprehensive ad hoc exercise within the last two years.
D	(i) The stock of arrears exceeds 10% of total expenditure. (ii) There are no reliable data on the stock of arrears from the last two years.

3. Communities and other stakeholders' access to key fiscal information

Aligns with PEFA's PI-10: Public access to key fiscal information

An important measure of transparency is whether information on fiscal policies, plans, and performance is easily accessible to the general public, to populations in need, or at least to relevant interest groups. This indicator includes measuring the quality of the information made available, how easily it can be understood, and the means by which access is facilitated (e.g., press website, affordable printed copy, and notice boards). Elements of information to which public access is considered essential include the following key elements:

Dimensions to be assessed:

i. Annual budget documentation (a complete set of documents can be obtained by the public through appropriate means when it is submitted to the legislature).

ii. In-year budget execution reports (the reports are routinely made available to the public through appropriate means within one month of their completion).

iii. Year-end financial statements (the statements are made available to the public through appropriate means within six months of completed audit).

iv. External audit reports (all reports on central government consolidated operations are made available to the public through appropriate means within six months of completed audit).

v. Contract awards (award of all contracts with value above approx. US $100,000 equiv. are published at least quarterly through appropriate means).

vi. Resources available to primary service units (information is publicized through appropriate means at least annually or available upon request, for primary schools across the country).

Score	Minimum Requirements (Scoring Method M1 see Annex 1)
A	The government and /or the MOH makes available to the public 5-6 of the 6 listed types of information
B	The government and /or the MOH makes available to the public 3-4 of the 6 listed types of information
C	The government and /or the MOH makes available to the public 1-2 of the 6 listed types of information
D	The government and /or the MOH makes available to the public none of the 6 listed types of information

4. Ministry's practices and success in elaborating medium-term planning, budgeting and expenditure frameworks, or other multi-year approaches

Aligns with PEFA's PI-12: Multi-year perspective in fiscal planning, expenditure policy, and budgeting

A medium-term perspective is essential to take account of the multi-year implications of expenditure policy decisions. At the central level this includes multi-year fiscal forecasts of revenue, aggregate expenditure, and deficit financing. At the sectoral level there should be fully costed sector strategy documents, identifying recurrent and investment expenditure requirements aligned with existing and proposed policies to enable the affordability and timing of these to be established within the aggregate fiscal targets.

Dimension to be assessed: Existence of sector strategies with multi-year costing of recurrent and investment expenditure.

Score	Minimum requirements for dimension score (Scoring Methodology M2 see Annex 1)
Score = A	Strategies for sectors representing at least 75% of primary expenditure exist with full costing of recurrent and investment expenditure, broadly consistent with fiscal forecasts.
Score = B	Statements of sector strategies exist and are fully costed, broadly consistent with fiscal forecasts, for sectors representing 25-75% of primary expenditure.
Score = C	Statements of sector strategies exist for several major sectors but are only substantially costed for sectors representing up to 25% of primary expenditure OR costed strategies cover more sectors but are inconsistent with aggregate fiscal forecasts
Score = D	Sector strategies may have been prepared for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure.

Dimension to be assessed: Linkages between investment budgets and forward expenditure estimate.

Score	Minimum requirements for dimension score (Scoring Methodology M2 see Annex 1)
Score = A	Investments are consistently selected on the basis of relevant sector strategies and recurrent cost implications in accordance with sector allocations and included in forward budget estimates for the sector.
Score = B	The majority of important investments are selected on the basis of relevant sector strategies and recurrent cost implications in accordance with sector allocations and included in forward budget estimates for the sector
Score = C	Many investment decisions have weak links to sector strategies and their recurrent cost implications are included in forward budget estimates only in a few (but major) cases
Score = D	Budgeting for investment and recurrent expenditure are separate processes with no recurrent cost estimates being shared.

