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ANALYSIS OF FUND DISBURSEMENT BOTTLENECKS AFFECTING THE CAMBODIA GLOBAL FUND KHM-C-MEF GRANT



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Health Policy Plus (HP+) is a five-year cooperative agreement funded by the U.S. Agency for International Development (USAID) under Agreement No. AID-OAA-A-15-00051, beginning August 28, 2015. The project's HIV activities are supported by the U.S. President's Emergency Plan for AIDS Relief. HP+ is implemented by Palladium, in collaboration with Avenir Health, Futures Group Global Outreach, Plan International USA, Population Reference Bureau, RTI International, ThinkWell, and the White Ribbon Alliance for Safe Motherhood.

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Abbreviations

ARV	antiretroviral (drugs)
CCC	Country Coordinating Committee
Global Fund	The Global Fund to Fight AIDS, Tuberculosis, and Malaria
HP+	Health Policy Plus
HIV	human immunodeficiency virus
LIT	leadership implementation team
MEF	Ministry of Economy and Finance
MOH	Ministry of Health
NCHADS	National Centre for HIV/AIDS Dermatology and Sexually Transmitted Diseases
RGC	Royal Government of Cambodia
SI	sub-implementers
SOP	standard operating procedures
SSI	sub-sub-implementers
TB	tuberculosis
UNAIDS	Joint United Nations Programme on HIV/AIDS

Overview

In 2017, Cambodia was awarded a three-year \$55.41 million Global Fund to Fight AIDS, Tuberculosis, and Malaria (Global Fund) grant for HIV and tuberculosis (TB) activities, allocating \$40.7 million for HIV, \$13.7 million for TB, and \$1 million for management costs from January 1, 2018 to December 31, 2020.¹ The grant aims to reach the Joint United Nations Programme on HIV/AIDS (UNAIDS) 90-90-90 targets to reduce new HIV infections,² decrease HIV/AIDS-related mortality, and reduce the prevalence of TB cases and mortality by 2020.³

In this funding cycle, the Ministry of Economy and Finance (MEF) is the new principal recipient. This is a significant change to implementation arrangements for previous Global Fund awards, which selected health-related institutions, such as the National Centre for HIV/AIDS Dermatology and Sexually Transmitted Diseases (NCHADS) and National Centre for Tuberculosis and Leprosy Control, as principal recipients on separate grants. The new arrangement is intended to enable Global Fund-supported activities to align with routine government financial disbursement and oversight structures, with delegated responsibilities to the Ministry of Health (MOH) as the lead implementer while allowing the national programs (sub-implementers [SI]) as well as nongovernmental organizations (sub-sub-implementers [SSI]) to focus on their core mandates and competencies. The primary aim of this change is to foster greater national ownership, alignment with national funding flows, and greater visibility of Global Fund funds with the MEF.⁴

The Country Coordinating Committee (CCC) is responsible for governing Global Fund portfolio issues, applying for Global Fund funding, and ensuring smooth implementation of Global Fund grants.⁵ On March 14–16, 2018 the CCC conducted a retreat in Battambang to discuss several major issues, including delays in the initial transfer of funds. For Quarter 1, January–March 2018, the planned cash flow is estimated to be \$3.7 million or about 30 percent of the total Year 1 cash flow.

Although the principle recipient, SIs, and SSIs have advanced work, specifically documenting and reporting requirements stipulated in the SSI agreements, the lapse in funding delayed activity implementation and caused a disruption in service delivery. To facilitate the timely transfer of Quarter 1 Global Fund HIV funds to implementing partners, the completion of a fund flows analysis was included as a priority activity in the CCC action plan.

This analysis was undertaken as a collaborative process led by the Health Policy Plus (HP+) project, funded by the U.S. Agency for International Development—with review and inputs from the MEF, MOH leadership implementation team (LIT), and multiple SSIs—following the *Funds Flow Analysis Guide*.⁶ This exercise served to further clarify and document any bottlenecks or root causes, identify possible solutions, and facilitate dialogue among Global

¹ All currency presented in U.S. dollars.

