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Effective Coordination and Use of Donor Funding in Zambia

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Donors will continue to play a pivotal role in supplementing the government's efforts to realize its health objectives. To get the most from these efforts, the Ministry of Health has effectively coordinated various donor contributions. This process has been aided by the ministry's ability to make its priorities clear, thereby avoiding duplication of efforts.

In the Zambian context, the phrase donor coordination is a misnomer. In the past the Ministry of Health attempted to coordinate donors, did not succeed, and later realized that this was not possible. From this experience it concluded that donors cannot effectively be coordinated, because they are development agencies of sovereign countries with their own cultures, hidden agendas, and biases. Accordingly, the ministry has stopped coordinating donors as such, but successfully coordinates programs and activities through its health sector support policy. Figure 17.1 shows estimates of the extent and sources of donor funding relative to other sources of funding in Zambia.

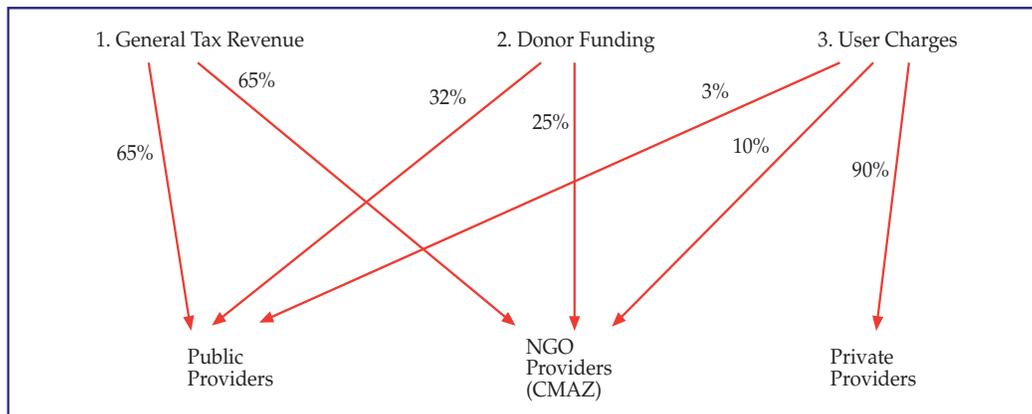
Conceptual Framework for Health Reforms

Zambia's health system has been likened to a Cadillac maintained for years by a relatively wealthy family. The family's economic situation has changed, and it can no longer afford to maintain this expensive vehicle without seeking assistance from cousins and relatives to help fuel, repair, and maintain the gas-guzzling vehicle. The alternative is to design and construct a more efficient vehicle that can meet the family's changing health care needs given its limited means.

The Ministry of Health has initiated the process of redesigning the car, but more remains to be done. It is trying out parts and road testing them, but the vision of the whole new Zambian health vehicle must be a product of societal consensus, a product of collective effort that will go beyond the government's own interests (Kalumba and others 1994).

The health reforms represent a major initiative to improve the equity, accessibility, quality, and cost-effectiveness of health services in the country. The authorities have developed a national health policy document that lays out clearly their health vision, goals, objectives, priorities, and targets. The mission statement is "to provide Zambians with equity of access to cost-effective quality health care as close to the family as

Figure 17.1. Health Sector Financing in Zambia



Source: Ministry of Health.

possible.” The national health strategic plan describes how Zambia will achieve the aspirations of its national health policies and strategies.

Underlying these reforms is the desire to build effective leadership, accountability, and partnership. These principles are an integral part of the health reform process, which continues to be one of national analysis and debate to identify solutions instead of scapegoats. The outcomes of this process are expected to be better quality care and improved use of existing resources in infrastructure, personnel, equipment, drugs, and information.

Zambia’s vision of its new health care system was fleshed out by answering the questions What do we want? What do we have? What do we need? What can we afford? A step-by-step process guided planners to

- Undertake a critical self-assessment of health needs; financial, physical, human, and academic resources; and stakeholders in the reform process
- Propose a set of standards for the new health system based on an agreed upon set of principles (equity, affordability) and on what the various levels of health care could reasonably be expected to provide
- Develop an essential minimum health care package.