5. Cash flow predictability and control over timely budget execution

Aligns with PEFA's PI-16: Predictability in the availability of funds for commitment of expenditure

This indicator is concerned with measuring the extent to which spending ministries, departments and agencies (MDA) receive reliable information on the availability of funds to enable them to commit expenditure for recurrent and capital inputs. This is particularly important in cases where the annual budget is subject to warrant or release processes, sometimes at more than one level.

Dimensions to be assessed:

i. Extent to which cash flows are forecast and monitored.

ii. Reliability and horizon of periodic in-year information to MOH on ceilings for expenditure commitment

iii. Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of the MOH.

Score	Minimum requirements (Scoring methodology: M1 see Annex 1)
A	i) A cash flow forecast is prepared for the fiscal year, and is updated monthly on the basis of actual cash inflows and outflows. ii) The MOH is able to plan and commit expenditure for at least six month in advance in accordance with the budgeted appropriations. iii) Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way.
B	i) A cash flow forecast is prepared for the fiscal year and updated at least quarterly, on the basis of actual cash inflows and outflows. ii) The MOH is provided reliable information on commitment ceilings at least quarterly in advance. iii) Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a fairly transparent way.
C	i) A cash flow forecast is prepared for the fiscal year, but is not (or only partially and infrequently) updated. ii) The MOH is provided reliable information for one or two months in advance. iii) Significant in-year budget adjustments are frequent, but undertaken with some transparency.
D	i) Cash flow planning and monitoring are not undertaken or are of very poor quality. ii) The MOH is provided commitment ceilings for less than one month OR there is no reliable indication at all of actual resource availability for commitment. iii) Significant in-year budget adjustments are frequent and not done in a transparent manner.

6. Access and control over payroll by the MOH

Aligns with PEFA's PI-18: Effectiveness of payroll controls

As one of the largest items of government expenditure, the payroll is susceptible to weak controls and corruption. The link between the personnel database and the payroll is a key control.

Dimensions to be assessed:

i. Degree of integration and reconciliation between personnel records and payroll data.

ii. Timeliness of changes to personnel records and the payroll.

iii. Internal controls of changes to personnel records and the payroll.

iv. Existence of payroll audits to identify control weaknesses and/or ghost workers.

Score	Minimum requirements (Scoring methodology: M1 see Annex 1)
A	i) Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation. ii) Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare (if reliable data exists, it shows corrections in max. 3% of salary payments). iii) Authority to change records and payroll is restricted and results in an audit trail. iv) A strong system of annual payroll audits exists to identify control weaknesses and/or ghost workers.
B	i) Personnel data and payroll data are not directly linked but the payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data. ii) Up to three months' delay occurs in updating of changes to the personnel records and payroll, but affects only a minority of changes. Retroactive adjustments are made occasionally. iii) Authority and basis for changes to personnel records and the payroll are clear. iv) A payroll audit covering all central government entities has been conducted at least once in the last three years (whether in stages or as one single exercise).
C	i) A personnel database may not be fully maintained but reconciliation of the payroll with personnel records takes place at least every six months. ii) Up to three months delay occurs in processing changes to personnel records and payroll for a large part of changes, which leads to frequent retroactive adjustments. iii) Controls exist, but are not adequate to ensure full integrity of data. iv) Partial payroll audits or staff surveys have been undertaken within the last three years.
D	i) Integrity of the payroll is significantly undermined by lack of complete personnel records and personnel database, or by lacking reconciliation between the three lists. ii) Delays in processing changes to payroll and nominal roll are often significantly longer than three months and require widespread retroactive adjustments. iii) Controls of changes to records are deficient and facilitate payment errors. iv) No payroll audits have been undertaken within the last three years.

7. Adequate, efficient, and transparent procurement system

Aligns with PEFA's PI-19: Transparency, completion, and complaints mechanism in procurement

Significant public spending takes place through the public procurement system. A well-functioning system, therefore, ensures effective and efficient use of money. The indicator focuses on the quality and transparency of the procurement regulatory framework.

