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Health Finance and Governance Activity **Assessment of the Government Finance and Management Information System in the Ministry of Health**

Submission Date: January 14, 2018

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This document was produced for review and approval by the United States Agency for International Development/Jordan (USAID/Jordan).

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Acknowledgement

The USAID funded Health Finance and Governance (HFG) Activity conducted the GFMIS Assessment Report in close collaboration with MOH and MOF/GFMIS Directorate. The report was prepared by the HFG Finance Manager, Salem Abulghanam. From the MOF, GFMIS Directorate, GFMIS Manager, Nasser Khalaf, and from the MOH, the Director of the Financial Administration, Andera Oweis, the Director of the Expenditures Directorate, Mohammad Omer, and the MOH Budget Director Moayad Barmawi. Special thanks go to Julian Simidjyski, HFG, DCOP, and Ranya Abu - Sharar, Senior Communications Specialist.

Introduction

As part of the USAID Health Finance and Governance (HFG) Activity objectives to enhance the Government Financial Management Information System (GFMIS) HFG conducted an assessment of the system's functionality in the Ministry of Health (MOH). The objective of this assessment is to inform the MOH and the Ministry of Finance (MOF) of the capabilities of the GFMIS system, plans and potential for improving its operations and to identify opportunities to assist the MOH in increasing the system's efficiency. The assessment will also build an understanding of the current use of the system in budget planning and preparation, execution, monitoring and evaluation, and project management. The report describes the functions of the financial and accounting process and identifies the current deficiencies with regards to budget preparation and connecting the ministries' legacy systems. Finally, it provides a set of recommendations to enhance and expand the use of the system.

Background

In 2008, the Government of Jordan started adopting the results-oriented budgeting (ROB) approach with its ministries and departments. In order to electronically collect and manage financial data and enhance the implementation of ROB, among other purposes, the government purchased the GFMIS with the Ministry of Finance (MOF) leading the process. The MOF's objective was to interconnect all government departments and units with the MOF and General Budget Department (GBD). The government budget is divided into two books.¹ Budget Book One is for government ministries and departments and it is supported by GFMIS. Book Two is for government units and is not currently supported by GFMIS. Most of Book Two has independent accounting systems and is run on an accrual basis. The two books follow the rules of the Chart of Accounts which is a unique record for each type of asset liability, equity, revenue and expense. GFMIS allows entry and visibility of three tiers down the organizational chart, meaning the system is capable, with some modification, to go down to the directorate level in the governorates and connect all expenditures' transactions through the system.

The GFMIS' mission is to:

- Provide an electronic financial system that manages the financial processes in all budget institutions

¹ <http://www.gfmis.gov.jo/en/about-us/history>

- Enhance the accountability and transparency of the public sector accounting system
- Improve the budget cycle to enhance the effectiveness of governmental performance and provide quality services to the citizens
- Apply procedures to control the allocation of financial resources in the budget law and unify the government systems for information and the financial and accounting database.

The GFMIS functions are to provide financial and accounting processes support to the following areas/tracks:

- Reports and final account: Accounting and Reporting
- Budget: Position Management
- Budget: Project Management
- Budget: Implementation
- Budget: General Budget Law Preparation & Approval
- General Accounting: Receivable/ Revenue
- General Accounting: Procurement Management
- General Accounting: Payment
- General Accounting: Cash Management
- Basic Information Technology

The following provides synthesized explanation of the above functions:

- **Reports and final account: Accounting and Reporting:** GFMIS enables the MOF accountants from various departments to follow proper accounting procedures when executing and/or recording daily transactions (purchase / payment / receipt). In addition, GFMIS supports the closure of accounts carried out periodically (monthly / yearly) in all government departments and the MOF.

This track also covers the management of unpaid balances of liabilities, the closure of budget balances at the end of the year, the preparation of the final account and all the tables attached to it, and the maintenance and updating of the chart of accounts. The necessary reports are also issued based on the implementation of the various operations in this track.

- **Budget: Position Management (Manpower Tables):** This area/pillar of the GFMIS is concerned with sustaining the information about the functional movements that occur in

government departments and units. For instance, it aims at assisting government structures to fill vacant jobs as well as to develop proposals for the preparation of any future job configurations. It helps to estimate the expected costs of the proposed job structures to enter the initial budget preparation phase. Once the Civil Service Bureau completes the human resource system for the entire government which is now under development it will be integrated into the GFMIS

