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Health facility financing and public financial management

CABRI Policy dialogue: PFM as enabler of greater health facility autonomy

29th August 2024

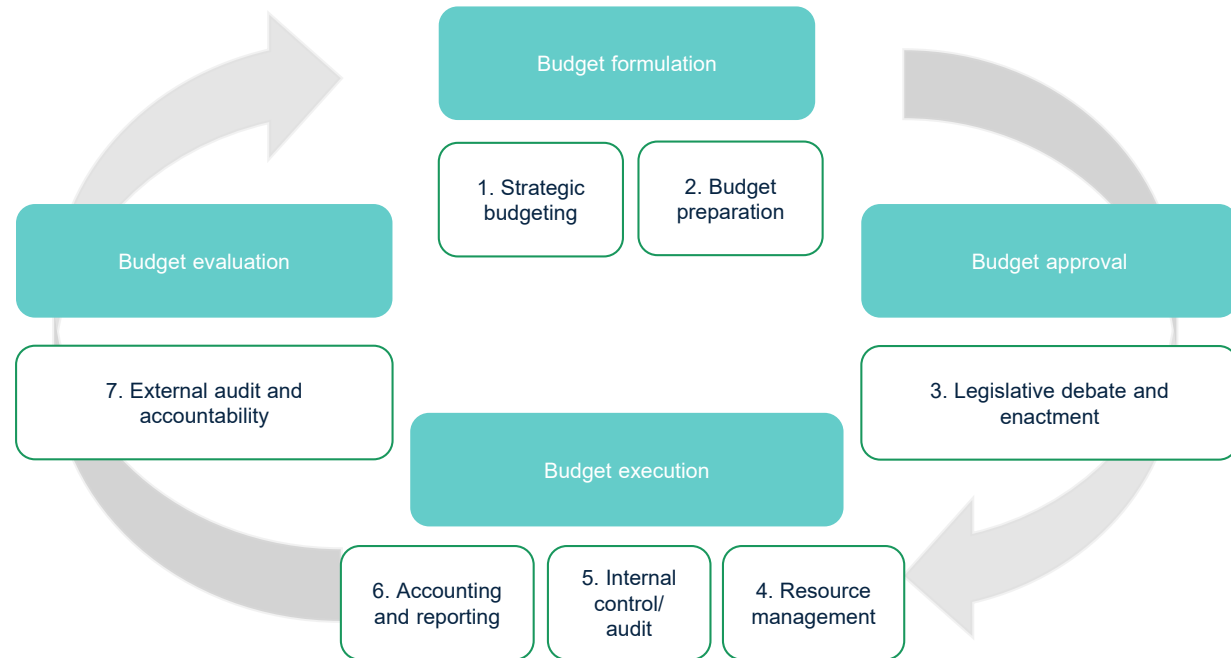
Long Beach, Mauritius

Overview

- What is PFM?
- Key tasks in health facility financing
- Decentralisation
- Budget allocation to facilities
- Budgeting at the facility level
- Budget management
- Financial flows and banking arrangements
- Accounting and reporting
- Oversight and evaluation
- Concluding considerations

What is PFM and why does it matter for health facility financing?

Public Financial Management is how governments manage public resources to support the delivery of public policy, through functions including budgeting, procurement, accounting, reporting, and auditing.



“Every criticism of traditional budgeting is undoubtedly correct... Why, then, has traditional budgeting lasted so long? Because it has the virtue of its defects...it is simpler, easier, more controllable, more flexible than modern alternatives.”

Wildavsky, A. (1978). A Budget for All Seasons? Why the Traditional Budget Lasts. *Public Administration Review*, 38(6), 501-509.