Dimensions to be assessed:

i. Transparency, comprehensiveness, and competition in the legal and regulatory framework.

ii. Use of competitive procurement methods.

iii. Public access to complete, reliable, and timely procurement information.

iv. Existence of an independent administrative procurement complaints system.

While dimension (i) is concerned with the existence and scope of the legal and regulatory framework, dimensions (ii), (iii), and (iv) focus on the operation of the system.

Dimension	Minimum requirements for dimension score (Scoring Methodology M2 see Annex 1)
(i) Transparency, comprehensiveness and competition in the legal and regulatory framework	The legal and regulatory framework for procurement should: i) be organized hierarchically and precedence clearly established ii) be freely and easily accessible to the public through appropriate means iii) apply to all procurement undertaken using government funds iv) make open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified v) provide for public access to all of the following procurement information: government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints vi) provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature. SCORE = A: the legal framework meets all six of the listed requirements SCORE = B: the legal framework meets four or five of the six listed requirements SCORE = C: the legal framework meets two or three of the six listed requirements SCORE = D: the legal framework meets one or none of the six listed requirements
(ii) Use of competitive procurement methods	When contracts are awarded by methods other than open competition, they are justified in accordance with the legal requirements: SCORE = A: In all cases. SCORE = B: For at least 80% of the value of contracts awarded. SCORE = C: For at least 60% of the value of contracts awarded. SCORE = D: For less than 60% of the value of contracts awarded, OR reliable data are not available.

Dimension	Minimum requirements for dimension score (Scoring Methodology M2 see Annex 1)
(iii) Public access to complete, reliable, and timely procurement information	Key procurement information (government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints) is made available to the public through appropriate means. SCORE = A: All of the key procurement information elements are complete and reliable for government units, representing 90% of procurement operations (by value), and made available to the public in a timely manner through appropriate means. SCORE = B: At least three of the key procurement information elements are complete and reliable for government units, representing 75% of procurement operations (by value), and made available to the public in a timely manner through appropriate means. SCORE = C: At least two of the key procurement information elements are complete and reliable for government units, representing 50% of procurement operations (by value), and made available to the public through appropriate means. SCORE = D: The government lacks a system to generate substantial and reliable coverage of key procurement information, OR does not systematically make key procurement information available to the public.
(iv) Existence of an independent administrative procurement complaints system.	Complaints are reviewed by a body, which: i) is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as government; ii) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions; iii) does not charge fees that prohibit access by concerned parties; iv) follows processes for submission and resolution of complaints that are clearly defined and publicly available; v) exercises the authority to suspend the procurement process; vi) issues decisions within the timeframe specified in the rules/regulations; and vii) issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority). SCORE = A: The procurement complaints system meets all seven criteria. SCORE = B: The procurement complaints system meets criteria (i), (ii), and three of the other five criteria. SCORE = C: The procurement complaints system meets criteria (i), (ii), and one of the other five criteria. SCORE = D: The procurement complaints system does not meet criteria (i) and (ii) and one other criterion, OR there is no independent procurement complaints review body.

8. Formal and documented internal controls

Aligns with PEFA's PI-20: Effectiveness of internal controls for nonsalary expenditure

Internal controls comprise the comprehensive set of rules and procedures that serve to reduce the risk of mistakes and fraud and safeguard information and assets. The internal controls should be widely understood and complied with. Evidence of the effectiveness of the internal control system should be provided by government financial controllers and regular internal and external audit and other surveys carried out by the management.

Dimensions to be assessed:

i. Effectiveness of expenditure commitment controls.

ii. Comprehensiveness, relevance, and understanding of other internal control rules/procedures.

iii. Degree of compliance with rules for processing and recording transactions.