² Although Cambodia was recognized by UNAIDS as one of seven countries to achieve their 90-90-90 targets by the end of 2016, the current Global Fund grant was formulated using the 90-90-90 targets.

³ Global Fund grant confirmation letter (Execution Version), 2018.

⁴ Global Fund Funding Request Application Form, 2017.

⁵ CCC Core Functions and Responsibilities, CCC Retreat, March 14–16, 2018, President Hotel, Battambang, Cambodia.

⁶ **For reference purposes, the National AIDS Authority's detailed HIV fund flows for Cambodia is provided in Appendix 1.**

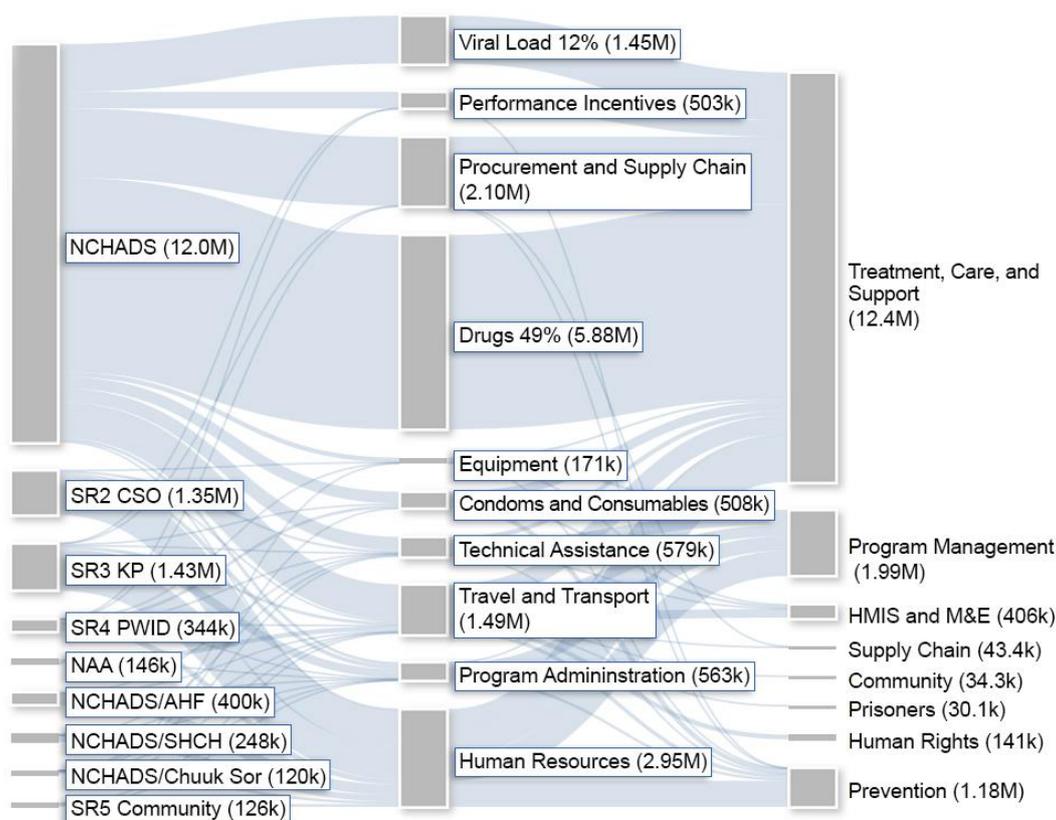
Fund stakeholders to quickly resolve current issues and improve efficiency for future fund transfers.

The report includes an examination of the planned budget, document and fund flows, and identified bottlenecks, solutions, and next steps.