Key PFM tasks in facility financing

Ministry of Health or sub-national health department

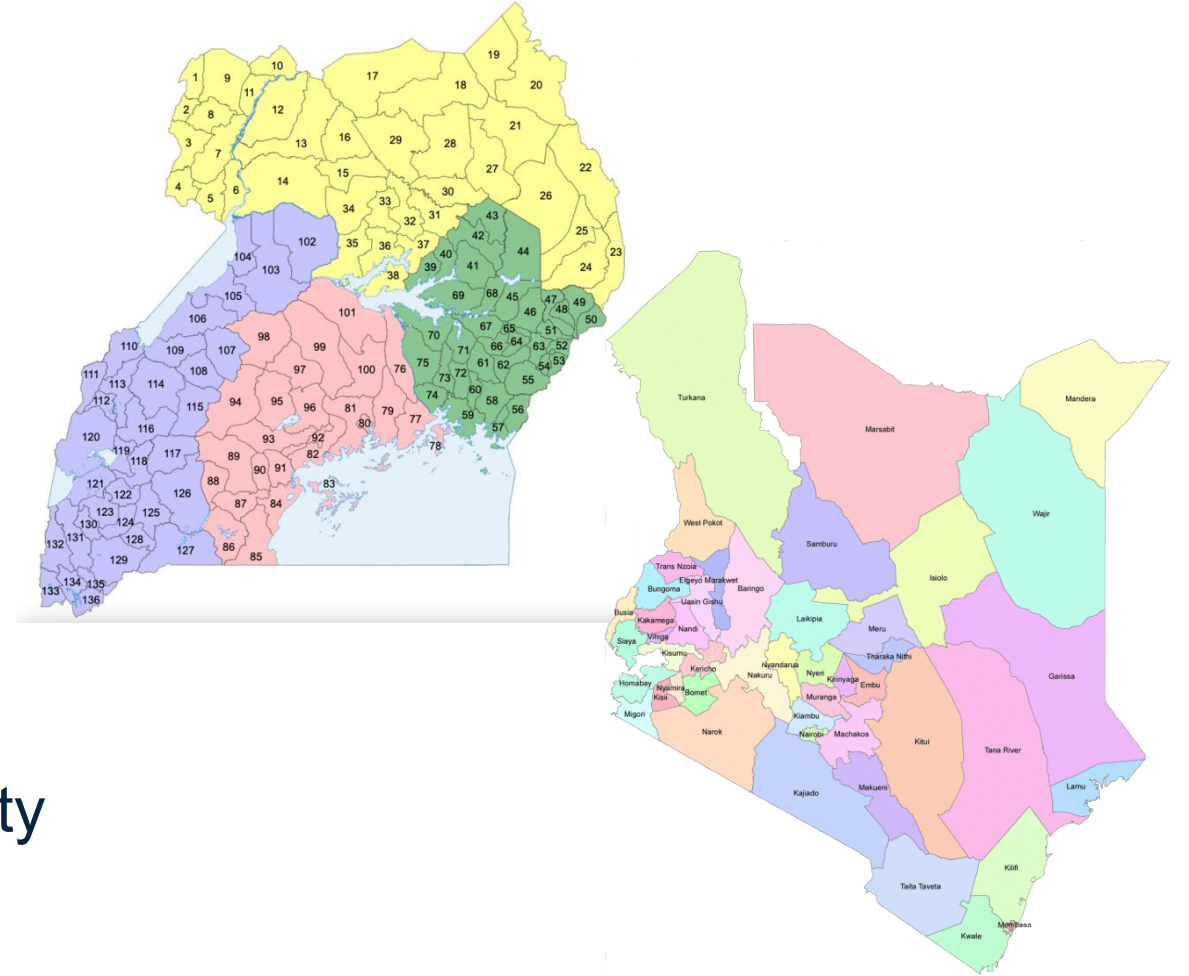
- Allocation
- Consolidation of reporting
- Evaluation of facility spending

