

Joint Assessment of National Health Strategies IHP+ Scoping Mission to Ethiopia 4-8 February 2010

Team Overview Note for the Record

Purpose and participation

The notion of joint assessment is not new to Ethiopia. The FMOH Ethiopia invited IHP+ Core Team to give a briefing on the joint assessment of national strategies using the JANS tool and approach, to improve understanding in-country of the added value of the tool, process and experience elsewhere. The Ministry requested participation by GAVI and Global Fund. The external team included WHO (Phyllida Travis), World Bank (Iraj Talai), GAVI (Bjorg Sandkjaer), Global Fund (David Daniels, Martin Taylor) and UNAIDS (Shona Wynd). The local team included FMOH Planning Department staff led by Roman Tesfay, and staff from WHO, World Bank, DFID, Italian Cooperation and UNFPA.

Prior to the briefing there were informal meetings with the Planning Unit of the MOH, U.S. Government Agencies (USAID, CDC and PEPFAR), the French Cooperation, the Italian Cooperation, the U.K. DfID, Irish Aid, WHO country office, UNICEF country office, UNAIDS country office, the World Bank country office and representatives from two umbrella CSOs: IFDA and the Christian Relief and Development Association (CRDA).

The formal briefing, chaired by Minister Tedros on February 8, was attended by all development partners, Ministry of Health officials and a CSO representative. There was a short additional presentation by the Global Fund on the Health System Funding Platform.

Issues and conclusions

1) The FMOH confirmed interest in joint assessment of its new national health strategy some time over the next two months. The expected added value is a mix of quality improvement, added confidence and greater investment in the strategy. A road map will be developed in the next two weeks by the FMOH and partners.

2) The independent / neutral element of joint assessment: after considerable debate about what the implications of this might be, the final conclusion was that an independent element could have added value by increasing more partners' confidence in the strategy, and help address risks of 'group think' from those closely involved in strategy development.

3) How joint assessment findings will be used: There was a useful discussion that there needs to be real commitment to changes in partner behaviour as a result of the decision to pursue this joint assessment - for example, fewer separate appraisal missions. Second, while the assessment produces a profile of strengths and weaknesses of a national strategy not a pass/fail report, both the FMOH and the donor group observed that in practice different donors will have different thresholds for when a plan is "good enough" to fund.

4) The funding platform: there was confusion and scepticism locally about the health system funding platform. At the same time there were useful discussions about some of the problems that still exist because of fragmented partner practices - e.g., over 20 ledgers have to be maintained by Finance and Administration, and the department has had 5 separate external audit team visits in six months. More country specific examples of what shape the funding platform might take, how it will avoid becoming a separate entity, what funding is available and how it will improve funding efficiencies is needed.

5) The role of IHP+ in increasing mutual accountability: There is increasing frustration with slow progress by IHP+ partners to change behaviour, to make funding more predictable or simplify procedures. There were repeated requests to put more pressure on HQs of agencies to honour their commitments. The IHP+ team asked for 3-4 concrete issues (with examples) to table at global level meetings.

Ethiopia has its own survey tool for tracking partner progress against Paris commitments. There have been 2 rounds of monitoring. IHP+ Results was not initially welcomed, partly because its work was perceived as duplicative and externally imposed. However, the agency scorecard idea developed by IHP Results generated interest.

6) Communication: Ideas on ways to better convey country perspectives to the global level, and keep the government and partners better informed of global developments included active participation in the new IHP management arrangements and sharing of concept papers on topics of concern to Ethiopia e.g. procurement, among other ideas

Next steps

1. Joint assessment of the new health sector strategic plan: A road map will be developed in the next two weeks by FMOH and partners¹. The likely timing is April 2010. The framework for documenting lessons learned from the joint assessment process has been shared with local stakeholders.
2. Promoting mutual accountability: Dr Roman Tesfay, Director Planning will participate in the upcoming IHP Scaling up Reference Group (SuRG) discussion on this topic. She will also be part of the IHP+ working group set up to make recommendations of how to conduct the second round of monitoring of progress against commitments in the Global Compact.
3. Harmonizing funding arrangements and financial management procedures: a more detailed analysis of options, by Iraj Talai, financial management expert for the World Bank, is appended to this short report.

