

TERMS OF REFERENCE

Cape Verde Public Expenditure Management and Financial Accountability Review:

Improving public expenditure governance to enhance growth and reduce poverty

CONSULTANT FOR THE Health SECTOR PFM Review

I. Background

Cape Verde is a small archipelago of ten islands located off the west coast of Africa with around 500.000 inhabitants. Until the global financial crisis in 2009, the Cape Verdean economy enjoyed a sustained growth and a steady reduction of poverty. Sound public governance and responsible fiscal policy have played a key role in bringing the country to graduate in January 2008 to Middle Income Country (MIC) status, with a GNI per capita estimated at US\$3,010 for 2009.

In the Second Growth and Poverty Reduction Strategy Paper (GPRSP-II) for 2008-2011, the Government of Cape Verde (GoCV) committed itself to conducting ambitious reforms in different areas, including that of Health.

Cape Verde has made significant improvements on most Millennium Development Goal indicators, including those related to health. The health sector, with that of education, remains one of the priority sectors in the GPRSP-II, with a proportional part of overall State budget standing as one of the largest in Africa. Achieved results on main health related indicators also place Cape Verde as a rather exceptional case in the region: Infant mortality rates have decreased from 57.9 per thousand in 1995 to 23.9 in 2010, the number of attended births increased from 55% in 1998 to 78% in 2005, and life expectancy at birth was estimated at 77 years for women and 69 years for men. Important efforts were made for the improvement of human resources and the doctor and nurse ratio for 10,000 habitants increased respectively from 3.9 and 8.5 in 2003 to 4.9 and 9.8 in 2009. At the same time, the November 2009 dengue fever epidemic, if it came as a reminder that the country could be subject to health-related crisis, showed recognized and saluted capacities of the system to respond in a timely and efficient manner.

The National Health System at central level comprises the departments, services and programmes in charge of the formulation of health policies, the exercise of the regulatory system and the evaluation of its performance, the system being centrally complemented by the Council of the Ministry of Health, the National Health Council and the National Drug Commission, that oversee services such as the National Center for Health Development [CNDS] the Schools of Nursing and central

hospitals. At decentralized level, the Ministry of Health extends via twenty two Health Delegations based on the administrative division of the country. The Health Law passed in early 2004 envisages the creation of an intermediary level, the health regions, expected to support greater coordination and oversight. The social security system in place and the new laws regulating social protection, include informal economy workers through voluntary based mechanisms, since 2003, and public administration workers since 2009. The National Institute of Social Security [INPS] covers about 60% of the population, including self-employed workers. In addition, the crucial political choice made by Cape Verde to enable free access to basic health services, particularly for maternal and infant care, has undoubtedly contributed to the excellent results attained by the country in these specific areas.

In parallel to exceptional results, the sector is still facing a number of challenges determining its future evolution in both its priorities and its organization. The epidemiological profile of Cape Verde, in transition, shows that non-transmissible diseases are increasingly taking precedence, in both frequency and severity, over infectious diseases, thus representing new challenges for the National Health Service. While great improvements have been noted, the issue of the quality of services remains important, particularly if analyzed at a disaggregated level. On a management front, the law passed in 2004 was to address issues of the management of information and of capacity building of the sector in a more direct manner. However, problems related to information systems or to the coherence and robustness of planning and budgeting instruments remain challenging. The implementation of the health regions invoked in the law is still under discussion, and the reorganization of the system, including that of the Ministry, is still ongoing.

The percentage of the National Budget dedicated to health amounts to 9%, and expenditures on the health sector undoubtedly showcase Cape Verde at the top of the list within the sub-Saharan region. In recent years, the total budget for health has been stabilizing, while new challenges have been posed to the health sector, including those related to the increase of life expectancy, and the growing importance of the chronic non-transmissible diseases. As per the Ministry of Finance the Investment budget for the sector was 901,742,310 ECV in 2010, representing 2.9% of the total investment budget. It is important to note that 717,090,911 ECV, representing 79% of these amount came from donations. The functioning budget is calculated at 2.060.996.013 ECV with an execution rate of 91%, higher than the investment budget execution rate (89%).