Overview of Planned Budget

As the HIV SI, NCHADS is responsible for oversight of all HIV SSIs. The NCHADS proportion of the Year 1 budget was about 74 percent, inclusive of antiretroviral (ARV) drugs and viral load commodities, and the remaining portion was allocated to civil society organizations (25 percent) and the National AIDS Authority (less than one percent). Nearly 77 percent (\$12.4 million) of the Year 1 budget was programmed for treatment, care, and support, with nearly half of the NCHADS budget (\$5.64 million) programmed for ARV drugs. Prevention activities for key populations was \$1.18 million or about seven percent of the Year 1 budget. Community activities were limited to \$34,300 or less than one-tenth of one percent of the total first year budget. Figure 1 illustrates the division of Year 1 budget by implementer, cost input, and program module. The figure provides an overview of the planned budget by tracing budget amounts across each category.

Figure 1. Sankey Chart of Year 1 Planned Budget by Implementer, Cost Input, and Module



Data source: Detailed Budget Template, Global Fund Request KHM-C-MEF.

Abbreviations: AHF, AIDS Healthcare Foundation; CSO, civil society organization; HMIS, health management information system; KP, key population; M&E, monitoring and evaluation; NAA, National AIDS Authority; NCHADS, National Centre for HIV/AIDS Dermatology and Sexually Transmitted Diseases; PWID, people who inject drugs; SHCH, Sihanouk Hospital Centre of Hope; SR, sub-recipient.

Document and Fund Flows

Overall, MEF is the official interface between the Royal Government of Cambodia (RGC) and the Global Fund. As the principle recipient, the MEF Department of International Cooperation and Debt Management is responsible for award oversight, including compliance monitoring, analyzing, and reporting project portfolio performance as well as procurement and financial management. To ensure compliance with the standard operating procedures (SOP) MEF reviews the consolidated submission of all agreements, workplans, cash requests, and reports within 15 complete calendar days, identifying issues for correction/clarification or issuance of approval to release funds.

Award funds are held in different accounts depending on their purpose. The MOH is the sole signatory on the Global Fund project designated account, which is used for Global Fund-funded operational expenses; Global Fund resources for ARV procurement are transferred directly to the United Nations Office for Project Services using a direct payment request. RGC direct cost share for contract staff salary payments is held in a separate account. RGC also provides indirect cost share for the Global Fund award (including ARVs). These resources are programmed through the national budget process and included in the annual MOH budget.

As the lead implementing agency, the MOH is responsible for ensuring the project is implemented in accordance with project plans and that resources are used efficiently and effectively for project purposes. The MOH is represented by the minister of health, undersecretary of state, and director general for administration and finance who provide approvals for all fund transfer requests and consolidated report submissions to the MEF.

The MOH-LIT team was formed to provide a day-to-day coordination and oversight function; it is comprised of four departments: (1) finance and administration, (2) planning, (3) procurement, and (4) monitoring, evaluation, and reporting. MOH-LIT is responsible for consolidating financial and activity reports under each component as well as preparing progress updates and disbursement requests for the Global Fund. As SIs, the MOH national programs, namely NCHADS and National Centre for Tuberculosis and Leprosy Control, oversee service delivery implementation through SSIs. The SIs prepare and negotiate SSI agreements and review and approve/provide feedback on workplans, cash requests, and reports from SSIs within 15 complete calendar days from timely submission. Routine reporting requirements are highlighted in Box 1. Disbursements are made quarterly, conditional on Global Fund disbursement and submission of a complete request through NCHADS. SIs are responsible for notifying approval and submitting documents to MOH-LIT.

