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A TOOLKIT FOR MINISTRIES OF HEALTH TO WORK MORE EFFECTIVELY WITH MINISTRIES OF FINANCE

A TOOLKIT FOR HEALTH SECTOR MANAGERS

December 2013

This publication was produced for review by the United States Agency for International Development. It was prepared by Jeremy Kanthor and Christina Erickson for the Health Finance and Governance Project.

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.

December 2013

Cooperative Agreement No: AID-OAA-A-12-00080

Submitted to: Scott Stewart, AOR
Office of Health Systems
Bureau for Global Health

Recommended Citation: Kanthor, Jeremy and Erickson, Christina. December 2013. *A Toolkit for Ministries of Health to Work More Effectively with Ministries of Finance*. Bethesda, MD: Health Finance & Governance Project, Abt Associates Inc.



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ACRONYMS

HFG	USAID Health Finance and Governance Project
HHA	Harmonizing Health for Africa
IFMIS	integrated financial management information system
JLN	Joint Learning Network for Universal Health Coverage
MOF	Ministry of Finance
MOH	Ministry of Health
PFM	public financial management
WHO	World Health Organization



» ACKNOWLEDGMENTS

This toolkit for Ministries of Health to Work More Effectively with Ministries of Finance was made possible through the work of a dedicated HFG team, including Chris Lovelace, Eunice Heredia-Ortiz, Fred Rosensweig, Mark Gallagher, Naz Todini, Stephen Musau, and Steve Rozner. Their insightful comments and helpful discussions were critical to guiding this content of this introduction as well as producing the tools. Any errors and/or omissions remaining in this introduction are solely those of the authors.



» INTRODUCTION

The Health Finance and Governance (HFG) project is USAID's flagship program to strengthen health systems. In countries around the world, Ministries of Health (MOHs) and Ministries of Finance (MOFs) play essential roles in how health systems function and when and to whom health services are delivered. While MOHs are responsible for defining the overall direction of national health policy and the day-to-day delivery of public health services, they are dependent upon MOFs that establish overall annual funding levels and release funds necessary to finance MOH operations. As a result, MOFs wield significant control over the funding and budget flexibility of MOHs.

The HFG toolkit presents a set of strategies, self-assessment methodologies, and performance management processes to help MOHs better manage their own resources and effectively communicate with MOFs.

The initial version of the HFG toolkit focuses specifically on the MOH / MOF dynamic. Over time it will expand to address collaboration between MOHs and a broader set of stakeholders in the health system, including Ministries of Planning, Ministries of Social Welfare, Ministries of Labor, Parliamentary Standing Committees on Health, civil society organizations, parastatals, and regulatory bodies.



» 2. THE MINISTRY OF HEALTH AND MINISTRY OF FINANCE DYNAMIC

This HFG toolkit recognizes that the MOF is an important constituency for the MOH as it develops strategies to finance health programs, systems to manage finances through the health sector, and indicators to measure performance.

The two institutions lack common language, systems, priorities, and incentives. Likewise, few opportunities exist outside the high-level meetings associated with annual budget negotiations for dialogue on the funding levels, multi-year funding requirements, and mechanisms necessary for improving health outcomes. This toolkit will assist MOHs with using language, systems, and clear presentation of their priorities to align with how MOFs approach such issues.

Table I summarizes the roles of the MOH vis-à-vis the MOF in health systems.

Table I. Roles of the MOH and MOF in Health Systems

MOH Roles	MOF Roles
<ul style="list-style-type: none"> Develop sectorwide strategies 	<ul style="list-style-type: none"> Provide instruction for annual budget request process and budget ceilings
<ul style="list-style-type: none"> Set priorities 	<ul style="list-style-type: none"> Evaluate economic return on government investment across sectors
<ul style="list-style-type: none"> Assess annual and multi-year budget requirements 	<ul style="list-style-type: none"> Assess and finalize annual and multi-year budget plans for all ministries, including health
<ul style="list-style-type: none"> Prepare annual budget requests and advocate for funding levels 	<ul style="list-style-type: none"> Release funds according to approved budget
<ul style="list-style-type: none"> Oversee or directly manage the delivery of health services 	<ul style="list-style-type: none"> Oversee compliance to government expenditure regulations
<ul style="list-style-type: none"> Track and document health outcomes and impact 	<ul style="list-style-type: none"> Ensure accounting, reporting, final outturns are consistent between central system and ministries
<ul style="list-style-type: none"> Account for health expenditures, ensure internal controls 	<ul style="list-style-type: none"> Ensure internal financial control throughout government
<ul style="list-style-type: none"> Set sector standards for and control agencies 	<ul style="list-style-type: none"> Ensure budget requests are consistent with national and sector objective
<ul style="list-style-type: none"> Ensure proper control over all sector own revenues 	<ul style="list-style-type: none"> Assess for cost-effectiveness