¹ In Ethiopia, the health, population and nutrition development partners group includes CSO representatives

ANNEX 1: Back to Office Report – Iraj Talai, Financial Management Expert, World Bank

I participated in a JANS scoping mission led by Dr. Phyllida Travis (WHO). Representatives of Global Fund (Mr. Martin Taylor, Mr. David Daniel), GAVI (Ms. Bjorg Sandkjaer), and UNAIDS (Ms. Shona Wynd) also participated in the mission, which made the interactions very rich and productive. Below is a summary of my findings, recommendations, and suggested next steps.

In Ethiopia, substantial and meaningful harmonization among most donors engaged in the health sector is achieved. This provides fertile grounds for exploring options for how to possibly develop the Health Systems Funding Platform (HSFP), if requested by the FMOH. Many elements for a HSFP already exist and the majority of Development Partners (DPs) could be brought together to fully implement the Platform in Ethiopia.

A Joint Financing Arrangement (JFA) has been developed however only for the pooling partners (MDG Performance Fund) using funding channel “1b” (please see the attached flow chart). The document focuses on the pooling arrangements and relationship among those who pool their funds. This exclusion of other DPs is a missed opportunity for the Government and DPs to further enhance harmonization efforts, reduce transaction costs and improve transparency.

One possibility that could bring about more harmonization could be to develop a document describing common arrangements (Common Financing Framework Agreement – CFFA) that could be adopted by a majority of the DPs². Such a document could provide for co-financing and parallel financing and details about variations and alternative funding mechanisms (most of which are already in use in Ethiopia), which provide flexibility without hampering maximum harmonization possible in the context of Ethiopia.

Such a CFFA would have annexes that contain a uniform Chart of Accounts, processes and procedures, procurement methods for each group of DPs (or type of commodity), internal controls, financial report format and content, uniform M&E indicators, and standard ToRs for a single audit (fragmentation of reporting and audit increases the fiduciary risk to all). It should consider different constraints such as pooling of funds that some DPs might have or special obligations of DPs towards their authorizing environment, and would also envisage different funding mechanisms which are feasible within the framework. The existing JFA in Ethiopia is an excellent instrument that could remain as a part of a possible CFFA for the relevant DPs, and particularly for other DPs who wish to join the pool in future.

If a CFFA is considered, capacity building and technical support in financing and administration would be required to address weaknesses in the current system as previously identified by the current auditors.

There is a lot of room for further harmonization that could have been considered for some time as Ethiopia has many elements in place on which can be easily built: a) in 2007 the Federal Ministry of Health took an important step and produced a HSDP Harmonization Manual³; b) well known channels for funding are available (Channel 1a, 1b, and 2); c) most of the DPs are involved in strategy development and implementation; and d) strategy/plans and the budget build the basis of DPs’ support. The proposed Joint Assessment of National Strategy (JANS) which will take place in the coming months provides an excellent opportunity for considering a CFFA in the context of the Platform.

FMOH has expressed that the preferred option is for all DPs to join the MDG Fund. The view is that donors should either be encouraged to join the MDG Fund or a clear distinction should exist between the pooling and non-pooling DP groups. However, the latter would incur significant transaction costs stemming from the lack of

² The current compact signed does not provide the necessary operational details.

³ This manual is an excellent first document describing, inter-alia, different channels for funding and committees and reviews, but omits other salient features, such as chart of accounts, report formats and content, indicators for financial management, single reporting and single audit.

harmonization with little benefit to the Government or DPs⁴. On the other hand, the exclusive use of the MDG Fund could provide less reliability and little risk spreading.

It is understandable and important that the pooling donors have a JFA among themselves so that the relationship and roles, responsibilities and modalities of such a developed partnership are clear. In the same vein, it is preferable to have a document that most donors (or better all) can sign and accept the arrangements which are not necessarily only related to the mechanism for funding but would include agreements to harmonize, align, and be mutually accountable along with other aspects of commitments already made. In principle, the compact signed in Ethiopia and other countries could fulfil this or could build on and integrated into a more comprehensive framework such as a CFFA.