The government cannot afford to continue to finance all possible health care services indiscriminately. If infant, child, and maternal mortality are to be reduced and life expectancy increased, then government health care services must concentrate on efficient, effective, interventions that reduce the leading causes of morbidity and mortality. The essential package will exclude costly services that are not expected to have a significant impact upon health status given Zambia’s morbidity and mortality patterns. Some of the services identified in the essential package will be provided through health centers and hospitals. Others will be provided at the household or community level, in which case districts will be responsible for ensuring that households and communities receive the necessary support. This does not necessarily mean that services outside the essential package will not be provided; however, resources for funding these services have to be sought elsewhere, for example, from private sources.

Donor Coordination in the Health Sector

According to SIDA (1996):

Development assistance has all too often been fragmented and delivered in the form of multiple projects. The institutions in the recipient countries have not been able to cope with the diverse

modes of assistance and the multitude of donors. Evaluations of international development cooperation often conclude that the best way of ensuring efficient and effective use of external resources is broader and better coordinated sector programmes. Some multilateral and bilateral development agencies have subsequently started to review their forms of assistance accordingly.

The bottom line for effective coordination and use of donor funding is that cooperating partners move away from supporting multiple programs and projects to providing integrated health sector support. The main reasons for this include

- Encouraging the recipient government to take the leadership role and to use the foreign exchange provided in accordance with its own priorities
- Securing a realistic and constructive donor-government dialogue
- Contributing to better donor coordination
- Achieving a better connection between the financing of sectoral development and macroeconomic objectives
- Making resource use in a sector more transparent and subject to dialogue
- Facilitating long-term financial sustainability.

Health Sector Support Concept

Based on Zambia's experience, the prerequisites for successful health sector support are a clear and well-articulated national health policy and a clear, well-articulated, and costed national health strategic plan/health investment plan.

The main inputs into the strategic investment plan and associated activities are

- Human resource development
- Medical supplies and drugs
- Medical equipment
- Financial, administrative, and management systems
- Partnership between the government and donors
- Physical infrastructure
- Financial resources to cover fixed and recurrent costs and a health care financing policy
- Ministry of Health restructuring and reorganization, from neighborhood committees to health centers, district health/hospital boards, central health board, and the ministry's headquarters.

Integrated Common Basket Funding

The purpose of the integrated common basket funding strategy is to encourage cooperating partners to support the Ministry of Health with financial assistance rather than technical assistance. A long-term aim is both to streamline and rationalize financial and administrative procedures and to facilitate the channeling of all financial donor support to the health sector in a simple and efficient way. The provision of this kind of untied financial support to the ministry budget (or, in the interim, the district grant and/or provincial grant components of the budget) has become known as basketing. When the Financial, Administrative, and Management System (FAMS) forms, procedures, and guideline are all in place, the government envisages that the Ministry of Health and the various donors to the health sector can move closer toward fully basketing their funds. This implies that donors will support the health sector by financing a single, agreed upon budget administered by the permanent secretary of the Ministry of Health.

A uniform system of disbursement of funds, procurement, reporting, and auditing would be in place. The proposed disbursement procedures are as follows:

- Donors will be asked to visit the Ministry of Health quarterly. The contribution to district basket funding from each donor will depend on the donor's commitment to the total budget.

- The Ministry of Finance will make disbursements to the Ministry of Health account on a monthly basis.
- Each month money will be disbursed to the district boards' basket and to provincial officers or other units according to recommendations or funding approvals. The boards or units approved for funding will receive a check from the Ministry of Health's Accounts Unit.
- Receiving entities will keep accounts and make financial and progress reports.