Score	Minimum requirements (Scoring methodology: M1 see Annex 1)
A	i) Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations (as revised). ii) Other internal control rules and procedures are relevant, and incorporate a comprehensive and generally cost-effective set of controls, which are widely understood. iii) Compliance with rules is very high and any misuse of simplified and emergency procedures is insignificant.
B	i) Expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations for most types of expenditure, with minor areas of exception. ii) Other internal control rules and procedures incorporate a comprehensive set of controls, which are widely understood, but may in some areas be excessive (e.g., through duplication in approvals) and lead to inefficiency in staff use and unnecessary delays. iii) Compliance with rules is fairly high, but simplified/emergency procedures are used occasionally without adequate justification.
C	i) Expenditure commitment control procedures exist and are partially effective, but they may not comprehensively cover all expenditures or they may occasionally be violated. ii) Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application. Some rules and procedures may be excessive, while controls may be deficient in areas of minor importance. iii) Rules are complied with in a significant majority of transactions, but use of simplified/emergency procedures in unjustified situations is an important concern.
D	i) Commitment control systems are generally lacking OR they are routinely violated. ii) Clear, comprehensive control rules/procedures are lacking in other important areas. iii) The core set of rules are not complied with on a routine and widespread basis due to direct breach of rules or unjustified routine use of simplified/emergency procedures.

9. Internal audit functions, effectiveness and accountability

Aligns with PEFA's PI-21: Effectiveness of internal audit

Internal audit provides an independent review of the internal control system to assure management of the adequacy of that system. The effectiveness of this function depends both on the execution of the audit and the subsequent follow up and action taken by management where weaknesses are reported. The indicator therefore covers the following:

Dimensions to be assessed:

i. Coverage and quality of the internal audit function.

ii. Frequency and distribution of reports.

iii. Extent of management response to internal audit findings.

Score	Minimum requirements (Scoring methodology: M1 see Annex 1)
A	i) Internal audit is operational for the MOH and generally meets professional standards. It is focused on systemic issues (at least 50% of staff time). ii) Reports adhere to a fixed schedule and are distributed to the audited entity, Ministry of Finance and the Superior Audit Institution (SAI). iii) Action by management on internal audit findings is prompt and comprehensive across central government entities.
B	i) Internal audit is operational for the MOH and substantially meets professional standards. It is focused on systemic issues (at least 50% of staff time). ii) Reports are issued regularly for most audited entities and distributed to the audited entity, the Ministry of Finance, and the SAI. iii) Prompt and comprehensive action is taken by many (but not all) managers.
C	i) The function is operational for the MOH and undertakes some systems review (at least 20% of staff time), but may not meet recognized professional standards. ii) Reports are issued regularly for most government entities, but may not be submitted to the Ministry of Finance and the SAI. iii) A fair degree of action taken by many managers on major issues but often with delay
D	i) There is little or no internal audit focused on systems monitoring. ii) Reports are either non-existent or very irregular. iii) Internal audit recommendations are usually ignored (with few exceptions).

10. The accounting system provides coherent information on resources reaching lower levels of service delivery

Aligns with PEFA's PI-23: Availability of information on resources received by service delivery units

Effective service delivery requires funds to reach front-line service delivery units at the community level. These units, being farthest in the resource allocation chain, may suffer from delays in release of funding, diversion of funds to other purposes, or restrictions due to spending requirements exceeding budget provision. The accounting system should provide information about the receipt of resources at service units. Often, however, this can only be done through ad hoc inspections, audits, or Public Expenditure Tracking Surveys. Collection and processing of information to demonstrate the resources that were actually received (in cash and in-kind) by the most common front-line service delivery units (focus on primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units.