Health facility

- Budgeting
- Spending
- Reporting

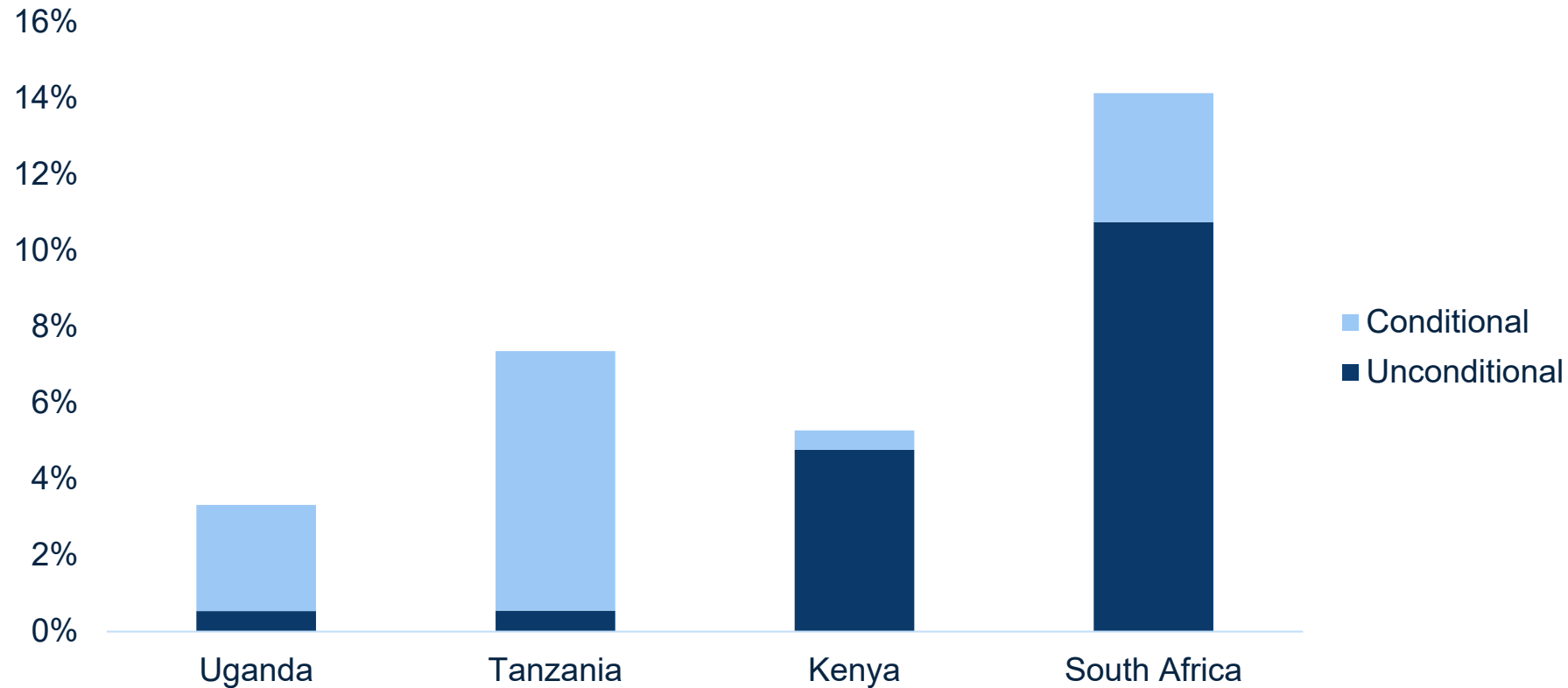
Decentralization of health services

- Primary health services are decentralised to sub-national governments in many countries
- Questions this raises:
 - who is responsible for allocation across facilities?
 - how should funds flow?
 - are there trade-offs between facility and local government autonomy?