As concerns reporting procedures, donors will receive the following reports from the ministry, submitted not later than three months after the end of each quarter:

- Monthly bank statements on the individual donor accounts (currently some donors maintain separate accounts at the Ministry of Health)
- Bank reconciliation statement on the individual donor accounts
- Monthly bank statements on all accounts
- Bank reconciliation statement on all accounts
- Quarterly reports on the disbursement of funds to the various districts, hospital boards, or units showing each contributor's share of the total disbursement
- Consolidated report on expenditure for the quarter ended three months earlier
- Consolidated report on district, hospital, or unit performance based on progress reporting and performance audits.

The Budget Steering Committee will be responsible for approving the reports before forwarding them to donors.

Monitoring and Evaluation

The development of monitoring and evaluation indicators is based on institutional, as opposed to individual cooperating partners' vertical program or project, indicators. The goal is to establish a self-sustaining monitoring and evaluation system that improves decisionmaking at all levels of the system through the use of timely, valid, and appropriate information required to increase the effective utilization of quality health services.

The major parameters to be monitored and evaluated include

- Coverage of the essential package of health services
- Provider and client perceptions of the quality of health services
- Management and development of human resources
- Availability of drugs and supplies
- Status of infrastructure, equipment, and logistics
- Morbidity and mortality rates
- Equity, including gender issues
- Financial information (costs and expenditures)
- Health reforms process.

The Effectiveness of Coordination

The Ministry of Health has achieved donor coordination in support of health reform in a number of ways. To begin with, the government's strategic plan now serves as the framework for all donor contributions to the sector, and all donor support should fit within it. This strategic plan will be discussed and updated regularly with all interested donors. Based on the agreed strategic plan, the government has developed a five-year rolling investment program and an annual budget for recurrent costs and grants that it discusses with donors and that fully reflect all donor support. The investment program and the recurrent budget represent a consolidation of the programs of all district, hospital, and parastatal boards. As concerns the

recurrent budget, all donor support is channeled to districts using a single set of planning, budgeting, disbursement, accounting, and auditing mechanisms. However, some donors have not fully committed themselves to the common basket funding process.

The Ministry of Health holds annual consultations with donor agencies. In an effort to enhance donor coordination and partnership with the Ministry of Health, the 1994 consultative meeting proposed that the Ministry of Health organize two consultative meetings annually. Thus the first meeting takes place in April each year to review activities and accomplishments under the health reform process, and the second takes place in October each year to plan implementation and budgets and to review commitments for the following year.

The April review meeting extracts the lessons learned by

- Examining evidence that the previous year's budgeted investment and recurrent expenditures took place as envisaged
- Assessing district-level capacity in financial management using audited reports
- Evaluating progress in meeting agreed targets in districts
- Assessing progress in the number of health centers and other facilities offering the basic package of services
- Summarizing beneficiary assessments and other external reviews for the previous year along with actions proposed and taken to correct any problems found
- Assessing progress in implementing revised policies and logistics systems in human resources, drugs and supplies, urban primary health care, family planning, and nutrition
- Examining draft audit reports for the boards that received support during the preceding year.

The October planning and review meeting includes discussion of

- Future policy direction and steps in decentralization
- Basic program targets and goals
- Areas for further strengthening of district-level capacity, that is, next steps in personnel and human resource development
- Training commitments
- Technical assistance foreseen
- New issues for operations research
- Areas for study and evaluation.

The ultimate goal of FAMS is to ensure transparent, accountable, effective, and efficient use of funds in the health sector. To achieve this, the authorities use a single, simple, comprehensive, timely, and reliable system for planning, budgeting, accounting, stocking of supplies, and financial and progress reporting for all levels of the health system. FAMS is intended to streamline and rationalize the cycle of planning, implementation, and assessment within the Ministry of Health. The system facilitates analysis following traditional accounting lines (cost lines) as well as analysis following health programs (cost centers). It is also intended to enable donors to contribute to the health sector by meeting their requirements for disbursement, accounting, and reporting without overburdening the health sector with extra procedures.

FAMS was introduced in 1991 and since then has undergone a number of refinements. To date it has concentrated on the district level. The following are being developed under FAMS:

- A uniform system for planning, budgeting, and management
- A uniform system for inventory control and pharmaceutical procedures
- A means for accounting and financial reporting
- A method of progress reporting and performance auditing
- A system for carrying out audits and for internal control.