In general, joint financing can take place in a variety of ways (pool financing, co-financing, parallel financing, TA, ...) and through different actors (Federal Government, sub-national, NGOs/CBOs). There are different mechanisms and channels through which DPs finance activities that require government agencies to execute the activities, account for funds, and report on: a) general budget support (pooling with government funds and no earmarking or tracking of DP funds); b) Sector support (pooling with government funds in a designated account, earmarked for the sector or operation); c) DPs pooling among themselves and overall or specific earmarking; d) joint /co-financing without pooling (separate accounts for same activities – split payments for expenses); and e) parallel financing of the same operation (or same plan) but different parts (of a project or a strategy). Some DPs use several of these options simultaneously in the same country.

Harmonization around country systems, accepting the main features of the harmonized procedures, single reporting and single audit should prevail and be the rallying purpose. Although the pooling of funds is the best way to achieve those, it isn't the only way, is not the easiest for all DPs, and not an option to some. It is important to remember that part of the objective is harmonization and alignment with accountability and transparency, in order to reduce the transaction costs, but also that pooled funding is not the only way to achieve this.

In Ethiopia, a majority of DPs involved in the Health Sector could be on the same platform by keeping the funding flow mechanism as a separate issue from other arrangements. Without creating a legal entity, the MDG Fund could be considered as a virtual "FUND" rather than a bank account to which all donors contribute (in fact, at present the MDG Fund itself has 2 accounts). This way, the "Fund" will be the "One source" that should fund "the plan" and "the budget", the financial statements of this "fund", would be what all participants could analyze and these financial statements would be audited for all by one single auditor (but there may be several opinion paragraphs).

Many elements of a possible Platform for maximum harmonization among majority of DPs are already in place:

- A Harmonization Manual
- Compact signed by majority of the donors
- MDG Fund and several signatories
- Finance Department with good knowledge of the DP funded operations
- Practice of channel 1, channel 2, ..., mechanisms for funding
- Multitude of studies and diagnostic and action plans for capacity enhancement.

The Ethiopian health sector's financial management and fiduciary performance has been extensively studied and reported on (see list of documents below). The reports conclude that, by and large, the Financial Management and fiduciary arrangements are satisfactory, as designed. Systems are functioning but with some inefficiencies

⁴ The mission found that the Finance and administration has to keep more than 20 ledgers and produce at least a quarterly financial report for each; a cumbersome task which with the present capacity difficult to accomplished on time and of good quality. The mission was also told that during the last 6 months, in addition to the normal interaction and responses to the ministry's internal audit, the department had to deal with five different external audit teams for the DPs accounts.

and delays, and financial reports are regularly audited, albeit with some delays. More issues are found in the implementation and compliance. Internal controls tend to be weak and informal rules are sometimes applied, store and commodities management, distribution and asset management need strengthening. Action plans are available and their implementation would substantially address all issues.

Fiduciary risk is also a concern with regards to the Pharmaceutical Fund and Supply Agency (PFSA). A recent study offers options to address these concerns⁵.

The MDG Fund, a pooling mechanism for a small group of donors, to some extent has improved the situation in several ways (reduced transaction cost, better planning, budgeting, and reporting, streamlined funding). Two issues are noticeable:

- a) The pooled funds are used for bulk purchase and distribution to sub-national levels. While funds and procurement management is the focus of the attention, the distribution of purchased drugs and material, and stores management (these are even more valuable assets that are at risk) do not seem to receive the needed attention and scrutiny; and
- b) The non-pooling donors are outside the arrangements spelled out in a JFA. Therefore, the harmonization and single report/audit has not been applied to the other DPs and different requirements, arrangements, reporting, and audits remain in place. This, despite commitments made by DPs and the fact that the Government has produced a procedures manual for better harmonization. Furthermore, the government and donors have agreed to one plan, one budget which is quite feasible even though some donors might not be able to pool funds (as it is demonstrated with the Government regular budget funds (channel 1a) and the MDG Fund (channel 1b)). See attached chart.