Dimensions to be assessed: Availability of information on resources received by service delivery units

Score	Minimum requirements (Scoring methodology: M1 see Annex 1)
A	i) Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in-kind by primary health clinics across the country. The information is compiled into reports at least annually.
B	i) Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in-kind by primary health clinics across most of the country with information compiled into reports at least annually; OR special surveys undertaken within the last three years have demonstrated the level of resources received in cash and in-kind by primary health clinics across most of the country (including by representative sampling).
C	i) Special surveys undertaken within the last three years have demonstrated the level of resources received in cash and in-kind by primary health clinics covering a significant part of the country
D	i) No comprehensive data collection on resources to service delivery units in the health sector has been collected and processed within the last three years.

11. The accounting system can produce timely periodic reports and management has access to them

Aligns with PEFA's PI-24: Quality and timeliness of in-year budget reports

Regular, timely, and accurate information on actual budget performance is necessary to monitor the execution of the budget. This indicator focuses on the ability of the accounting system to produce comprehensive reports on all aspects of the budget.

Dimensions to be assessed:

i. Scope of reports in terms of coverage and compatibility with budget estimates.

ii. Timeliness of the issue of reports.

iii. Quality of information.

iv. The accounting system produces reports on revenues from fees and services.

Score	Minimum requirements (Scoring methodology: M1 see Annex 1)
A	i) Classification of data allows direct comparison to the original budget. Information includes all items of budget estimates. Expenditure is covered at both commitment and payment stages. ii) Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period. iii) There are no material concerns regarding data accuracy. iv) Revenues are accounted for and reported on a periodic basis.
B	i) Classification allows comparison to budget but only with some aggregation. Expenditure is covered at both commitment and payment stages. ii) Reports are prepared quarterly and issued within 6 weeks of end of quarter. iii) There are some concerns about accuracy, but data issues are generally highlighted in the reports and do not compromise overall consistency/ usefulness. iv) Revenues are accounted for but are reported only sporadically.
C	i) Comparison to budget is possible only for main administrative headings. Expenditure is captured either at commitment or at payment stage (not both). ii) Reports are prepared quarterly (possibly excluding first quarter) and issued within 8 weeks of end of quarter. iii) There are some concerns about the accuracy of information, which may not always be highlighted in the reports, but this does not fundamentally undermine their basic usefulness. iv) Revenues are accounted for but never reported.
D	i) Comparison to the budget may not be possible across all main administrative headings. ii) Quarterly reports are either not prepared or often issued with more than 8 weeks delay. iii) Data are too inaccurate to be of any real use. iv) Revenues are never accounted for nor reported.

12. The MOH is receiving and using financial information provided by donors for budgeting and reporting on project and program aid

Aligns with PEFA's D-2: Financial information provided by donors for budgeting and reporting on project and program aid

Predictability of disbursement of donor support for projects and programs (below referred to only as projects) can affect the implementation of specific line items in the budget. Project support can be delivered in a wide range of ways, with varying degrees of MOH involvement in planning and management of resources. A lower degree of MOH involvement leads to problems in budgeting the resources (including presentation in the budget documents for legislative approval) and in reporting of actual disbursement and use of funds (which will be entirely the donor's responsibility where aid is provided in-kind). The MOH is dependent on donors for budget estimates and reporting on implementation for aid in-kind. Donor reports on cash disbursements are also important for reconciliation between donor disbursement records and MOH project accounts.

Dimensions to be assessed:

i. Completeness and timeliness of budget estimates by donors for project support.

ii. Frequency and coverage of reporting by donors on actual donor flows for project support.