The following criteria must be met to widen donor commitment to providing financial support to a single Ministry of Health budget:

- Funds are used on agreed-upon purposes at all levels.
- Management of funds meets international standards of accounting and reporting.
- A budget steering committee is put in place, operates with a strong monitoring capacity, and is responsible for approving and authorizing all Ministry of Health expenditures and disbursements and approving consolidated financial and progress reports.
- A strong monitoring and internal audit unit is operational within the Ministry of Health.
- Reliable external audits are conducted according to international standards.

To facilitate the use of funds according to agreement, the planning procedures must be clear, both within the Ministry of Health and between the ministry and donors. The yearly planning process ends in signing “contracts” with districts that contain conditions, for example, districts health boards may spend a maximum of 20 percent on allowances, or at least 50 percent of the district budget must be spent at the levels of health centers and the community. Equally, donors and the Ministry of Health make a mutual commitment to funding and the spending of funds, that is, they agree upon a sufficiently detailed budget from which only specified percentage deviations between line items is allowed. This is important to ensure that districts do not spend all their money on one line item.

The Budget Steering Committee has been established within the reorganized Ministry of Health. The committee may delegate tasks to subcommittees or units within the ministry or central board of health. Currently the tasks of approving disbursements and consolidating reports are delegated to two different subcommittees. External audits are conducted by the auditor general.

Zambia resists and discourages the culture of establishing large donor project implementation offices with many technical support experts. It has no place within the sector support concept.

In addition to the two Ministry of Health/cooperating partners annual review meetings described earlier, in an effort to enhance transparency, accountability, and dialogue, the ministry has established the following committees with clear terms of reference:

- *Budget Committee.* Internal Ministry of Health Committee chaired by the permanent secretary to monitor both government and donor fund expenditures on a monthly basis.
- *Basket Steering Committee.* Donor membership is restricted to donors who are supporting the Basket. The purpose of the committee is to disburse funding on a quarterly basis applying agreed criteria.
- *Ministry of Health/Donor Steering Committee.* This committee includes all collaborating partners and meets on a quarterly basis to improve dialogue, transparency, and accountability.

Obstacles Overcome and Remaining Obstacles

The following obstacles have been overcome:

- Arriving at a shared vision of the health sector
- Improving dialogue, accountability, and transparency
- Reducing mistrust
- Agreeing on a uniform reporting, disbursement, and auditing system
- Improving Ministry of Health assertiveness.

The following obstacles remain:

- The current bilateral agreements
- The lack of a logical planning framework, which most donor agencies use to develop project documents
- The culture of some donors who support vertical programs and projects
- The supervisory missions from individual donors
- The country’s political turbulence.

Conclusion

In conclusion, effective coordination and use of donor funding is contingent upon cooperating partners and the Ministry of Health moving away from project and program support to health sector support. Prerequisites for a successful health sector support include the following:

- Having a clear, well-articulated national policy with a clear mission statement, objectives, goals, priorities, and so on
- Preparing a clear, well-articulated (and costed) strategic plan
- Harmonizing all major cooperating partners as regards formats for disbursement, procurement, reporting, annual monitoring of progress, and auditing
- Implementing common basket funding, both at the district level, and ideally at the national level
- Encouraging support that focuses on the entire sector rather than on vertical programs or discrete projects
- Developing monitoring and evaluation indicators based on institutional indicators as opposed to individual cooperating partners in vertical programs or projects
- Discouraging donors from establishing project implementation offices in the country
- Installing transparency and dialogue mechanisms.

Health sector support is a long-term and negotiated learning process between cooperating partners and the Ministry of Health. Zambia has taken the first of many steps, and already the outcome has been effective coordination and use of donor funds. Donor resources are channeled to country-specific priorities. Duplication of efforts and donors' hidden agendas and biases have been checked. An open partnership between donors and the Ministry of Health has led to constructive dialogue, accountability, and transparency.

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