



# Financial Management Harmonization and Alignment for Results

*Progress to date - November 2014*



## **IHP+ FM harmonization and alignment focus areas**

IHP+'s financial management (FM) harmonization and alignment efforts have focused on the following areas:

- (i) supporting joint financial management assessments in partner countries;
- (ii) facilitating, through Joint Fiduciary Arrangements (JFAs), FM harmonization where country systems are not in the state of readiness to be used by DPs, and alignment where elements of the country FM systems or the whole system is adequate;
- (iii) facilitating the dialogue on FM harmonization and alignment between development partners (DPs) and country partners, and
- (iv) providing technical guidance to the IHP+ Steering Committee through the Financial Management Technical Working Group (FMTWG).

## **What has been done so far?**

### ***Earlier IHP+ work on Financial Management***

Initially the work on FM harmonization & alignment was carried out by World Bank, Global Fund & GAVI facilitated by WHO, partly financed by IHP+ and under the auspices of the Health Systems Funding Platform. This group developed a draft Financial Management Harmonization and Guidance Note<sup>1</sup> in 2011. From 2012 the work on FM was subsumed under the IHP+' work plan.

### ***Formation of the IHP+ Financial Management Technical Working Group***

Following approval by the IHP+ Steering Committee, the IHP+ Financial Management Technical Working Group (FMTWG) was formed in June 2014. The Group consists of FM experts from DPs and Country Partners who meet regularly to discuss issues relating FM harmonization and alignment. The group is chaired by the World Bank. The formation of the group is significant as it demonstrates the commitment of both DPs and country partners to prioritize and take concrete steps towards achieving FM harmonization and alignment where the opportunity exists. The FMTWG also provides advice to the IHP+ Steering Committee on financial management and alignment technical matters.

There has been progress on FM harmonization alignment in some IHP+ member countries as well. A few are listed below:

### ***Sierra Leone: implementation of harmonized FM arrangements in progress***

A joint financial management assessment (JFMA) of the health sector was conducted in 2012. The goal of the assessment was two-fold: (i) to determine the strengths and weaknesses of the health sector financial management arrangements; and (ii) to jointly assist the Government of Sierra Leone (GoSL) to

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<sup>1</sup> In 2012 further developed as Financial Management (FM) Harmonization Report and Guidance Note: Executive Summary.

strengthen the fiduciary arrangements for implementing health sector programs financed by both external donors and the government.

Donors including the Global Fund, GAVI and World Bank participated in the assessment, with WHO providing overall coordination in-country. A national counterpart team (NCT) formed by the Government of Sierra Leone for the assessment was the main focal point.

Following the assessment, the Ministry Health and Social Welfare (MoHSW) has established an Integrated Health Projects Administration Unit (IHPAU) to provide fiduciary assurance for all donor financed projects in the ministry. The unit is expected to minimize and eventually eliminate multiple project implementation units set up by different donors in the ministry. A Joint Fiduciary Arrangement (JFA) is also in the process of being developed by the government and development partners. See Annex A attached for a brief summary of the main findings of the assessment.

### ***Ethiopia: implementation of harmonized FM arrangements and use of country systems for Millennium Development Goal Fund.***

A joint financial management assessment (JFMA) was conducted in Ethiopia by AusAID, GAVI, The Netherlands Embassy and the World Bank in June 2011 under the auspices of IHP+. The Global Fund and USAID participated as observers.

Unlike other assessments, this assessment had a limited scope with specific focus on the FM, procurement and supply chain arrangements for the Millennium Development Goals (MDG) Fund.

Following the assessment, a Plan of Action (POA) was developed jointly between Federal Ministry of Health (FMOH) and participating DPs. Semi-annual updates on the POA are provided to the Health Population and Nutrition Donor Group every six months at a Joint Consultative Forum. See Annex B for summary of the findings of this assessment.

### ***Senegal: joint arrangements for Performance Based Financing Program***

Rather than conduct parallel assessments of the Ministry of Health (MoH) to support the same program, USAID and the World Bank decided to conduct a joint financial management risk assessment of the Senegalese Ministry of Health.

Building on the successful joint assessment, the World Bank and USAID are jointly using country systems for implementing their assistance to Senegal's Performance Based Financing (PBF) Program. A second phase of decentralized joint FM assessments in specific regions and districts is under consideration as the PBF program expands nationally. See Annex C for a brief summary of the main findings of the assessment.