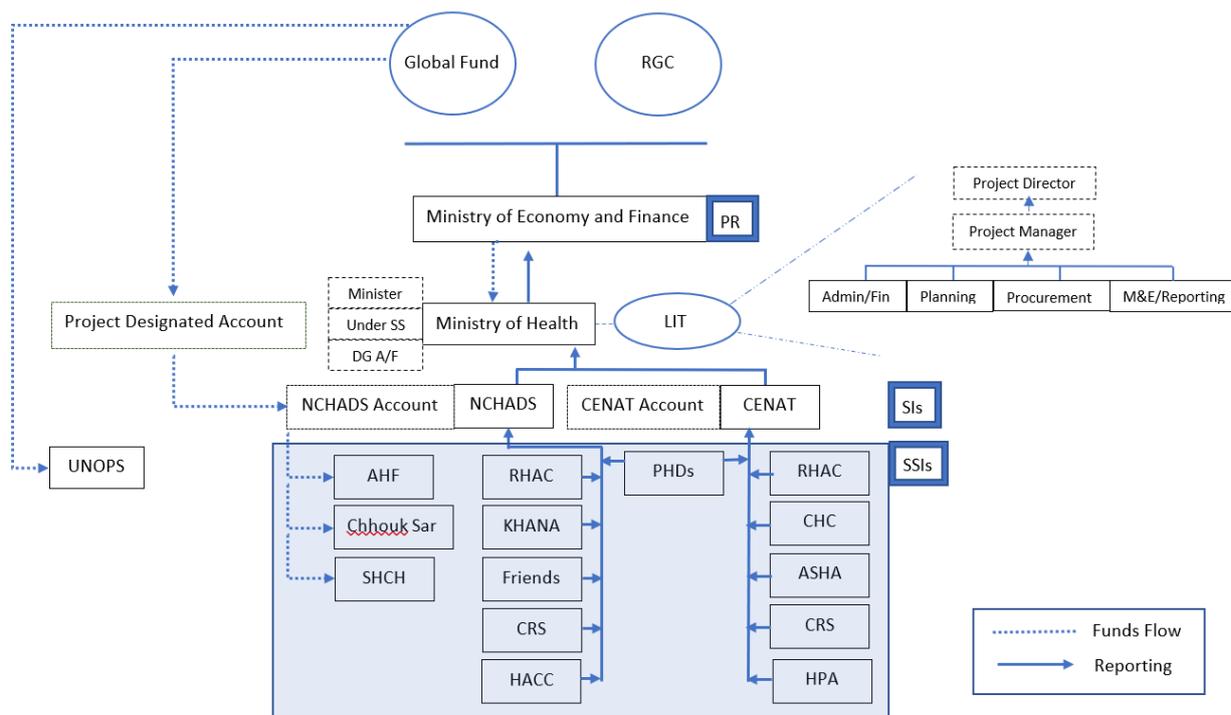
Box 1. Routine Reporting Requirements for SSIs

- Monthly financial: accounting and supporting documents due on the 10th day of the following month.
- Quarterly/semi-annual/annual progress update and disbursement request: includes programmatic, financial, and procurement requests due on the 20th of the following month.
- Quarterly cash balance: due on the 20th of the following month.

Financial management responsibilities, as defined in *Standard Operating Procedures for All Externally Financed Projects/Programs in Cambodia*,⁷ are included in Appendix 1.

The funds flow and reporting structure is illustrated in Figure 2.

Figure 2. Funds Flow and Reporting Structure



Abbreviations: Admin, administration; AHF, AIDS Healthcare Foundation; ASHA, Operation ASHA; CENAT, National Center for Tuberculosis and Leprosy Control; CHC, Cambodian Health Committee; CRS, Catholic Relief Services; DG A/F, Director General Administration and Finance; HACC, HIV/AIDS Coordinating Committee; HPA, Health Poverty Action; LIT, Leadership Implementation Team; M&E, monitoring and evaluation; NAA, National AIDS Authority; NCHADS, National Centre for HIV/AIDS Dermatology and Sexually Transmitted Diseases; PHD, Provincial Health Department; PR, principal recipient; RGC, Royal Government of Cambodia; RHAC, Reproductive Health Association of Cambodia; SHCH, Sihanouk Hospital Centre of Hope; SI, sub-implementers; SS, Secretary of State; SSI, sub-sub-implementers; UNOPS, United Nations Office for Project Services.

Bottlenecks, Solutions, and Status

As noted in the *Funds Flow Analysis Guide*,⁸ delays and bottlenecks are commonly experienced in the flow of funds, which can affect timely and effective implementation of Global Fund grant activities. A funds flow analysis aims to identify bottlenecks and delays within disbursement and reporting schedules. Several issues and possible solutions were identified at the CCC retreat on March 15, 2018, and additional issues were raised as during the collaborative process of preparing this report. A concerted effort by all parties has yielded major progress over the past several weeks. Initial bottlenecks, identified solutions, and their respective status are summarized in Table 1.