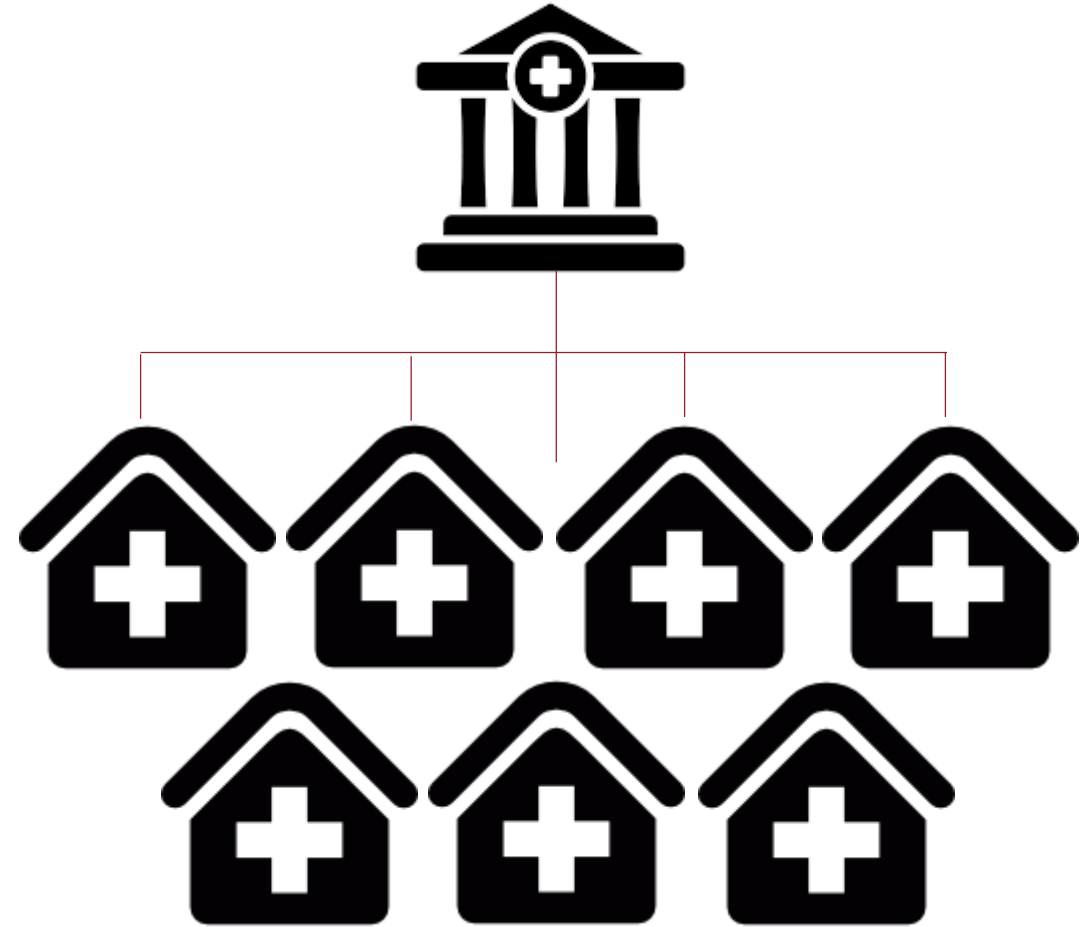
Is financing of sub-national governments primarily unconditional or conditional?

Transfers to sub-national governments (% of national budget), 2013/14



Budget allocation to facilities

- Overall ceiling for the allocation to facilities
- Allocation across facilities
 - What does need-based mean?
 - Avoid unrealistic timelines for feedback and budget integration
 - Avoid perverse incentives – hard ceilings needed
- How are allocations to facilities shown in budgets?



Allocation and grant size in East Africa

Allocation

- Kenya: flat rate per facility type
- Tanzania & Uganda: allocation to districts by simple formula (popn, pov rate, U5MR/IMR, land factor)
- Allocation within districts by standard percentages/ratios and by facility characteristics & performance (Tz only)

Grant size (USD)

	Kenya (2013)	Tanzania (2023)	Uganda (2024)
Average allocations			
Dispensary/HCII	1,277	6,814	2,710
Health Centre/HCIII	5,225	53,276	9,467
District/General Hospital		251,701	93,449
Per capita allocations			
Dispensary/HCII	0.12	0.60	0.10
Health Centre/HCIII	0.13	0.60	0.32
District/General Hospital		0.66	0.24

Allocations by Programme, South African province

Table 6: Summary of payments and estimates by Programme.