The recognition of the need for improved collaboration between these two ministries is reflected in a series of high-level initiatives. In July 2012, representatives from African nations met in Tunis for a Ministerial Conference on Value for Money, Sustainability, and Accountability in the Health Sector. This meeting built upon several previous meetings, including the 4th Joint Annual Meeting of the African Union Conference of Ministers of Economy and Finance (2011) and the Economic Commission for Africa Conference of African Ministers of Finance, Planning, and Economic Development in Addis Ababa, and the 2011 61st WHO Regional Committee for Africa in Yamoussoukro.

Among the recommendations of the resulting Tunis Declaration were the following:

- ▶ Take concrete measures in our respective countries in order to enhance value for money, sustainability, and accountability in the health sector.
- ▶ Design effective investments in the health sector, based on evidence-based strategies leading to the prioritization of high-impact interventions, which will lead to results.
- ▶ Improve efficiency in health systems.
- ▶ Strengthen accountability mechanisms.

The importance of the MOH working effectively with the MOF is often viewed through the lens of resource capture. That is, the more effectively an MOH can work with its MOF, the more appropriate resource allocation the health sector will likely receive. While an eventual outcome of improved communication and collaboration may be greater public investment in health, such a result will likely follow from intermediary results such as the following:

- ▶ MOFs are increasingly implementing performance-based budgeting systems that require a clear delineation of the impact of government expenditures across sectors. Establishing performance-based budgeting systems in the health sector will allow for a more in-depth assessment of those programs that are successful, those that need reexamination, and those that should be discontinued.
- ▶ The focus on financial capture assumes additional resources are immediately available to allocate to the health sector. An outcome of more effective MOH and MOF dialogue may be a new focus on seeking efficiencies within the health sector. This would allow the MOH to program limited available resources to address high-priority health challenges.
- ▶ Ensuring public funds are spent as intended is a key concern of the MOF and audit agencies. The ability of the MOH to respond to this MOF focus on compliance may lead to improved accounting, internal controls, and expenditure tracking systems.

Any ministry that can justify its annual budget based on an evaluation of clear performance indicators and the impact of previous expenditures, has realized efficiencies, and can account for the money it has spent is likely to fare better in budget negotiations than those ministries that cannot.



» WHERE ARE THE CONSTRAINTS?

MOHs face a number of challenges in working effectively with MOFs. Many of these are internal to the MOH and relate to the difficulty of linking funding to performance outcomes. Others are outside the control of the MOH; for example, in the case of delayed or lower-than-planned budget disbursements. While recognizing these external challenges, we focus here on various capacity gaps within the MOH that can hinder strong collaboration with the MOF.

In most modern budget organizations, the emphasis has shifted from mechanical increases or cuts to performance-based budgeting. This new approach places the onus on ministries to link spending requests to performance indicators, thereby demonstrating what performance outcomes can be expected with a certain amount of funding. When done well, this approach can signal to a budget examiner what performance outcomes they will realize with additional investments in health and what they will forfeit if they make cuts to an MOH budget.

The ability to demonstrate improved performance relies first of all on a broad infrastructure of systems, capabilities, and management to ensure that performance information from all levels of the organization is captured and communicated in timely, accurate, and understandable fashion. Second, this information needs to be linked to funding allocations. Finally, and fundamentally, improved performance needs to be realized in terms of health outcomes, and those health outcomes need to be achieved at a minimal cost and action steps taken to address poor performance when required.