## ***Burundi: joint financial management assessment***

Based on the recommendation of an IHP+ “intensified action” mission in 2014, and the approval of the Ministries of Finance and Health, a joint financial management assessment (JFMA) of the health sector was carried out from October 15 to 26, 2014. The assessment, coordinated by the IHP+ included (DPs): African Development Bank (AfDB), European Union (EU), The Global Fund (GF) and the World Bank (WB). Other DPs who did not directly participate in the assessment but were affiliated included, GAVI and USAID. The Burundi National Counterpart Task Force (NCTF) for the Health Sector basket fund was the focal point for the assessment.

The assessment determined that FM harmonization was feasible and essential in the sector to help minimize fragmentation and fiduciary risks. A follow up mission will be conducted after the report is finalized and approved by the Burundi Ministry of Health. The goal of the mission will be to agree on an action plan that will support the strengthening of fiduciary oversight in the ministry and arrangements for FM harmonization and alignment. See Annex D for a brief summary of the main findings of the assessment.

## ***Nepal: Joint Financing Arrangements under a Sector Wide Approach***

IHP+ has supported the development and review of Joint Financing Arrangement (JFA) in Nepal (2009 & 2013).

Under the current joint financing agreement (JFA), development partners including Australia Agency for International Development (AusAID), GAVI, DfID and World Bank have pooled their funding to support the Nepal Health Sector Program. The JFA also includes non-pooled partners- USAID, UNICEF, UNFPA and WHO- who support the health sector. Under the terms of the JFA, all development partners, irrespective of the source of funding, are expected to use country financial management systems for implementing their support to the sector under the Sector Wide Approach (SWAp).

The SWAp has largely reduced fragmentation in FM arrangements and is helping to strengthen sector financial management systems. A follow on SWAp operation that will leverage the experiences of the current SWAp is being planned between DPs and the government.

## **Lessons learned**

1. There are differences in approaches to FM assessments among DPs. While some DPs use a “principles based” approach to assessing risk, others rely on very detail “transaction based” assessment. Such differences are usually reconciled at the outset of the assessment, but reaching a compromise is quite challenging.
2. There are differences in the assessed level of fiduciary risk among DPs. This is influenced by donor-specific institutional and operational guidelines on risk rating. While some DPs by default rely on country systems and as a result have a higher risk tolerance, others have a lower risk

tolerance and hence have an aversion to the use of country systems, even if the systems are adequate in some cases. These divergent risk perceptions have implications for supporting the strengthening of country systems for implementing health sector aid programs.

3. Differences in the nature of support provided by DPs to a partner country is yet an area that impacts the level of interest in conducting joint assessments, developing joint fiduciary arrangements and developing country systems. Support provided by some DPs's is very focused targeting a particular disease or health situation requiring immediate attention with very clear measurable milestones to that need to be met. Under such circumstances, there may not be an immediate incentive to harmonize or even build country systems rather DPs rely on stand-alone parallel arrangements to deliver such support. On the other hand, there are other DPs who have as integral part of their support the development of health systems. Such DPs are usually more inclined to seek opportunities to harmonize and use country systems even though they also sometimes set up parallel arrangements.
4. Determining the entry point for FM assessment is also a challenge. This primarily results from different program implementation stages among DPs. In most cases, FM implementation arrangements may have been already firmed up and difficult to change mid-stream implementation. The FM assessment therefore may not offer enough incentive for change towards harmonization necessarily. For projects that are at preparation stage, there is a strong interest from DPs because of the potential to identify fiduciary risks and to work collaboratively with other donors on issues common interest.
5. A national counterpart is essential to ensure country partner participation and buy-in in the findings and recommendations of the assessment. Country partners have been supportive of joint FM assessments in view of the obvious advantages that accrue to them from such an exercise. Not only do they appoint a National Counterpart team as the focal point for the assessment, but also senior government officials have availed themselves for meetings with the assessment teams to discuss the findings of the assessment and the action plan to address such weaknesses.
6. The Ministry of Finance in partner countries is a key stakeholder in ensuring the success of joint assessments as well as harmonized FM implementation arrangements. In all the assessment done so far, they have been fully supportive of the concept of harmonization and alignment in the health sector, provided valuable input and assigned personnel to the national counterpart team. As the custodian of the public financial management system, their support is vital.
7. In countries where JFA's have been implemented, gaps in defining compliance monitoring mechanisms and sanctions for non-compliance have undermined the achievement of certain key alignment milestones envisaged. For instance there are situations where audit reports for the health sector are qualified because certain DPs have not submitted their financial statements to

the nation's supreme audit institution for audit, preferring rather to have their audit done by a private audit firm.