Clearly, issues relating to the financial sustainability of the sector, while maintaining access for the population to quality services emerge as an increasingly important challenge, and the Government of Cape Verde is already taking important steps at exploring options for the future. In this regard, it is important to take note of the investments made in the setup of a highly efficient information system in partnership with the National Nucleus for Information Systems (NOSI), currently under finalization in addition to major investments in infrastructures, ensuring effective access to services for all. The Ministry of Health is currently involved in the elaboration of the new National health Plan (PNDS), which will provide the basic lines of actions for the next five years, starting in 2012.

Building upon these continued efforts, the Government of Cape Verde has requested the World Bank to a PEMFAR in coordination and with the participation of other donors and partners. The overarching objective of this review is to provide the Government of Cape Verde with a thorough diagnosis of the strengths and weaknesses of public expenditure management at central and decentralized level to helping him in defining an action plan upon the PEMFAR recommendations for the new government and legislature.

II. Objectives of the Consultancy

The objective of the consultancy is to undertake public financial management (PFM) analytical work focusing on the Health sector to serve as input to the forthcoming PEMFAR. It will require collecting and analyzing information and data related to the financing, financial sustainability, management, performance and governance of the Health sector in Cape Verde between 2005 and 2010, and presenting the results and recommendations in a background paper in English. More precisely, the background paper will assess the current situation in the Health sector PFM and will suggest recommendations to improve efficiency of expenditure, of public investments and of the decentralized model of service delivery in the sector.

Part 1: Overview of public spending on Health

1. Brief overview of the Health sector:

- a) Institutional and Legal framework of the Health sector
- b) Current situation of the Health system: key indicators and indication of performance

2. Overview of public spending on Health:

- a) How much public and donor \ partners money is spent on Health, including international, sub-regional comparisons? How much does it make up in total public expenditure?
- b) What is the breakdown of public spending on Health between central government, local authorities, public agencies...?
- c) What is the breakdown of public spending on Health between regions and subsectors¹?
- d) What is the breakdown of Health spending according to the economic classification² and

¹The breakdown between General Health, Basic nutrition, Medical services, Basic health care and services, Basic health infrastructure, Health policy and administrative management, Combating infectious diseases.

functional classification?

- e) How much money from other sources is spent on Health (NGO, international aid)?
- f) What is the rate of execution of public expenditure in the sector?
- g) How comprehensive, reliable and available is the budget data?

3. The Cape Verde strategy for Health and the link with public spending:

- a) What are the main characteristics of the Health strategy in Cape Verde? (reference to PRSP)
- b) What are the vehicles being used for strategy implementation?
- c) Is the allocation of resources consistent with the sectoral priorities and with the objective of the sectoral policy?
- d) Does the sector uses MTEF for improve resource allocation over time?
- e) To what extent is international aid aligned with national priorities? And the use of national systems?
- f) What is the justification of public intervention and public subsidies in the sector? Are the intervention tools appropriate to support efficiently the development of the sector? How are they going to be phased out?
- g) What have been the major programs and projects to support the sector (financing, sustainability, impact on the growth of this sector and of the sub-sectors)
- h) Are there missing expenditures or underfinanced functions given their importance for growth/human development?

4. Public spending on Health: the equity dimension

- a) Survey of available benefit incidence analysis.
- b) Analysis of public subsidies to reduce inequality in the different sub-sectors. How much money is allocated to these policies? What are the target groups and how the targeting mechanism is ensured? Are those policies effective and sustainable?
- c) Analysis of the regional allocation of public spending
- d) How to improve the impact of public spending on the reduction of inequality?

5. What are the current challenges in the Health sector?

²Based on Economic classification of the TOFE (International Monetary Fund).

6. What are the future priorities for the sector?

Part 2: Assessment of Public Finance Management Systems

1. Presentation of the process of planning and budget elaboration: main actors, different steps, and products. Discussion of the strength and weaknesses of the current system.