⁷ Ministry of Economy and Finance (MEF). 2012. *Standard Operating Procedures for All Externally Financed Projects/Programs in Cambodia*. Phnom Penh, Cambodia: MEF.

⁸ Grant Management Solutions (GMS). n.d. *Funds Flow Analysis Guide*. Arlington, VA: GMS. Available at: <https://gmsproject.org/resource/funds-flow-analysis-guide/>.

Table 1. Bottlenecks, Identified Solutions, and Status

Initial Bottlenecks	Identified Solutions	Status
NCHADS procurement plan did not meet the SOP requirements; this led to delays to transfer funds.	MEF identified issues and assisted NCHADS to revise the plan.	The plan was resubmitted and MEF approved the corrected plan.
No funds had been transferred as of 3/15/2018.	<p>MEF advised that SSIs with signed agreements could begin incurring general operating expenses but refrain from making any large purchases or payments (e.g., vehicle procurement and rental payment). MOH will notify SSIs of the approval of signed agreements and disbursement of funds.</p> <p>Target date for the completion of funds transfer for the five SSIs with signed contracts will be March 23, 2018.</p> <p>The underlying issue was that approval of work and procurement plans relied on SIs following SOPs, which they were not previously required to do. As this is an annual exercise, MEF does not expect this issue to carry forward, but offers assistance to SIs to mitigate future issues.</p>	<p>All five SSIs have received funds.</p> <p><u>SSIs with signed contracts:</u></p> <p>Health Action Coordinating Committee Chhouk Sar Clinic Sihanouk Hospital Center of Hope Friends–International AIDS Health Care Foundation</p>
Three SSI contracts (Khmer HIV/AIDS NGO Alliance, Reproductive Health Association of Cambodia, Catholic Relief Services) were not yet signed as of 3/15/2018 but were expected to be by the end of March 2018.	Funds transfers will be completed within 15 complete calendar days of each SSI signing a contract.	The three SSI contracts were signed and funds were issued.
Changes to the workplan and budget, as well as the addition of a new SSI, require approval from the Global Fund.	Submit changes to and follow up with the Global Fund.	Global Fund approval has been requested.
The MOH team was not familiar with the accounting system required by MEF.	<p>MOH to use the current system to process financial requests, and then migrate that information into the new system when it comes on line.</p> <p>MEF will conduct orientation sessions for MOH-LIT, SIs, and SSIs in the coming months.</p>	MOH has been trained in TOMPRO financial management software.

Initial Bottlenecks	Identified Solutions	Status
The fund request forms are not standardized, and the maximum turnaround times has not been documented. MOH-LIT and SIs are not familiar with SOPs.	Fund request forms should be standardized, turnaround time documented, and MOH-LIT and SIs trained to work with SOPs	MEF will provide guidance and assistance to MOH-LIT. Refer to MEF guidelines— <i>Standard Operating Procedures for all Externally Financed Projects/Programs in Cambodia</i> —for instructions.
The expenditure tracking system is not clear.	Following the SOPs, project teams must provide MEF with signed statements of expenditure and draft withdrawal applications—which will be approved and signed by MEF—and bank statements with reconciliations for designated and counterpart accounts. The withdrawal application to the MEF must be accompanied by the disbursement tracking form (see p. 72 of the guidelines).	Refer to MEF guidelines— <i>Standard Operating Procedures for all Externally Financed Projects/Programs in Cambodia</i> —for instructions.
No regular communication system has been set up to inform and enable feedback among MOH-LIT, SIs, SSIs, and MEF.	Quarterly management meetings would help increase communication between entities. A telegram group can be established to facilitate day-to-day communication and expedite responses between entities.	Quarterly management meetings have been established and a participant list will be established for telegram.
No system to track unexpended resources currently exists.	Determine capacity of TOMPRO financial management software to see if it fits current and future needs.	MOH-LIT to follow up with MEF.
Clarify/resolve discrepancies between Global Fund and MEF SOPs; for example, document flow to the CCC needs to be clarified.	Clarify the role and information needs of the CCC.	To be discussed.