Score	Minimum requirements (Scoring methodology: M1 see Annex 1)
A	i) All donors (with the possible exception of a few donors providing insignificant amounts) provide budget estimates for disbursement of project aid at stages consistent with the MOH's budget calendar and with a breakdown consistent with the MOH's budget classification. ii) Donors provide quarterly reports within one month of end-of-quarter on the all disbursements made for at least 85% of the externally financed project estimates in the budget, with a break-down consistent with the government budget classification.
B	i) At least half of donors (including the five largest) provide complete budget estimates for disbursement of project aid at stages consistent with the MOH's budget calendar and with a breakdown consistent with the MOH's budget classification. ii) Donors provide quarterly reports within one month of end-of-quarter on the all disbursements made for at least 70% of the externally financed project estimates in the budget with a break-down consistent with the government budget classification.
C	i) At least half of donors (including the five largest) provide complete budget estimates for disbursement of project aid for the MOH's coming fiscal year, at least three months prior to its start. Estimates may use donor classification and not be consistent with the MOH's budget classification. ii) Donors provide quarterly reports within two months of end-of-quarter on all disbursements made for at least 50% of the externally financed project estimates in the budget. The information does not necessarily provide a breakdown consistent with the government budget classification.
D	i) Not all major donors provide budget estimates for disbursement of project aid for the MOH's coming fiscal year and at least three months prior to its start. ii) Donors do not provide quarterly reports within two months of end-of-quarter on the disbursements made for at least 50% of the externally financed project estimates in the budget.

PEFA SCORING METHODOLOGY

Scoring Methodology

Most of the indicators have a number of dimensions linked to the subject of the indicator. Each of these dimensions must be assessed separately. The overall score for an indicator is then based on the assessments for the individual dimensions of the indicator. Combining the scores for dimensions into the overall score for the indicator is done by Scoring Method 1 (M1) for some indicators and Scoring Method 2 (M2) for other indicators. It is specified in the indicator guidance for each indicator what methodology should be used.

Method 1 (M1) is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the *weakest link* in the connected dimensions of the indicator). For indicators with two or more dimensions, the steps in determining the overall or aggregate indicator score are as follows:

- Initially assess each dimension separately and give each a score.
- Combine the scores for the individual dimensions by choosing the lowest score given for any dimension.
- Add a "+" , where any of the other dimensions are scoring higher (Note: It is NOT possible to choose the score for one of the higher scoring dimensions and add a "-" for any lower scoring dimensions. It is also NOT possible to add a "+" to the score of an indicator that has only one listed dimension).

Method 2 (M2) is based on averaging the scores for individual dimensions of an indicator. It is prescribed for selected multi-dimensional indicators, where a low score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator. Though the dimensions all fall within the same area of the PFM system, progress on individual dimensions can be made independent of the others and without logically having to follow any particular sequence. The steps in determining the overall or aggregate indicator score are as follows:

- For each dimension, assess what standard has been reached on the 4-point calibration scale (as for M1).
- Go to the Conversion Table for Scoring Method M2 (below) and find the appropriate section of the table (two-, three-, or four-dimensional indicators).
- Identify the line in the table that matches the combination of scores that has been given to the dimensions of the indicator (the order of the dimensional scores is immaterial).
- Pick the corresponding overall score for the indicator.

ANNEX 1: M2 SCORING TABLES (PEFA FRAMEWORK)

2-dimensional indicators				
D	D			**D**
D	C			**D+**
D	B			**C**
D	A			**C+**
C	C			**C**
C	B			**C+**
C	A			**B**
B	B			**B**
B	A			**B+**
A	A			**A**

3-dimensional indicators				
D	D	D		**D**
D	D	C		**D+**
D	D	B		**D+**
D	D	A		**C**
D	C	C		**D+**
D	C	B		**C**
D	C	A		**C+**
D	B	B		**C+**
D	B	A		**B**
D	A	A		**B**
C	C	C		**C**
C	C	B		**C+**
C	C	A		**B**
C	B	B		**B**
C	B	A		**B**
C	A	A		**B+**
B	B	B		**B**
B	B	A		**B+**
B	A	A		**A**
A	A	A		**A**