- **Budget and Project Management:** All the procedures related to general budget preparation, planning, and execution, starting from the budget preparation circular until approving the General Budget Law, issuing the special and general orders, and performing financial transfers and virements (the process of transferring items from one financial account to another). However, GFMIS has a computerized budget planning and preparation module called “Hyperion,” but it is partially activated, budget institutions prepare the budget draft outside the system and then upload it to the GFMIS. Once finalized and activated, Hyperion will replace the use of worksheets and prepopulate all budget expense categories using references to prior budget allocations guided by the current year ceiling. It will enable the budget analyst to have control over the environment and conduct scenario analysis. Currently, all government ministries and departments including MOH use templates and worksheets for budget preparations and submit them to GBD where the budget analyst uploads them to the system.
- **Revenue Management:** The processes to collect revenue at the regional finance centers and Revenue Collection Agencies and transfer it to the treasury’s single account after being temporarily transferred into the General Revenue Account.
- **Cash Implementation:** The GFMIS tracks the processes of preparing and executing the financial and cash flow plans, determining cash ceilings, preparing the bank settlement in order to match the bank balance in the ledgers with the bank statement, and managing the processes related to internal and external loans.
- **Procurement Management:** The implementation and follow up of all matters related to the procurement methods, such as purchasing works, technical services, and supplies (goods and services) is supported by the GFMIS. This process covers the whole procurement business cycle, starting with determining the need (purchase requisitions), till the final delivery according to the budget institutions’ special requirements.
- **Payment Management:** The process of following up and executing all accounting processes and procedures related to budget implementation in terms of payments, such as the

expenditures of the budget owners, regional finance centers, and implementing institutions. Adding to that the expenditures funded by external loans and trusts account payment, deductions payment, expenditure recovery, advances payment and settlement, and revenue refund processes.

GFMIS at the MOH

GFMIS has been rolled into all line ministries and staff have been trained on its' use. However, some ministries are still using their legacy systems (MOH is one of them) and are not clear on how these legacy systems can be integrated into GFMIS or if there is a need for such integration. It is important to emphasize that GFMIS is a standard system across all government entities and does not allow customization for any particular entity whether MOH or other.

The next phase is to interconnect the government units with the system. The system is able to expand to the level of municipalities for the purpose of financial decentralization or it can be connected with other systems (for example, the Ministry of Municipal Affairs is currently developing its own system using the Hyperion platform). However, as mentioned above, many of the government departments and units are still using their own internal legacy systems in addition to GFMIS. For example, the MOH maintains five different internal systems of the following financial activities:

- Salaries and wages
- Human resources
- Transportation
- Building rentals
- Incentives

The output of this information is an input to the GFMIS. At the same time, the Civil Service Bureau (CSB) is developing a human resource system for the entire government. That system will incorporate the requirements for the salary and wages, human resources and transportation systems, thus eliminating the need for these legacy systems. There is an assumption that the CSB's human resource system's output will be integrated into the GFMIS. The MOH's building rental and incentive systems will continue to operate as legacy systems for the time being.

Since the GFMIS budget planning module is partially activated, the MOH prepares its budget using template worksheets in Excel developed by the GBD. The templates contain basic information,

current expenditures summary, a set of groups' classification, summary and details of capital expenditures, project description cards, and for the 2018 budget, the GBD added the governorates' budget preparation form. After finalizing the budget, the MOH consolidates everything before sharing with GBD. The GFMIS is currently addressing this issue to include budget planning and preparation in the system.

- **Purchasing Authority:** individual medical establishments such as hospitals and health centers do not have bank accounts and are not allowed to make direct purchases. The cash co-payments they receive from individuals are sent to the Health Insurance Administration (HIA). Directors of hospitals can approve payments up to 200 JD, but even these are paid centrally. For larger amounts, there are different central departments like the Procurement Department, Maintenance Department, Hospitality Department and the Biomedical Devices Department that can only approve purchases up to a certain limit (see below). If exceeded, they need to obtain approval by the "General Supply Department". The following represents the purchasing authority levels and limits:

- Each hospital or directorate can purchase up to 1,000 JD through a committee
- Secretary General has the authority to approve purchases up to 500 JD
- Secretary General has the authority to approve purchases up to 5,000 JD with a committee
- Minister up to 3,000 JD and up to 20,000 JD with Audit Bureau approval, and as per the government tendering law, the minister, through a committee, is authorized for up to 200,000 JD.

All these transactions are then entered, processed, and paid centrally by the Expenditures Directorate at the MOH through the GFMIS.

- **Arrears:** Currently do not appear in the GFMIS. Arrears result from the services provided by MOH to the uninsured because the Royal Court or the Prime Minister's office is expected to cover the price of services, but payment is delayed for many months or years. There is no fund available in the MOH budget to compensate for / cover arrears. The exact accumulated amount of arrears across the public health system is unclear, with speculation that could reach up to 600 million JD.

To clear out all the arrears accumulated from over spending throughout the previous years, the government recently allocated the sum of 360 million JD in the 2017 budget, and 390 million JD,

245 million JD for the indicative years 2018 and 2019, respectively in the MOF 2017 budget under item # 320 (payments for previous obligations). While arrears are essentially an obligation / promise of the government to pay for goods or services already delivered, it is important to emphasize that they are not reflected in the GFMIS. The reasons technical - the government has not spent the money for the purchase yet and that GFMIS tracks only transactions falling within the confines of the budget. Arrears, as mentioned above, are government commitments to pay for services already delivered in excess of what the current budget can cover. Thus, GFMIS alone does not provide a complete picture of outstanding financial obligations of the government to its suppliers in a given sector. Sometimes, as is the case with the health sector, the amount of unpaid obligations (arrears) is substantial as a proportion of the health budget.