R thousand	Outcome			Main appropriation	Adjusted appropriation 2023/24	Revised estimate	M 2024/25
	2020/21	2021/22	2022/23				
1. Administration	590 629	716 793	773 703	798 917	802 452	780 131	988 331
2. District Health Services	15 075 401	15 094 877	15 077 221	14 188 408	14 757 701	15 649 758	15 568 003
3. Emergency Medical Services	1 272 046	1 353 522	1 452 877	1 507 673	1 519 607	1 381 840	1 562 632
4. Provincial Hospital Services	3 980 365	3 686 353	3 926 710	3 886 714	4 253 816	4 196 026	4 231 168
5. Central Hospital Services	4 845 403	4 751 526	4 713 574	4 943 073	5 130 576	5 044 911	5 036 282
6. Health Sciences And Training	720 097	774 759	985 706	1 245 542	1 249 721	921 291	1 165 111
7. Health Care Support Services	152 387	112 986	115 053	175 171	199 900	131 833	248 787
8. Health Facilities Management	1 357 890	1 087 913	1 071 575	1 393 841	1 203 339	1 165 081	1 306 528
Total payments and estimates	27 994 218	27 578 729	28 116 419	28 139 339	29 117 112	29 270 871	30 106 843

Allocations to facilities shown by facility type, Kisumu County, Kenya

	Approved Budget	Actual Expenditure	Baseline	Approved Estimates
<i>Sub-Programmes</i>	2022/2023	2022/2023	2023/2024	2024/2025
SP0301: Jaramogi Oginga Odinga Teaching and Referral Hospital	160,000,000	110,000,000	115,000,000	650,000,000
SP0302: Kisumu County Hospital	60,560,000	60,559,969	42,000,000	59,870,067
SP0303: County and Sub-County Hospital Services	235,100,000	73,431,673	271,874,534	233,971,698
SP0304: Health Centres and Dispensaries	-	-	11,132,698	32,578,766
Total Programme Expenditure	455,660,000	243,991,642	440,007,232	976,420,531

Uganda district budgets show grants amounts to health facilities

Total for LCIII: Aromo Subcounty		County: Erute County		42,548
LCII: Otara	AROMO HC III	AROMO III	Source: Programme Conditional Grant - Non Wage Recurrent o/w Primary Health Care - Non Wage Recurrent (Government)	19,354
LCII: Otara	AROMO HC III	AROMO III	Source: Programme Conditional Grant - Non Wage Recurrent o/w Primary Health Care - Non Wage Recurrent (Results-based)	23,195
Total for LCIII: Agweng Subcounty		County: Erute County		24,575
LCII: Orit	Barlonyo HC III	Barlonyo HC III	Source: Programme Conditional Grant - Non Wage Recurrent o/w Primary Health Care - Non Wage Recurrent (Government)	19,354
LCII: Orit	BARLONYO HC III	Barlonyo HC III	Source: Programme Conditional Grant - Non Wage Recurrent o/w Primary Health Care - Non Wage Recurrent (Results-based)	5,221
Total for LCIII: Amach Subcounty		County: Erute County		131,047
LCII: Ayach	AMACH HC IV	AMACH IV	Source: Programme Conditional Grant - Non Wage Recurrent o/w Primary Health Care - Non Wage Recurrent (Government)	96,768
LCII: Ayach	AMACH HC IV	AMACH IV	Source: Programme Conditional Grant - Non Wage Recurrent o/w Primary Health Care - Non Wage Recurrent (Results-based)	34,279