8. The approach to joint FM assessments advocated by IHP+ worked well in practice, as exemplified by the country cases.

## **Looking forward**

Financial management harmonization and alignment is relevant to achieving health sector service results. It supports a holistic and a joint approach to understanding the fiduciary issues in the sector, designing of common implementation arrangements and ultimately facilitate the strengthening of country systems and their use.

The demand for such assessments will continue to be driven by country partners who desire to minimize fragmentation and to strengthen their own sector fiduciary arrangements as part of the overall health service delivery system. The lessons learned from the Ebola outbreak have further emphasized the need to develop strong and robust health sector systems of which financial management is an integral part.

The IHP+ Financial Management Technical Working Group presents an opportunity for DPs and country partners to discuss opportunities to advance harmonized FM arrangements, capacity building and alignment of FM arrangements with country systems

Looking forward, therefore, there are strong prospects for continuing with joint assessments, developing joint fiduciary arrangements and developing strong country systems for results. IHP+ will continue to play a lead role in facilitating these endeavors.

## **ANNEXES**

### **Annex 1: SIERRA LEONE FINANCIAL MANAGEMENT HARMONIZATION AND ALIGNMENT**

#### **Reason for the assessment**

At the request of the Government of Sierra Leone (GoSL), a joint financial management assessment (JFMA) was conducted in the health sector in 2012. The goal of the assessment was two-fold: (i) to determine the strengths and weaknesses of the health sector financial management arrangements; and (ii) to jointly assist the GoSL to strengthen the fiduciary arrangements for implementing health sector programs financed by both external donors and the government.

#### **Participating Development Partners**

Development Partners (DP) including GAVI, Global Fund and the World Bank, participated in the assessment with WHO as the facilitator of the overall process. The Government of Sierra Leone also constituted a National Counterpart Team (NCT) with membership drawn from the Ministry of Finance (MoF), the Controller and Accountant General's Office, the Auditor General's Office and the Ministry of Health to serve as the focal point for the assessment.

#### **Main findings of the assessment, recommendations and actions taken so far**

Within the Ministry of Health & Sanitation (MoHS), there exists both a fragmentation and proliferation of financial management rules, manuals and bank accounts (some 77 bank accounts exist). Many stand-alone activities exist, with and without Project Implementation Units (PIUs), putting internal and external controls at risk and reducing efficiency, accountability and transparency. Each implementer or PIU uses spreadsheets for maintaining the accounts and producing reports. This does not inspire DP confidence.

Inter alia, the JFMA report recommended the creation of an Integrated Projects Administration Unit (IPAU) as part of MoHS' FM improvement actions. The MoHS is taking forward the implementation of the Integrated Health Projects Administration Unit (IHPAU) in coordination with teams from the Ministry of Finance and Economic Development (MoFED) and health development partner financial management experts, who review the IHPAU for readiness and sustainability.

The creation of IHPAU has strong support among country authorities including the country's Minister of Finance who has said that "public financial management (PFM) in the health sector is a sacred responsibility because it helps to ensure the health of citizens." With strong national leadership and a commitment to mutual accountability in place, IHPAU has the potential to significantly strengthen MoHS' implementation capacity if properly implemented using international good practices on harmonization and alignment. The MoF plans to use the experience in health in other sectors.

Following the Joint FM Assessment a Joint Fiduciary Arrangement (JFA) is being developed by the MoHS along with development partners that will provide the framework for FM harmonization and alignment. The JFA will have arrangements for budgeting, internal controls and internal audit, funds flow, accounting, financial reporting and external audit of both donor funds and government funds.

**Follow-up activities**

During a recent IHP+ mission to Sierra Leone, team members met with both Ministry of Health and Sanitation (MoHS) and Ministry of Finance (MoF) officials to discuss opportunities for accelerating development cooperation efforts. Strengthening MoHS financial management (FM) harmonization and alignment with country systems and the development of Joint Fiduciary Arrangements (JFA) between development partners and the GoSL were key focus areas during the mission. The FM discussions centered on follow on actions to the recommendations of the Joint Financial Management Assessment that was conducted in 2012.