Other Emerging Issues	Identified Solutions	Status
Limited opportunities currently exist for MOH-LIT to become familiar with SSI implementation issues, particularly those related to key populations.	Invite MOH-LIT to join biannual key populations forum so they can talk directly with SSIs and end-users and can incorporate their learnings into policy and practice. Quarterly field visits to SSI implementation sites by MOH-LIT.	To be discussed.

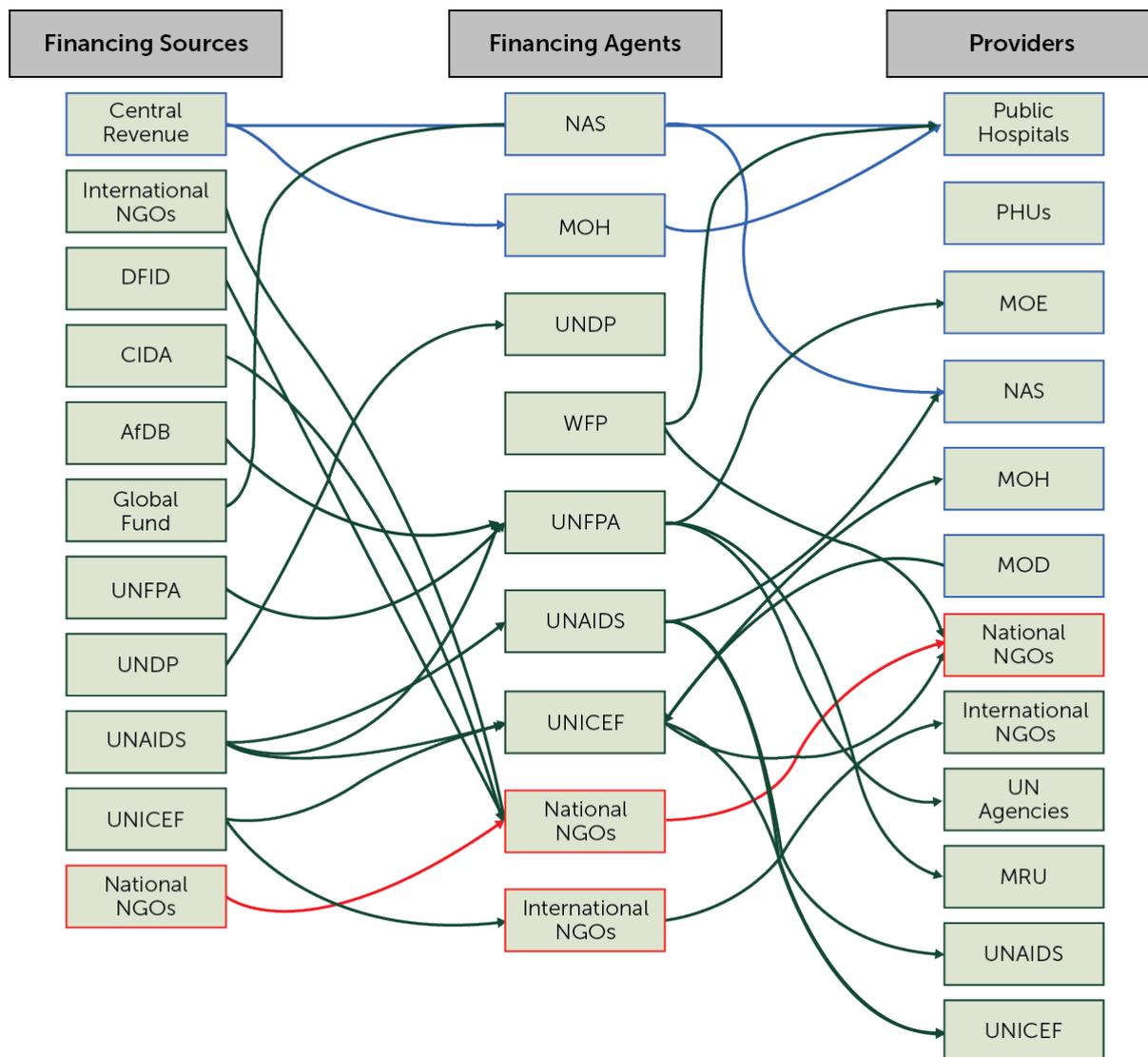
Other Emerging Issues	Identified Solutions	Status
Administrative delays have occurred with the transition of contract staff (especially NCHADS) from Global Fund funding to RGC funding.	Use MEF standard terms of reference in accordance with MEF Procurement Manual Volume I, Policies and Procedures ⁹ to expedite staff contracting.	Currently underway.