Simple line item budget

SCOA	Expenditure item	FY 202223 Supplementary Budget 2	FY 2023/24 Net Expenditures	FY 2023/24 AIA	FY 2023/24 Gross Expenditures
	RECURRENT EXPENDITURE				
	OPERATIONS	944,533,650	408,750,000	370,000,000	778,750,000
	MAINTENANCE	92,903,334	56,700,000	-	56,700,000
	SUB TOTAL	1,037,436,984	465,450,000	370,000,000	835,450,000
	PERSONNEL	2,361,228,197	2,326,881,228	-	2,326,881,228
-	TOTAL RECURRENT	3,398,665,181	2,792,331,228	370,000,000	3,162,331,228
	DEVELOPMENT EXPENDITURE				
	CAPITAL EXPENDITURE	588,052,630	429,372,904	-	429,372,904
	TOTAL	3,986,717,810	3,221,704,132	370,000,000	3,591,704,132
210000	COMPENSATION TO EMPLOYEES				
2110101	Salaries & Wages	2,361,228,197	2,326,881,228		2,326,881,228
2710102	Gratuity Arrears				-
	SUB-TOTALS	2,361,228,197	2,326,881,228	-	2,326,881,228
2210100	USE OF GOODS AND SERVICES				
2210100	Utilities, Supplies & Services	-	-		-
2210101	Electricity	32,231,822	20,000,000		20,000,000
2210102	Water and Sewerage	100,000	200,000		200,000
2210200	Communication, Supplies and Services	-	-		-
2210201	Telephone, Telex, Fascimile and Mobile Phone Services/Bills	150,000	150,000		150,000
2210202	Internet Connections	240,000	250,000		250,000
2210203	Courier & Postal Services	14,000	50,000		50,000
2210300	Domestic Travel and Subsistence & other				

Budgeting for funds at the facility level

- Once funds have been allocated to facilities by the central or sub-national government, facilities must then budget for these.
- Some practices from East Africa:
 - MoH provides guidelines on what can be budgeted for (including indicative proportions on different cost items in Kenya, Tanzania)
 - Facilities budget using national budget categories (chart of accounts) in Kenya, Tanzania. Simplified framework used in Uganda.
- Budgets and spending overseen by a health facility management committee in all countries.

Budget management

- If facility autonomy going to be increased then responsibility for *both* budget formulation and management needs to be at the facility level.
- Budgets are plans/forecasts, so will never be fully accurate. Rigid budgets that cannot be adjusted in year can limit the efficiency of spending.
- Need flexibility with some safeguards

Financial flows and banking arrangements

- **Financial flows:** if central government is largely making the allocation to facilities, then may be more efficient for funds to flow direct from the national treasury to the facility, even in decentralized systems.
- But LGs would still need to budget for the funds
- **Bank accounts:** typically will need MoF approval (and MoF may even need to revise rules) to allow facilities to establish bank accounts.
- But digital solutions such as pre-paid cash cards and digital money/mobile wallets are also opening up new ways for accessing financing at front-line facilities.

Accounting and reporting

- Relatively complexity and burden of accounting systems and rules should match the size of funding facilities receive – if this is relatively small, keep it simple
- District-level accounting staff can be deployed to support smaller front-line facilities
- Digital PFM tools, even applications based on a smart phone, may be able to help simplify processes

Some examples of facility accounting systems

- Kenya pre-2013: project-specific system
 - bespoke MS-Access-based system used for monthly facility reports, submitted to the DHMT for review and consolidation, and then forwarded to the Ministry of Health. 100 district-based accountants contracted by the project to support facility financial reporting
- Tanzania: facility-level financial management system
 - introduction of Facility Financing Accounting and Reporting System (FFARS) was introduced in 24,000 health facilities and schools. Health facility governing committees endorse reports before they are submitted to the district. Roll-out of DFF and the FFARS included externally-financed deployment of assistant accountants.
 - FFARS data uploaded to IFMIS
- Uganda: manual/excel reporting
 - facilities must report using the standard formats set out in the facility grant guidelines, and are not required to be prepared on any particular system (i.e. they can be paper based). Sub-county accountants are responsible for assisting facilities in maintaining their books of accounts.
 - no integration of facility reports into LG reports (as budgeted as a grant)

Oversight and evaluation

- Importance of **community engagement** through health facility management committees and of **supportive supervision** from the local government is emphasized in many studies of health facility financing reforms.
 - Health facility management committees typically at a minimum approve budgets and sign-off reports.
 - Accounting support from the local government to ensure that procedures are complied with and reports accurately compiled.
- **Evaluation:** can HR, logistics, finance and HMIS systems be linked-up to understand what health outputs facilities are producing with the inputs provided. Essential for policy evaluation and adjustment.