The Ebola outbreak has however, slowed efforts at capacitating IHPAU. Development partners are committed to supporting the government and will resume engagement with the MoHS when the crisis is over.

## **Annex 2: ETHIOPIA JOINT FINANCIAL MANAGEMENT ASSESSEMENT**

### **Reason for the assessment**

Unlike other assessments, this assessment had a limited scope with specific focus on the Millennium Development Goals (MDG) Fund and the central level arrangements and practices within the Federal Ministry of Health (FMoH) and its procurement agency, the Pharmaceutical Fund and Supply Agency (PFSA). While it covered the Ethiopian public financial management in a cursory manner (especially at sub-national level), it was detailed enough to understand the environment in which the MDG Fund operates.

The main objective of this JFMA was to assess the suitability, reliability, and efficiency of the Government's preferred financing mechanism, the MDG Fund, for managing financial support from the participating development partners. The team assessed the financial management and Procurement and Supply Management Systems (PSM), processes, practices, and capacities related to financial management of MDG Fund resources made available to the various levels (central, regional, local) in the health sector. The team also assessed the extent to which PSM systems and processes are efficient, transparent and effective and aim to provide commodities at the facility level in a timely and cost efficient manner.

### **Participating Donor Partners**

A joint financial management assessment (JFMA) was conducted in Ethiopia by AusAID, GAVI, The Netherlands Embassy and the World Bank in June 2011 under the auspices of IHP+. Global Fund and USAID participated as observers.

### **Findings and recommendations of the review**

The main findings of the review are as follows

#### ***Planning and Budgeting***

The Federal Ministry of Health (FMoH) has made good progress in improving the comprehensiveness and inclusiveness of its plans and budgets both of which result in more credibility of the budget and enhance the ownership from stakeholders. MDG Fund planning and budgeting is fully integrated into the FMoH system and practices and does not take place in parallel. The allocation of MDG PF as well as its approval process follows the Joint Financing Arrangement<sup>2</sup> provisions. FMoH is also moving towards one plan and one budget and the achievement of this enormous task seems within reach. Any remaining shortcoming in terms of comprehensiveness and realism of budget comes more from the lower levels of the sector or from unavailability of information regarding the resources and expenditures of other actors in the sector. Those are the areas in which efforts need to continue in order to improve comprehensiveness and credibility of the budget. Development partners are also encouraged to assist the government in this effort by sharing whatever information they have from the sector and by

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<sup>2</sup> Joint Fiduciary Arrangement – provides the fiduciary framework for donor harmonization or alignment of aid implementation arrangements in the sector

providing timely and complete information on their own contributions to the sector. Lastly, there are opportunities to further enhance policy dialogue during the planning and budgeting process;

### ***Financial Management***

In financial management, a major strength of the MDG Fund is that it uses existing government and FMOH systems of budget preparation and execution and is supposed to rely on the audit and oversight arrangements of the federal government. MDG Fund budgets are included in the budget documentation prepared for Ministry of Finance and Economic Development (MoFED) budgets and expenditures are recorded in the governments general budgeting and reporting system (IBEX). Also the Federal Auditor General of Ethiopia has overall responsibility for ensuring that annual external audit is completed.

This assessment also finds that there is a strong internal control environment. Documentation reviewed indicates proper and systematic internal controls. The finance department, however, continues to operate Integrated Budget and Expenditure System (IBEX) and Peachtree in parallel and although this increases workload and risk of error, regular reconciliations between the two systems are said to be undertaken as a mitigating measure against risks. A move to a more comprehensive and integrated version of Integrated Financial Management System (IFMIS) is planned in selected ministries, including the FMOH. This should also help address the current disparities between the financial reporting expectations of development partners and the financial statements currently being produced for the MDG Fund as this is an area where significant improvements are needed. The internal audit department is well capacitated at the FMOH and its responsibilities are clearly enunciated in the financial regulations of government to ensure its independence within the FMOH.

### ***Procurement***

The procurement system in Ethiopia has seen a number of developments in recent years which have served to strengthen the environment in which health delivery systems operate. The federal procurement legal and institutional framework has been strengthened to include the Federal Public Procurement Agency (PPA), and MoFED's National Procurement Guidelines.