Some common challenges within the MOH vis-à-vis its dialogue with the MOF include the following:

- ▶ A lack of understanding of unit cost and efficiency measures. Unit costs identify the average cost per unit of output (e.g., cost per patient at a certain primary care facility) while efficiency measures capture such factors as hospital bed utilization rates or number of patients per doctor per day at a particular facility. This lack of understanding may not be strictly a skill deficit, but may be affected by the lack of incentives managers have to track this kind of information.
- ▶ Weak ability to apply value for money concept to the health sector. At the MOH, the focus is typically on how to achieve health outcomes, rather than on how to achieve the best health outcomes at the lowest cost.
- ▶ Limited capacity to plan, allocate, and execute budgets. Budget capacity clearly varies around the world, but budget planning, preparation, and sound execution, in particular, can be challenges.
- ▶ Weak management and supervision of funds. Without strong record keeping, information management systems, and financial acumen, MOHs face a challenge in ensuring strong financial performance within their diverse network of programs and service delivery operations.

- ▶ Insufficient procurement and supply chain management. Transparency International estimates that 10–25 percent of global public health procurement spending is diverted or stolen. Lack of transparency in procurement can lead to serious abuses. Lapses in internal controls can be a major source of leakage in the health delivery system.
- ▶ Concentration of dialogue in the hands of a few highly placed individuals and during a limited window around annual budget deliberations.
- ▶ Inadequate involvement of MOH offices in budget planning.
- ▶ Lack of an integrated financial management information system (IFMIS). The lack of an IFMIS can result in large discrepancies in reported spending and revenues, poor control on financial management, and corrupt practices.



» FRAMEWORK FOR THE MOH TO WORK MORE EFFECTIVELY WITH THE MOF

The tools developed through the HFG toolkit will foster a more productive working relationship between the MOH and MOF, by boosting MOH capacities and systems and enabling MOH and MOF staff to speak a common language. The work of these two institutions converges around the following goals:

- ▶ **Performance:** The ability to plan for, deliver, and communicate timely, high-quality health outcomes.
- ▶ **Accountability and control:** The ability to strongly manage how funds are allocated and spent, including procurement and distribution of medicines and health supplies. This includes ensuring that controls are in place as spending and funding incomes as they occur. Internal financial controls can help to ensure that spending that is targeted to specific purposes is not diverted.
- ▶ **Efficiency:** The ability to demonstrate value for money for the services delivered.
- ▶ **Responsiveness:** The ability to clearly align health planning and spending to national and sector strategies and document contributions towards achieving targets.

These skills gaps that inhibit effective work between the MOH and MOF often mirror the typical public financial management (PFM) challenges that countries face across sectors, not only in health. However, the tools and approaches proposed below are intended to focus on health, and in many cases they involve tailoring existing PFM tools to a health sector context. The tools provide a practical guide to MOHs as to how to improve their own delivery of health services in a way that maximizes taxpayers' value for money and demonstrates that value to MOFs (and others).

» TOOLS FOR HELPING THE MOH WORK MORE EFFECTIVELY WITH THE MOF

The initial version of the HFG toolkit includes four tools: Data for Efficiency in the Health Sector; Self-Assessment for Internal Control; and Developing and Using Key Performance Indicators.

Data for Efficiency: The health sector accounts for a sizeable proportion of national expenditures in most countries. The pursuit of efficiency in health systems should, therefore, be a central objective of decision makers and health managers. Often, MOHs do not have access to the data to properly assess internal efficiency across their operations-including such data as physician utilization, deployment of health technologies and pharmaceuticals, and use of hospital facilities and hospital care. Measuring efficiency across institutions and time is a critical element for improving the performance of health systems. The Data for Efficiency tool outlines key data categories and indicators necessary for assessing efficiency in the use of resource inputs, provides guidance on sources for these data, and calculates indicators. In applying this tool, managers within the MOH will be better prepared to defend their budget requests-by providing evidence of internal efficiency-while ensuring effective and efficient spending of monies that are allocated.

Self-Assessment for Internal Control: For low-income countries striving to achieve sustainable development and poverty reduction, there is growing acceptance that sound and effective financial management is not only a paramount concern for finance ministers and their staff, but also for policy makers and managers in key sectors, such as public health. With the growing demand to improve health care quality, access, and outcomes, health sector decision makers face the challenge of putting allocated resources to good use, while also ensuring that those resources are properly accounted for and appropriately safeguarded. Internal control is central to this agenda. Moreover, because of its importance to both fiscal and health sector management, internal control also represents a key intersection point between the MOF and the MOH.

