PFM PERSPECTIVE ON HEALTH FINANCING REFORM

Renaud Seligmann
Practice Manager, Governance Global Practice, World Bank
WHY PFM IN HEALTH?

An open and orderly PFM system enables results in sectors, including health.

Progress towards UHC requires reliance on government spending bringing PFM to the forefront:

- how budgets are formed and allocated to different ministries (including health),
- how these funds flow through different levels of administration, and
- how these budgets are implemented.

PFM systems have important implications for health financing (revenue, pooling, purchasing) and service delivery.
PFM AND HEALTH - COMMON INTEREST AND INCENTIVES

Health Outcomes

Health system that delivers services to all at affordable cost

Intermediate Outcomes

<table>
<thead>
<tr>
<th>Integrity</th>
<th>Accountability</th>
<th>Building trust</th>
<th>Sustainability of Financing</th>
<th>Quality</th>
<th>Value for money</th>
<th>Equity</th>
<th>Efficiency</th>
</tr>
</thead>
</table>

Behaviors & Institutions: “the rules of the game”

<table>
<thead>
<tr>
<th>Health Systems</th>
<th>PFM Processes</th>
<th>Health Financing</th>
<th>Political Economy</th>
</tr>
</thead>
</table>
Institutional reforms runs the risk of changing form, but not function
PFM reform projects fail when they only deal with the top of the iceberg

Fig. 1. Institutional structures as icebergs

- Formal institutional content: Above the water line, in view
- Informal institutional content: Below the water line, out of view
PFM, HEALTH FINANCING AND HEALTH RESULTS ARE INTERTWINED – BUT HOW DO WE CHANGE THE RULES OF THE GAME?

Beyond fiduciary, sound PFM and HF really matters for development results in the health sector.

Funds need to be channeled to the health sector (right amount, right place, right time). Appropriate resourcing, planning and budgeting required to meet defined health needs and allow for risk pooling.

These funds need to be spent for intended purposes, with adequate control, value-for-money and accounted accurately using reliable financial accounting systems.

Stakeholders (government, parliament, donors) need a reasonable assurance on intended purpose, outcomes and value-for-money through external audit (financial, VofA and performance).

Problem: when PFM system are weak, and do not respond to sector challenges and constraints; alignment remain weak amongst DPs, health system outputs and outcomes are definitely affected.
STARTING FROM SERVICE DELIVERY PROBLEMS HELPS ALIGN INCENTIVES FOR CHANGE
• Identifying how PFM systems support or undermine health results still requires further evidence

• A World Bank-led flagship study aims to deepen the understanding of PFM issues in health by:
  • demonstrating the link between PFM, HF and health sector service delivery results through the development of a conceptual framework for linking PFM systems and bottlenecks to health outputs or results at the country level;
  • Understanding the relationships between PFM systems and health financing reforms
  • Understanding the costs and benefits of fragmented or parallel implementation arrangements for donor-financed projects in the health sector
PFM IN HEALTH: CONCEPTUAL FRAMEWORK

• A tool to analyze the causal chain of selected health results/outputs, and deciphering the PFM and health financing-related bottlenecks
• Maps out interactions between PFM elements, Health Financing and Service delivery results
• Outlines key inputs/components that need to be considered for a relevant analysis of service delivery bottlenecks in country context
• Analyzing the demand and supply side bottlenecks for service delivery and how they are linked to underlying PFM challenges
Country Pilots

Within Broader context of Health Financing Assessment
• Common tool to reduce burden on client

Conceptual framework piloted in several countries in cohorts
• First cohort: Mali (early pilot), Kyrgyzstan, Ghana, Nigeria, Ethiopia
• Next cohort from July 2016

The final framework is expected July 2016
• Help design more effective operations
<table>
<thead>
<tr>
<th>Issue</th>
<th>Mali</th>
<th>Ghana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and control of services and resources are too fragmented</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Divergence between the approved budget and actual implemented budget, due to in-year adjustments and other changes</td>
<td>✓</td>
<td>✓</td>
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<td>Poor cash flow management</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Inadequate capacity to plan, develop, finance and deliver new capital projects</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Insufficient evaluation of existing expenditure</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Delays in release of funds</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Delays in operational budget arriving at regional or district facilities</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Annual budgets are not fully executed due in part to excessive number of steps, controls, clearances and signatures leading to coordination issues and bottlenecks</td>
<td>✓</td>
<td></td>
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</table>
AT LEAST DO NO HARM…

- Fund flow and reporting relationships are inherently complex in the health sector.
- But the addition of a plethora of FM arrangements for donor funding increases the complexity.
WHAT IS THE REAL COST OF FIDUCIARY ASSURANCE?

- What is the cost of donor fragmentation?

Early results from Kenya:

- Sector FM systems have significant risks, and are not relied on by major DPs.
  - Over 3 years, parallel FM arrangements are 4 times more costly than harmonized arrangements
  - Parallel arrangements do not insulate DPs against fraud and corruption
  - They make it easier for facilities to double dip and fudge accountability
- What would it take for reforms to be credible?
WAY FORWARD

• Conduct Country Pilots in Collaboration with HFSA (cohorts)
• Finalize Conceptual Framework for country application
• Continue with study on FM fragmentation
• Adjust project design to focus on functional changes
• Focus on problems stakeholders are interested in solving to get to real change