PFSA, the FMOH's procurement agency, has adequate internal procurement guidelines to accommodate the intricacies of medicine and medical equipment procurements. In addition, the new Ethiopian Food, Medicine and Health Care Administration and Control Authority (FMHACA) has been created to register medicines and medicine manufacturers and to ensure medicine quality. Challenges remain, however, in the effective coordination of service provision in newly constructed facilities and in the governance of the PFSA, in procurement oversight, in the regulatory and operational framework, and in the implementation of the Revolving Drug Fund (RDF) as it interfaces with the MDG Fund.

While PFSA is prescribed by its proclamation to have a fully functioning board in place, only interim arrangements have been made. It is reported, however, that good progress has recently been made in identifying the Chair of the Board and individual board members.

Further challenges emerge from the absence of procurement oversight of PFSA through, for example, procurement audit by the Public Procurement Agency (PPA) and distribution and approval of procurement guidelines. Furthermore, the assessment also found the capacity of the PPA to be rather limited for undertaking procurement audits of the PFSA.

## ***Supply Chain Management***

In supply chain management, the assessment found high levels of competency in stock clearing, central stock management, and logistics management in PFSA; and, in the few health facilities visited it found good stock management procedures. PFSA generates monthly reports which include most relevant key performance indicators (KPIs) for supply chain management.

There is room for improvement though in automating the many paper-based procurement and stock management systems (although work has started in addressing this), in instituting “blind count” when receiving stocks to the warehouse, in better segregation of warehouse staff responsibilities and in regional PFSA sites in improving current practices which see stocks recorded on paper bin cards. In addition, stock-take exercises at PFSA do not take place on a regular basis, annual stock takes are not necessarily attended by external auditors or by staff from the FMOH. To ensure further strengthening of PFSA in supply chain management, recommendations were made to ensure physical sampling and inspection of merchandise by the quality department of PFSA, to ensure the presence of external auditors at stock take, improvement in stock take procedures, development of a strategic plan for the automation and IT infrastructure development and continued efforts aimed at procuring a comprehensive Enterprise Requirements Planning (ERP) package.

## ***Compliance with, clarity of, and suggested modifications to the Joint Financing Arrangement (JFA)***

The JFA, for the most part, is fully complied with. Examples are the integration of MDG Fund into the sector’s overall planning and budgeting arrangements moving towards “one plan”, “one budget”, “one report” and use of national procedures. In terms of clarity, two main areas were identified for improvement:

- conflicting messages regarding commodities for the excluded disease-based services; and
- invoicing, by PFSA, for commodities being financed by the MDG Fund which were to be provided “in-kind” to the sub-national level.

The assessment also makes a few recommendations for the JFA to more accurately reflect changes in the governance of the MDG Fund and enhancements to language in view of its potential future expansion. The main recommendation for the latter is that the FMOH and its DPs might consider the MDGF as an umbrella mechanism for most, if not all DP funds, to the health sector. Once the accounting system and practices and reporting are further enhanced, the FMOH and DPs might consider bringing all other funds such as earmarked funds under the MDG Fund. The revised JFA could include provisions to allow a gradual move towards this objective. After a full sector-wide FM Assessment, preferably joint, and confirmation of the FM capacity, this could be put in place to reduce the burden and cost of doing business.

## **Follow-up**

Since this assessment was very specific, no follow up has been done. However a Plan of Action was developed jointly between FMOH, Partners and the consultants. Semi-annual updates on the action plan are provided to the Health Population and Nutrition donor group every six months at a Joint Consultative Forum.

## **Annex 3: SENEGAL JOINT FINANCIAL MANAGEMENT ASSESSMENT**

### **Reason for the assessment**

The assessment ensued from a commitment made by the leaderships of both the World Bank and USAID to collaborate on issues of common strategic interest in the health sector in selected countries. The countries identified included Bangladesh, Democratic Republic of Congo, Senegal and Zambia.

In Senegal, USAID and World Bank teams were both interested in directly financing the Ministry of Health's successful performance based financing (PBF) program, which the Government of Senegal (GOS) had been piloting (with USAID and Bank support) since 2012. Expanding this program on a national basis, while adding a conditional cash transfer component aimed at poor populations was a priority for the GOS. USAID and World Bank teams recognized that while technical collaboration in support of the Senegalese PBF program was sound and well-coordinated, greater harmonization of donor financing approaches would benefit both institutions and the partner country government.