The Self-Assessment for Internal Control tool provides guidance and checklists to facilitate self-assessment of internal control systems and practices in the health sector. Using accessible tools to assess internal controls and identify areas requiring improvements will enable health sector decision makers to demonstrate strong fiscal stewardship when justifying budget requests, including their requests for increased health sector allocations, through the budget process.

Developing and Using Key Performance Indicators: Over the last several decades, governments worldwide have introduced budgetary and reporting mechanisms designed to demystify government operations and illuminate how public funds are being used to achieve policy goals. Performance measurement, and the use of key performance indicators (KPIs), is an integral part of any of these models, providing feedback to inform and improve public service delivery and promoting accountability by

demonstrating to key stakeholders the results that government is achieving. Because of their importance to both budget management and accountability, KPIs also represent a key point of convergence between ministries of health (MOHs) and ministries of finance (MOFs) or, where separate from the MOF, the central budget authority. This tool provides useful guidance on developing and using KPIs and building these into the budget process, with a particular focus on the health sector. Specifically, it offers government managers responsible for planning, program implementation, monitoring and evaluation (M&E)-particularly in central or federal ministries of health-guidelines and tips for thinking strategically about program planning, defining performance indicators, setting KPI targets, and harnessing performance information.

Guided Self-Assessment of Public Financial Management Performance - 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.

» WHO IS THE INTENDED AUDIENCE FOR THIS TOOLKIT?

This toolkit is intended for MOHs in countries facing diverse health challenges and resource availability constraints, including the following:

- ▶ Countries that are well behind in meeting the Abuja target of 15 percent of public spending on health, and that must secure additional public investments to address health sector needs.
 - Chad spent only 3.27 percent of overall budget on health in 2010.
 - Cote d'Ivoire spent 5.06 percent of the overall budget on health in 2010.
 - Yemen spent 4.32 percent of the overall budget on health in 2010.
- ▶ Countries with significant investments in health that are facing austerity measures and must determine which sectors to cut, or those that must maintain their rate of investment to meet increasing health challenges.
 - Jordan spent 18.61 percent of its overall budget on health in 2010, but faced across-the-board cuts in all ministries.
 - Serbia spent 14.08 percent on health in 2010, but faces austerity measures.
 - South Africa spent 11.87 percent on health in 2010, but must maintain a high rate of investment to meet its health challenges.

Other Initiatives to Promote Ministry of Health Dialogue with Ministry of Finance

Harmonizing Health for Africa (HHA) – HHA convenes meetings and workshops to bring together ministers of Health and Finance to discuss key issues of health financing. The objective of this initiative is to spur dialogue and build new partnerships. Among the recommendations of the 2012 Tunis Ministerial Conference on Value for Money, Sustainability, and Accountability in the Health Sector was the call for donors, including USAID, to provide technical support in health budgeting and financing. Moving forward, HHA will seek to identify the capacity-building need associated with improving collaboration between the two ministries, with a focus on defining country-level programming.

World Bank – The World Bank is a leader in health finance and public finance management and has a number of initiatives related to improving support, both globally and in specific countries. This toolkit serves as a complement to these efforts and indeed draws on World Bank experience.

Joint Learning Network for Universal Health Coverage – The Joint Learning Network for Universal Health Coverage (JLN) is a peer-to-peer learning network focused on promoting universal health care. Through meetings and consultations, the nine JLN members share experiences and resources on issues of managing and financing universal health care reforms.



- ▶ Countries that are facing a phase out of major donor-funded health programs and must find domestic resources to cover shortfalls.
 - Jamaica is currently receiving \$39,903,084 in Global Fund programming.
- ▶ Countries engaging in significant PFM reforms.

Within the MOH, the toolkit is targeted to those directly involved in functions associated with MOF collaboration and with sufficient authority to introduce new skills and approaches, such as the heads of Planning and Health Economics, Health Services, and Budgeting departments. For MOFs, the social welfare director would be a primary target.



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