The cost of lack of harmonization seems high. The staff in finance and administration, at all levels, are overwhelmed and can't cope with multiple reporting to the DPs and other requirements. Internal controls remain weak, partly because staff time is spent on these processes and other donor driven demands. DPs should rethink their priorities and strike a better balance between quality of the expenditures and demand for tailor made reports, their variety and frequency. For the Government and DPs, weaknesses identified in the existing reports and audits should be addressed.

Other discussions and findings:

The channels of funding remain channel 1, 2, and 3 (see attached chart) which on the one hand provides maximum flexibility and allows donors to support the Government and the National Health Sector Plan (NHSP) with the mechanism that suites their needs and provide more assurance to the Government on continuity of support; but on the other hand, contributes to the complexity and the need for additional capacity.

MDG Fund

This is not a formal fund with a legal standing and is simply the name given to the mechanism through which a group of donors can pool fund and support the FMOH and the NHSP through the ministry (channel 1b). This fund, in fact has two bank accounts (a local and a foreign currency account).

Some have raised concern that the MDG Fund needs a decree or legal basis. However, that would be contrary to the purpose and "on budget" principle. In fact this informal arrangement, albeit with need for some change as described above, is preferred to a formal fund as it brings the DPs (7 by now) together to support the FMOH and remain on budget and on plan.

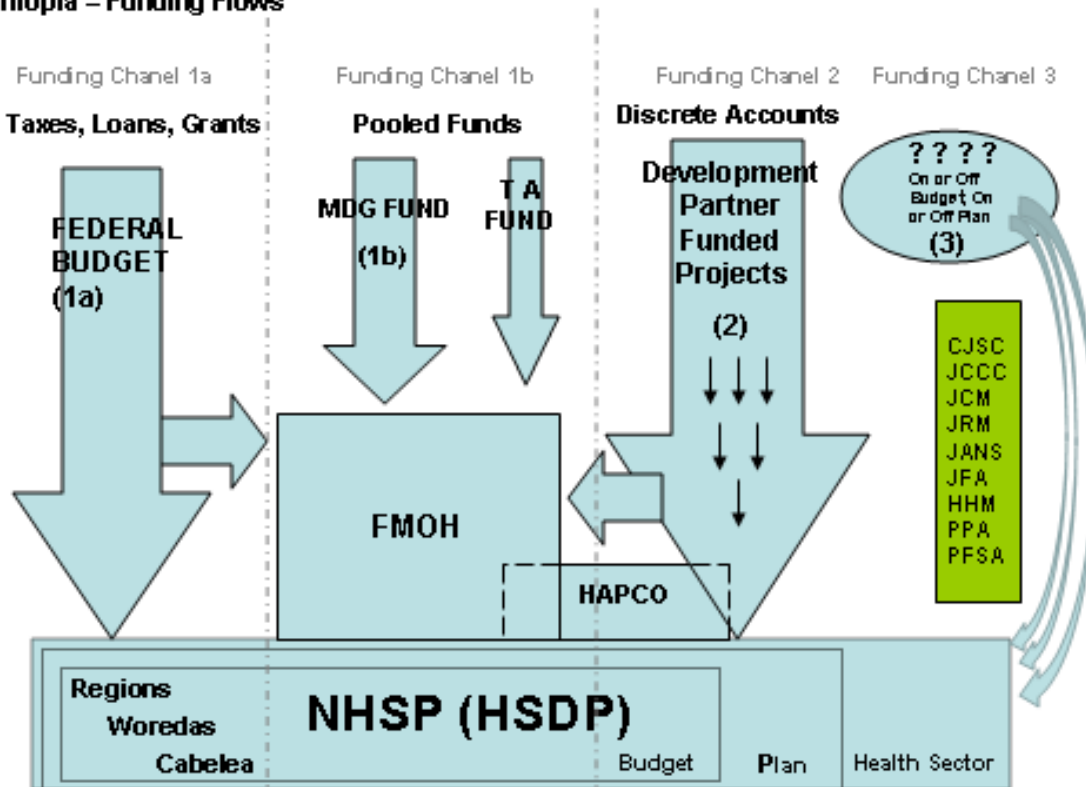
⁵ Another report on the Commodity tracking and Stock management reveal both improvements and persisting weaknesses in procurement and stock management and concludes that: "Despite improvements observed on comprehensive plan, efforts should be exerted to strengthen the supply system to promote good governance and better fiscal management through re-engineered process of procurement practices and strong networking with development partners".