Abbreviations: CCC, Country Coordinating Committee; LIT, Leadership Implementation Team; MEF, Ministry of Economy and Finance; MOH, Ministry of Health; NCHADS, National Centre for HIV/AIDS Dermatology and Sexually Transmitted Diseases; NGO, nongovernmental organization; RGC, Royal Government of Cambodia; SI, sub-implementer; SOP, standard operating procedure; SSI, sub-sub-implementers.

Important changes were made between the planned budget in the funding request and the final budget included in the agreement. For example, incentive payments were removed and the responsibility for ARV drug procurement was delegated to the United Nations Office for Project Services, using a direct budget transfer. In addition, RGC cost-share was not reflected in the planned budget.

⁹ Ministry of Economy and Finance (MEF). 2005. *Procurement Manual: Volume I, Policies and Procedures for Externally Financed Projects/Programs in Cambodia*. Phnom Penh: MEF. Available at: <http://www.mef.gov.kh/documents/D-Investment/Document23072007/Manual%20on%20Procurement%20Volume%20I%20Main%20Text.pdf>.

Appendix A. Detailed HIV Financing Flows in Cambodia



Source: National AIDS Authority. Cambodia's Sixth National AIDS Spending Assessment (NASA) Launching Workshop, May 2018.

Abbreviations: AfDB, African Development Bank; CIDA, Canadian International Development Agency; DFID, U.K. Department for International Development; MOD, Ministry of Defense; MOE, Ministry of Education; MOH, Ministry of Health; MRU, Monitoring and Reporting Unit; NAS, Nak Akphivath Sahakum; NGO, nongovernmental organization; PHU, public health units; UN, United Nations; UNAIDS, Joint United Nations Programme on HIV/AIDS; UNDP, United Nations Development Programme; UNFPA, United Nations Population Fund; UNICEF, United Nations Children's Fund; WFP, World Food Programme.

Appendix B. Financial Management Responsibilities

Organization	Responsibilities
Ministry of Economy and Finance	<p>On behalf of the RGC, the MEF has overall responsibility for overseeing the financial performance of all DP-assisted projects that come under its purview and promoting and supporting improved portfolio performance. Specific responsibilities of the MEF are:</p> <ul style="list-style-type: none"> • Developing and maintaining policies, the standard operating procedures, and supporting manuals for all DP-assisted projects. • Identifying and designating the EA/IA for DP-assisted projects and providing appropriate authorities and delegations to the EA/IA and project teams. • Ensuring appropriate bank accounts are established with the National Bank of Cambodia and other approved financial institutions, including commercial banks and monitoring authorized bank account signatories. • Proper budgeting for counterpart funds and making counterpart funds available to projects on a timely basis. • Providing support and assistance to the EAs/IAs in establishing and implementing sound accounting and financial management systems and procedures. • Monitoring, and providing guidance on, withdrawal and replenishment applications by EAs/IAs. Projects teams must provide MEF with signed statements of expenditure and draft withdrawal applications, which will be approved and signed by MEF, as well as bank statements with reconciliations for designated and counterpart accounts. The withdrawal application to the MEF must be accompanied by the disbursement tracking form. • Participating, as a committee member, in procurement activities of projects to ensure compliance with the guidelines and provisions governing the contractual relationship between the RGC and the DPs and to assess and agree contract payment schedules for cash management purposes. Monitoring and evaluating the financial performance of projects and portfolio performance. • Regularly reporting the financial performance of projects to the RGC, other relevant stakeholders, and the general public. • Promoting and facilitating the exchange of information between project teams and EAs/IAs. • Coordinating training and learning opportunities for EAs/IAs and project teams.