Rather than conduct parallel assessments of the MOH to support the same program, USAID and the World Bank decided to conduct a joint financial management risk assessment of the Senegalese Ministry of Health.

### **Participating Development Partners**

USAID and The World Bank.

### **Lessons learned**

#### **A. Inherent differences in PFM risk assessment approaches**

There are key differences in the administration, procedures, scope, and focus of the PFM assessments conducted by the World Bank and USAID. Most of these differences were resolved through a collaborative but often time consuming process. In the partnership, the stakeholders worked to reconcile divergent business processes, finding ways to adapt their processes to accommodate each other.

In Senegal, the differences in the USAID and World Bank approaches to designing and assessing the PBF program were apparent throughout the process, especially when developing the questionnaire and discussing proposed mitigation measures. The Bank questioned whether there was a need to apply the broad second stage of the public financial management risk assessment framework (PFMRAF), in light of the public expenditure and financial accountability (PEFA), which USAID perceived as a very high-level systems assessment, much like the first stage of the PFMRAF, which had been conducted in 2011. This was resolved by using the PEFA as a reference document for the PFM assessment, including targeting specific deficiencies noted in the PEFA. In addition, when assessing risks of the PBF program, the Bank was more interested in how the Senegalese procurement code relates to international standards that are followed by multilateral organizations (e.g., using the UN Development Business portal for

advertisement of transparent procurement processes), whereas USAID was most interested in the GOS capacity to manage its own procurement code (e.g., for open competition, the GOS advertises in international papers and magazines which is in accordance with its code). The USAID and World Bank teams were able to overcome these differences in PFM assessments even as they reflected differences in their goals for supporting the PBF program.

It is also important to recognize that both processes take very different amounts of time to complete. The World Bank assessment is usually completed within a few weeks, whereas, USAID's assessment can take many months. Both organizations were able to address the different timelines by submitting separate reports to their agencies.

## **B. Advantages of the partnership**

Overall the benefits of cooperation likely outweighed the transaction costs associated with the partnership. The following are several advantages:

- 1. Promoted aid effectiveness** – Harmonization of Bank and USAID financial procedures, documentation, and assessments—as well as working out inter-agency differences prior to approaching the GOS—allowed the Bank and USAID to transmit their message with one voice. In response, the GOS has more incentive to address the risk mitigation measures outlined.
- 2. Benefited from “best thinking” from both institutions** – The joint PFM assessment brought to bear the best ideas and thinking from USAID and the World Bank. For example, in face of a deficiency in the MOH's public financial management process, USAID encouraged the Bank to invest in the capacity and redeployment of people at the MOH to carry out its inherent functions instead of seconding a consultant to the Ministry. The Bank accepted USAID's suggestion, leading to an approach that would both mitigate risk and build the capacity of the MOH.
- 3. Acted to resolve risks promptly** – When completing the joint assessment, several priority issues were highlighted. Unlike USAID, the Bank's procurement rules allowed it to take immediate action to support the MOH to address identified risks. For example, the assessment identified the absence of an updated Administration and Financial Management Procedures Manual. The Bank responded by immediately hiring a consultant to work with the MOH on an update.
- 4. Leveraged wider set of experiences** – Several assessment team members from the USAID staff had significant experience working within the MOH and the MOF at both central and decentralized levels. This knowledge of the system proved invaluable, allowing the team to target weaknesses rapidly. The World Bank staff brought complementary experience in engaging the MOF, in particular those within the MOF that manage donor financing.

### **C. Factors that enabled the partnership**

- 1. Support from leadership** – The collaboration benefitted from the support of USAID and World Bank leadership and commitment at the headquarters-level and in the country teams. From the beginning, multiple support offices within the USAID mission had a key stake in the joint assessment (Acquisition and Assistance Office, Financial Management Office, Regional Legal Advisor), and members of other technical teams, the program office and the front office were interested and supportive of the achievements and results.
- 2. Trust** – A key factor in the development of the partnership was strong communication and trust between USAID, the Bank, and the GOS. While a few minor differences in opinion arose (mainly over reconciling divergent business practices among the donor agencies) that required resolution, overall, the trusted and respected relationships among partners made it possible to move this collaboration forward constructively.
- 3. Dedication to partnership and flexibility** – Staff worked overtime when necessary and were allowed to focus their time on supporting this collaboration. It takes flexibility and creativity to adapt to different roles and business practices among development partners. This resource-intensive commitment made it possible to find timely solutions to priority issues and coordinate with the different parties involved. Outstanding leadership and commitment by staff at the US Mission in Senegal sought out solutions and continued working to make this cooperation possible.
- 4. Transparency** – Having USAID’s policy directives and required procedures publicly available supported transparency and facilitated clear communication. The World Bank similarly shared its PAD and other procurement tools.