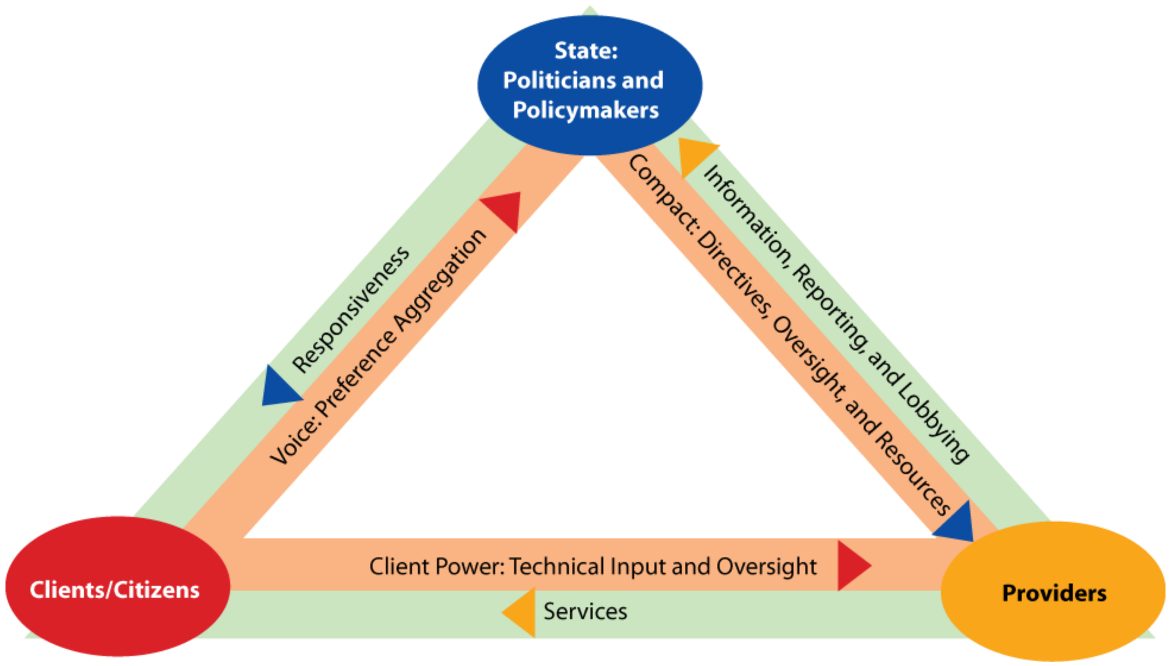
4-dimensional indicators				
D	D	D	D	**D**
D	D	D	C	**D**
D	D	D	B	**D+**
D	D	D	A	**D+**
D	D	C	C	**D+**
D	D	C	B	**D+**
D	D	C	A	**C**
D	D	B	B	**C**
D	D	B	A	**C+**
D	D	A	A	**C+**
D	C	C	C	**D+**
D	C	C	B	**C**
D	C	C	A	**C+**
D	C	B	B	**C+**
D	C	B	A	**C+**
D	C	A	A	**B**
D	B	B	B	**C+**
D	B	B	A	**B**
D	B	A	A	**B**
D	A	A	A	**B+**
C	C	C	C	**C**
C	C	C	B	**C+**
C	C	C	A	**C+**
C	C	B	B	**C+**
C	C	B	A	**B**
C	C	A	A	**B**
C	B	B	B	**B**
C	B	B	A	**B**
C	B	A	A	**B+**
C	A	A	A	**B+**
B	B	B	B	**B**
B	B	B	A	**B+**
B	B	A	A	**B+**
B	A	A	A	**A**
A	A	A	A	**A**

(This table CANNOT be applied to indicators using scoring method M1)

The Conversion Table applies to all indicators using M2 scoring methodology only and cannot be used for indicators using M1, as that would result in an incorrect score. The Conversion Table should NOT be used to aggregate scores across all indicators or subsets of indicators, since the table was not designed for that purpose. In general, the performance indicator set has not been designed for aggregation, and, therefore, no aggregation methodology has been developed.

Note: It is of no importance in which order the dimensions in an indicator are assigned the individual scores.

ANNEX 2: HEATH GOVERNANCE FRAMEWORK



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