Concluding considerations

- Key foundation is to have clear allocations for facilities to ensure they can budget for these funds.
- In designing arrangements keep in mind objective of aligning financial management and service delivery responsibilities
- But there are trade-offs in designing facility-level PFM arrangements:
 - administrative costs of systems, staff time/additional staff, training
 - likely risks of mismanagement of small amounts of funding
 - additional fiduciary safeguards needed for donor funding
- Importance of oversight:
 - community engagement through HFMCs
 - supportive supervision and improved management of facilities by the district
- Need to join up data sets for policy evaluation

Thank you

Aligning responsibility for budgetary management and service provision

<i>Billion Uganda Shillings</i>		FY 2019/20 Approved Budget					
SECTOR/VOTE	Wage	Non-Wage Recurrent	Domestic Dev	External Financing	Total excl. External Financing	Total incl. External Financing	
014	Ministry of Health	14.617	67.269	68.208	1,059.367	150.094	1,209.461
107	Uganda AIDS Commission	1.320	7.394	0.008	0.000	8.722	8.722
114	Uganda Cancer Institute	5.116	14.925	13.929	57.288	33.970	91.258
115	Uganda Heart Institute	4.599	15.458	4.650	0.000	24.707	24.707
116	National Medical Stores	11.987	384.185	0.000	0.000	396.172	396.172
122	Kampala Capital City Authority	8.433	4.415	0.938	0.000	13.786	13.786
134	Health Service Commission	2.325	4.462	0.080	0.000	6.867	6.867
151	Uganda Blood Transfusion Service (UBTS)	3.838	12.234	1.870	0.000	17.942	17.942
161	Mulago Hospital Complex	29.206	28.930	11.020	0.000	69.156	69.156
162	Butabika Hospital	5.700	7.572	8.308	0.000	21.580	21.580
163	Arua Referral Hospital	5.049	3.110	1.060	0.000	9.220	9.220
164	Fort Portal Referral Hospital	5.627	3.248	1.060	0.000	9.935	9.935
165	Gulu Referral Hospital	5.109	2.833	1.488	0.000	9.431	9.431
166	Hoima Referral Hospital	6.198	2.226	0.760	0.000	9.185	9.185
167	Jinja Referral Hospital	7.198	3.731	1.188	0.000	12.117	12.117
168	Kabale Referral Hospital	4.160	2.831	1.488	0.000	8.479	8.479
169	Masaka Referral Hospital	4.600	2.526	2.058	0.000	9.184	9.184
170	Mbale Referral Hospital	6.638	4.310	3.058	0.000	14.007	14.007
171	Soroti Referral Hospital	4.579	2.719	1.138	0.000	8.435	8.435

<i>Billion Uganda Shillings</i>		FY 2019/20 Approved Budget					
SECTOR/VOTE	Wage	Non-Wage Recurrent	Domestic Dev	External Financing	Total excl. External Financing	Total incl. External Financing	
172	Lira Referral Hospital	5.199	2.669	1.488	0.000	9.356	9.356
173	Mbarara Referral Hospital	5.427	3.664	1.678	0.000	10.770	10.770
174	Mubende Referral Hospital	5.434	1.774	1.060	0.000	8.269	8.269
175	Moroto Referral Hospital	4.331	1.507	1.488	0.000	7.326	7.326
176	Naguru Referral Hospital	6.732	1.437	1.056	0.000	9.225	9.225
177	Kiruddu Referral Hospital	4.785	7.230	0.000	0.000	12.015	12.015
178	Kawempe Referral Hospital	4.700	4.198	0.000	0.000	8.898	8.898
179	Entebbe Regional Referral Hospital	2.309	1.000	0.000	0.000	3.309	3.309
180	Mulago Specialized Women and Neonatal Hospital	7.396	2.000	0.000	0.000	9.396	9.396
304	Uganda Virus Research Institute (UVR)	1.541	5.248	2.280	0.000	9.069	9.069
500	501-850 Local Governments	437.022	56.190	56.312	2.686	549.524	552.210
Sub Total For Health		621.177	661.298	187.670	1,119.341	1,470.145	2,589.486