The MDG Fund performance was reviewed and analyzed in 2008/2009. However, it is important to note confuse a single bank account with a “FUND” concept which can have several bank accounts. The definition of the Fund could benefit from clarification in this respect and it could be accepted that the MDG Fund can have three or four groups of partners (like classes of shareholders), each group of like-minded (with similar constraints) and some individual DPs that could have separate group of accounts. With such a definition a majority of financial, operational, and administrative policies and procedures and accountability could be common for each group and preferably for all DPs. Such an enlargement of the Fund could bring most DPs on budget and on plan, while some could also be on plan but off budget however in a much more transparent and accountable manner.

In Summary:

1. The MDG Fund has much improved harmonization... there is still much room for improvement.
2. Despite computerized reporting, the administration is still burdened by a multitude of reports of different formats and content, different audits, and variety of requirements from all donors. For example, in 6 months 5 audit teams chased the same documentation and auditing the same environment and asking the same questions.
3. The logistics and stores management is inadequate and while all the attention is on the money, not enough attention is paid by the partners to even more valuable assets of drugs and supplies that are poorly handled and distributed.
4. The multitude of committees does not meet as planned in the harmonization manual. There are too many of them and too many meetings and reports planned and it’s perhaps necessary to re-think the governance and monitoring.

Ethiopia – Funding Flows



Annex 2 People met

Federal Ministry of Health

Dr. Tedros Adhanom Ghebreyesus, Minister of Health

Dr Roman Tesfay, Director General Policy, Planning, Finance, Federal Ministry of Health

Dr Nejmudin, ex Director General, Policy, Planning, Finance, Federal Ministry of Health

Development Partners

DFID: Ali Forder, Health Advisor

French Cooperation: Dr Francois-Marie Lahaye, Regional Counsellor for Health

Italian Cooperation: Marina Madeo, Senior Adviser, Health and HIV/AIDS

Irish Aid: Dr Takele Geressu, Senior Advisor, Health and HIV/AIDS

USA: Meri Sinnett, Office Chief, USAID; Dr Carmela Green Abaate, PEPFAR Coordinator

UNAIDS: Alti Zwandora

UNICEF: Viviane Van Steirteghem

UNFPA: Muna Abdullah

World Bank: Dr Feng Zhao, Senior Health Specialist

World Health Organization: Dr Fatoumata Nafu Traoré, WHO Representative; Dr Sofonias Getachew

NGOs and CSOs

Dr Tesfaye Yacob, General Secretary, Ethiopian Kale Heywet Church, and IFDA

Semu Katemu, Christian Relief and Development Association (CRDA)

Annex 3: Ethiopia mission – list of documentation shared with the mission

Appraising the MDG Performance Fund
MDG Performance Fund Background Document, Dec. 2008
Final Joint Financing Arrangements (JFA)

Ethiopia Compact
Ethiopia Roadmap, Nov. 2007
HHA January 2009 report on assessment of IHP compact implementation
Summary of compact commitments

TA Guidelines for the Health Sector
HSDP Harmonization Manual
DAG Assistance Group purpose and structure note

Concept note on HSDP IV development
Second concept note

2008 HSDP mid-term review

GAVI HSS tracking study Ethiopia

Country Integrated Fiduciary Assessment (CIFA) concept note
CIFA Fiduciary risk Assessment
Financial Assessment of the FMOH MDG performance Fund in Ethiopia (draft Sept. 2008)
Commodity Tracking and Stock management Study Report (Oct. 2009)