Ghana Health II: Dealing Creatively with Weak Country Systems

One of the threads running through the recently completed 2004 Fiduciary Forum was a concern about ways to harmonize around country systems when those systems are weak. Ghana Health II, a sectorwide approach project, demonstrates that systemic weaknesses can be addressed even as country systems are used for financial management purposes. What does it take to succeed? Patient capacity building (backed by resources) and donor collaboration.

Background

Ghana Health II and its predecessor, Ghana Health I, were developed to address deep regional inequalities in health investments and outcomes and chronic underfunding of the health sector. At least some of the regional inequalities resulted from uncoordinated external assistance directly tied to donor-driven priorities (external partners provide more than 40 percent of Ghana’s health program funding). Thus the first step to ensuring a comprehensive approach to the health sector was getting the Government and development partners to agree on a policy framework. This was achieved in 1996, when the Government adopted its first Medium-Term Health Strategy.

Country systems

Ghana’s financial management systems, including those of the Ministry of Health (MoH), are weak. The 2001 Country Financial Accountability Assessment cited a lack of skilled financial staff, sound reporting systems, and strong internal audit services. For Ghana Health II, the Government and the health partners agreed to rely on Ghana’s financial management processes as far as possible. In areas of weakness they would supplement the national systems with sectorwide and nationwide capacity-building support and transitional arrangements.

Donor collaboration

After agreeing on a policy framework and on the extent of reliance on national systems, the next step was to find a mechanism to maximize donor collaboration. Key to strengthening donor collaboration was agreeing on a framework (including budget and resource allocation) for the whole sector. This framework was documented in a memorandum of understanding signed by the Government and the cooperating partners, underpinning the donor collaboration and pooling of funds. The sectorwide approach (SWAp) ensures that all activities funded fall within a commonly agreed program of work; in Ghana Health II, donor collaboration extended to common disbursement, reporting and supervision, and auditing arrangements. Further, some partners — the Danish International Development Agency, the United Kingdom’s Department for International Development (DFID), European Union, Netherlands, Nordic Development Fund, and World Bank — have taken the additional step of pooling funds. (Pooling involves agreeing that all or part of their funds can be used for the agreed overall program of work, without specifically “earmarking” or tracking individual expenditures.)

Common Financial Management Arrangements/Capacity Building

Common assessment

The partners decided to assess Ghana’s health operating units (budget management centers, or BMCs) — from large tertiary hospitals to small health posts in rural areas — against a set of simple financial criteria. This assessment would certify those BMCs that had sufficient financial management processes as far as possible. In areas of weakness they would supplement the national systems with sectorwide and nationwide capacity-building support and transitional arrangements.
Common disbursement arrangements

In Ghana Health II, the annual program of work that is approved by the Government and the health partners forms the basis of the annual funding arrangements. Within these arrangements, the World Bank plays a key role, because it has greater disbursement flexibility in the IDA credit than do some of the health partners, which have government appropriation cycles that require tranche payments within a given fiscal year. This flexibility enables the Bank to be the "swing financier"; thus, for example, if DFID wishes to frontload its contribution in the first quarter, IDA can fill the gap in the last quarters. Also, the Bank is the only one of the health partners that can make direct payments or issue special commitments, as it did in response to an MoH request for payments to be made to suppliers of drugs and medical equipment.

For the balance of the Bank's annual funding commitment, it uses the report-based disbursement method to reimburse expenditures financed by the Government — that is, it disburses on the basis of the health sector's agreed quarterly financial statements, rather than requiring the identification of individual expenditures. The Bank deposits these disbursements in a separate U.S. dollar bank account of the Ministry of Health, together with the contributions of the pooled funds of the other health partners.

Ghana Health II functions with one operating disbursement category, which is defined broadly enough to cover all goods, works, and services included in health sector expenditures. In addition, it operates without a traditional World Bank special account to simplify working in a pooled environment with multiple donors that are providing funds as sector budgetary support on a direct grant basis.

The Danish International Development Agency funded technical assistance to help the Ministry of Health prepare (and help staff use) the Accounting, Treasury, and Financial Reporting Rules and Instructions Manual, which documents the Government treasury system used in the Ministry of Health, provides rules and instructions for accounting for pooled donor funds, and sets out the internal procedures for collecting and disbursing the MoH funds generated from patient copayments.

Common auditing arrangements

The Ministry of Health and the health partners agreed to a single audit arrangement for the health sector. The Ghana Auditor-General has constitutional responsibility for auditing the operations of all Government departments — including Government budget, donor funds, and copayment revenues. Recognizing the capacity constraints of the Auditor-General's department, the partners and the Government agreed that, as an interim measure, a private sector auditor would carry out the MoH audit jointly with the Auditor-General's department. For the longer term, the Swedish Audit Office is assisting the Auditor General's department in developing capacity to take over the MoH audit.

In addition to the financial audit, annual procurement audits are carried out to review the procurement systems and the use of resources, and to recommend any improvements. These audits are carried out by independent procurement auditors acceptable to the cooperating partners and hired competitively by the Ministry of Health.

Lessons of Experience

A careful process of consultation and prioritization is crucial to achieving agreement between Government and donors, and among donors, and thus to ensuring that the sector policy truly is owned by the Government and acceptable to the sector partners. In addition, World Bank staff need to gain buy-in across the Bank, so that the SWAp is acceptable to all sections of the Bank involved in project processing, operations, financial management, procurement, disbursements, and legal oversight.