2. Description of the budget execution process

- a) Wages and salaries
- b) Goods and Services
- c) Operations and maintenance
- d) Transfers and subsidies
- e) Capital expenditure, including external financing

3. Procurement

4. Public accounting, reporting and audit practices

- a) Budget transparency i.e., accessibility of fiscal and budget information to the public
- b) Maintenance of records and accounts, and production of information and its dissemination to meet decision-making, control, management and reporting purposes
- c) The level of use of SIGOF
- d) Audit systems, and oversight of budgets and accounts (e.g., by parliament)

(This Part should be inspired in the PEFA methodology – a selection of the indicators can be used)

Part 3: State of decentralization in the Health sector

1. What have been the recent reforms towards decentralization in the Health sector? What are the limits of the current system?

- a) What mechanisms to allocate fund for recurrent spending and to select investment spending?
- b) Analysis of the relative importance of decentralized structures and the budget allocation between central and local levels
- c) Analysis of the modalities of budget execution at the local level
- d) What are the drawbacks of current processes in these areas?
- e) Are the projects and programs of public investment consistent with the strategy of regional

development?

- f) Is the regional distribution of spending, projects and programs consistent with regional strategies?

2. What reforms remain to be done to make effective decentralization?

- a) What are the conditions needed to decentralize (staff, information systems, PFM...)
- b) Where are we today in terms of meeting these conditions?
- c) What would be the optimal level of inter-communal cooperation for capacity building (e.g. in procurement, HR, FM)?

3. How to improve governance, transparency and accountability at the local level?

- a) What are the participation and accountability relationships between local beneficiary communities and central government
- b) What is the availability of information at the local level?
- c) How to improve participation and accountability at the local level?

III. Deliverables and timetable

1. The PEMFAR will proceed according to the following timetable:

1. Main PEMFAR mission to collect data, develop interviews, and hold consultations with ministries and stakeholders (PER, PFM, Procurement)	June 6- 24, 2011
2. Consultant to draft background paper in English	30 June 2011
3. Coordinators to draft integrated chapters based on background papers	Mid-November 2011
4. Draft report to the Government to be submitted to the government	End November 2011
5. Comments from government to be integrated in the final document	January 2012

2. Within this timetable, the consultant will be expected to:

1. Prepare questionnaire	September 1, 2011
2. Take part in the main PER mission in Praia and in selected municipalities ³	September 5–25, 2011
3. Draft background paper in English	October 20, 2011
4. Integrate team comments and finalize background paper	November 14, 2011

An Excel file with the raw data as well as the tables/figures in the main background paper will be provided at the same time as the final background paper.

IV. Qualification

- The consultant will be a senior specialist in public finance with experience in the Health sector, and having taken part in similar exercises
- Fluency in English and Portuguese are compulsory for this mission.

V. Reporting and Duration

The consultancy is expected to last 75 days, beginning September 1, 2011 and ending by November 15, 2011, and including a 21 days on site mission in Praia between 5 and 25 September. The consultant will report to Deputy Resident Representative in the UNICEF office in Praia. Consultants will be provided with desk space in an office in the UN House in Praia for the onsite mission.

- Before the end of the mission the consultant will submit to the Directorate General of Planning (DNP), the hiring authority (UNICEF) and World Bank TTL an Aide Mémoire, with preliminary findings and main orientations for the report;
- The preliminary report will be sent 3 weeks after the end of the mission;
- Stakeholders (authorities and donors) will transmit their comments within 15 days following reception of preliminary report. The UNICEF office will centralize comments and ensure communication with the consultant;
- A Final report will be sent in an electronic version, 15 days after receiving stakeholders' comments.

³ At least one small and one bigger municipalities, preferably Praia, Santa Catarina, Santa Cruz, S. Lourenço dos Orgãos (Santiago), S. Vicente or Sal. The consultant can choose other municipalities based on their relevance for the sector study, in accordance with the hiring authority.