Organization	Responsibilities
Implementing Agency (Ministry of Health)	<p>EAs/IAs have the primary responsibility for ensuring projects are implemented in accordance with workplans and that resources are used efficiently and effectively and only for project purposes. EAs/IAs are accountable for all financial aspects of projects and must ensure compliance with all financial covenants and other obligations in the financing, project, and grant assistance agreements. Specific responsibilities are:</p> <ul style="list-style-type: none"> • Establishing project management structures and staffing and ensuring financial staff are properly qualified and trained. • Ensuring appropriate project bank accounts are established and signatories are current. • Maintaining proper financial accounting and management systems and procedures acceptable to DPs and MEF. • Implementing comprehensive and effective internal controls for project financial operations. • Managing and safeguarding project assets. • Preparing and submitting timely applications for withdrawal and replenishment of project funds. The disbursement tracking form must accompany all withdrawal applications. • Monitoring financial performance of projects and timely decision making to address changes to plans/budgets. • Ensuring compliance with the project financial reporting requirements. • Monitoring audit results and ensuring appropriate responses and actions are taken to address audit findings and recommendations. • Contributing to the centralized information center and knowledge base of projects maintained by MEF.

Organization	Responsibilities
Project Implementation Team	<p>The project implementation team is accountable to the EA/IA for the financial management of projects and ensuring compliance with all financial covenants and other obligations in the financing, project, and grant technical assistance agreements. Specific responsibilities are:</p> <ul style="list-style-type: none"> • Managing and administering the financial affairs of the project and ensuring compliance with the financial covenants of the project agreements and the RGC's and DP's policies and procedures. • Establishing and maintaining project budgets to support the mobilization of resources and as a management tool to support project management. • Managing the project bank accounts. • Establishing, maintaining, and operating project accounting and financial management systems and procedures. • Administering the financial transactions of the project and maintaining proper accounts and records for the project. • Undertaking all tasks and activities related to the procurement of civil works, goods, and services required by the project, in strict conformity with the guidelines, systems, and procedures governing the use of project resources. • Undertaking all disbursement functions, tasks, and activities of the project, in strict conformity with the guidelines, systems, and procedures governing disbursements from the project account and the use of project resources. • Prepares and approves applications for withdrawal and replenishment and submits the applications through the MEF Department of Investment and Cooperation to the DPs for payment or replenishment. • Generating and distributing financial reports, evaluations, and information necessary for effective and responsible financial management. • Monitoring the financial performance of the project and taking actions to address changes to plans. • Facilitating the audit of the project's financial statements and financial operations. • Preparing and issuing all scheduled and non-scheduled reports on the project's financial matters to DPs, EAs/IAs, MEF, and other project stakeholders.

Source: Ministry of Economy and Finance (MEF). 2012. *Standard Operating Procedures for All Externally Financed Projects/Programs in Cambodia*. Phnom Penh, Cambodia: MEF. (Minor edits have been made for clarification.)

Abbreviations: DP, Development Partners; EA, external auditors; IA, internal auditors; MEF, Ministry of Economy and Finance; RGC, Royal Government of Cambodia.

For more information, contact:

Health Policy Plus

Palladium

1331 Pennsylvania Ave NW, Suite 600

Washington, DC 20004

Tel: (202) 775-9680

Fax: (202) 775-9694

Email: policyinfo@thepalladiumgroup.com

www.healthpolicyplus.com