### **Way forward**

Building on the successful joint PFM assessment, the GOS has requested continued harmonization in how USAID and the World Bank finance and manage assistance to Senegal’s PBF program. USAID has determined—in order to increase the impact of USAID’s contribution (significantly smaller than that of the Bank’s) and reduce the burden on the MOH—to streamline assistance through a Single Donor Trust Fund PIO grant with the World Bank.

The use of a PIO grant reduces transaction costs and increases donor coordination and harmonization, as recommended by Paris Declaration (2005), The Accra Agenda for Action (2008), and the Busan Partnership (2011). Through the PIO grant, USAID will transfer funds directly to the Bank, who will then channel them to the Director General’s Office (DAGE) through a direct funding agreement.

A second phase of decentralized joint PFM assessments in specific regions and districts is under consideration as the PBF program expands nationally. In addition, implementation of the risk mitigation

plan will continue and technical assistance demands will be shared with other donors; USAID is developing an MOU with LuxDev in response to their desire to directly participate in risk mitigation efforts.

## **Annex 4: BURUNDI JOINT FINANCIAL MANAGEMENT ASSESSMENT**

### **Reason for the assessment**

Following the recommendation of an IHP+ “intensified action” mission in 2014, and the approval of the Ministries of Finance and Health, a joint financial management assessment (JFMA) of the health sector was carried out from October 15 to 26, 2014. The main objectives of the assessment were: (i) Understand how the existing donor-funded operations work in the health sector and develop a harmonized / Joint Fiduciary Arrangements (JFA) for donor-financed projects and (ii) evaluate avenues for using the country’s PFM system in executing the projects.

### **Participating Development Partners**

The assessment was conducted under IHP+’s coordination and involved the following development partners (DPs): African Development Bank (AfDB), European Union (EU), The Global Fund (GF) and the World Bank (WB). Other DPs who did not directly participate in the assessment but were affiliated included GAVI and USAID. The extant National Counterpart Task Force (NCTF) (for the proposed Basket Fund) consisting of officials from the ministries of health and finance, served as the main focal point for the assessment.

### **Main findings of the assessment, recommendations and actions taken so far**

Except for the Performance Based Financing initiative whereby a group of donors contribute to the health sector through a financial arrangement embedded into the Ministry of Health (MoH) structure and using the national financial management system, projects in the sector are designed and financed through implementation units specific to each donor and using their own procedures. This has resulted in fragmented financing channels and funding not necessarily aligned to National priorities although the health sector planning process appears to be reliable and one of the strongest in the country. Not less than 26 parallel entities (including NGOs) operate in the sector; as a consequence senior management is very concerned that it does not have adequate oversight and control over the implementation of some critical aid support programs. A mapping of donors funding arrangements in the country reveals that harmonization seems possible among international donors while efforts to strengthen country systems mature in the medium to long term. This harmonization can be facilitated by strengthening the embryonic and weak Aid Coordination Unit established at the MoH level.

Ongoing PFM reforms (program based budgeting, decentralized accounting and controls, overhaul of IT systems, etc.) may provide a strong base for using the country system in a medium term if conducted to a logical end. As it is today, in a pilot phase within three line Ministries (Education, Health and Agriculture) and characterized by a weak control environment (rated below average) in addition to a lack of capacity, the PFM system is not yet mature enough to be used for donors funded activities in the country.

A gradual approach towards alignment has been recommended through the following approach:

- 1- Harmonization of donors procedures and financial arrangements as a first step;
- 2- Development and capacity building pending completion of on-going PFM reforms;
- 3- Strengthening the control environment within the Health Ministry; and
- 4- Development of FM procedures consistent with national rules and regulation and that meet donors harmonized requirements

### **Follow-up**

A follow mission will be conducted after the report is finalized and approved by the Burundi Ministry of Health. The goal of the mission will be to agree on an action plan that will support the strengthening of fiduciary oversight in the ministry and arrangements for FM harmonization and alignment.