- **GBD monitoring and Evaluation (M&E) system:** Monitoring the performance of public programs helps increase their effectiveness, provides increased accountability and transparency in how public monies are used, inform the budgetary process and the allocations of public resources. M&E system required government departments and units to provide GBD with key performance indicators (KPIs) for the strategic and program objectives in order to measure their performance and make sure they met the KPIs target. KPIs are, therefore tools used to (1) indicate how well a Government Department and Unit is using available resources; (2) how well these are contributing to meeting desired outcomes; and (3) identify which policies and processes are working successfully.

The General Budget Department mandated by the Organic Budget Law to guide and undertake the Monitoring and Evaluation effort, and then advises the Parliament (on request) and the policy makers on the performance of public policy and programs. Therefore, GBD started the process of developing a Monitoring and Evaluation (M&E) system focused on observing the results from program/project outputs and recognizes the entire result chain from inputs- outputs- outcomes and impacts indicators. Currently, GBD is not using the GFMIS for collecting M&E data. It requires all ministries and departments to provide it with the required M&E data using a paper template which GBD uploads it to its internal system. Table I summarizes the GFMIS function status across all government entities (not only MOH), whereas active is defined as operational, inactive as existing but hasn't been operated yet and unavailable as not developed yet.

Table I GFMIS Function Status

Function	Active	Inactive	Unavailable
Budget Preparation	Partially		
Budget Approval	X		
Budget Execution	X		
Project management	X		
Position Management		X	
M&E			X

Deficiencies of GFMIS

The purpose of using the GFMIS is to connect all government entities to the MOF and the GBD for a more efficient budget planning and execution. The current system does not perform all the functions that it was set out to do (see Table I above). The following were identified as deficiencies throughout the assessment:

- The system cannot print the whole budget document; it only prints the main tables of the budget. Changes to this are in progress, allowing users to change estimates for the coming budgets and have the ability to add explanatory notes for changes that were made.
- Currently budget dialogue between MOF and GBD doesn't take place through the system.
- Government units are not yet connected with the MOF and GBD through the system.
- The RMS has their accounting function included in the GFMIS while other reporting is done outside the GFMIS due to national security concerns.
- There are no data warehouse associated with the system, thus, data from the GFMIS cannot be extracted and used for research or analysis.
- MOH prepares its budget using template worksheets in Excel developed by the GBD.
- The M&E system sits only in GBD and does not extend to the ministries.
- All line ministries and departments are still using some of their own legacy systems in parallel with the GFMIS.
- GFMIS can be extended to the governorate level through the financial center of the MOF in the governorate to enable budget decentralization but will take some potentially serious efforts and time to get it ready for it.
- According to experts, GFMIS cannot be expanded to the level of public hospitals as the system can serve/operate within only the top three tiers of administrations/departments within the organizational chart of a Ministry. Hospitals are currently the fifth tier in the MOH organogram.

There are two options to consider that can enable hospital autonomy in compliance with GFMIS. Hospitals should be either moved up in the organizational chart to tier three (which is the level of Administration) or be given the status of government units as Prince Hamza Hospital.

Reporting and Analysis of GFMIS

The following analysis demonstrates the functions and abilities of the GFMIS:

- **Reports:** GFMIS can produce and print the following reports: the financial position, monthly financial plan, financial transfers, general and special orders, the monthly accounts summary, virements, quarterly report and bank settlement memo, and several other reports. Reports can be customized within one government entity only; these entities cannot gain access to reports of other government entities. Additionally, the GFMIS has the capability to print reports which are then sent to the accounting department of MOF along with a financial report. This budget data is only accessible to the MOF and GBD.
- **Purchasing:** purchase requisitions, purchase orders, and payments for contracts, are all a part of GFMIS. In order to execute purchase requests, the purchase order must be within the budget included in the GFMIS. Any additional costs such as fines, stamps, etc. are handled outside the system. The role of the Expenditure Directorate at the MOH is to assess the merit of expenditure and confirm that all documents and approvals are properly signed and appended. The Expenditure Directorate pays all approved expenses incurred for MOH, from a single bank account maintained at the Central Bank.
- **Expenditures:** the MOH conducts accounting like a typical government entity with a list of expenditures but does not have micro data such as actual accounting data, per region, per facility, per type of expense. The GFMIS includes all expenditure related data since 2014. However only main amounts are in this system, not auxiliary payments (for example, fines for late payments). Approval of expenditures comes from functional departments, centrally at the MOH.

GFMIS provides information on resources received and spent by the Service Delivery Unit but does not provide expenditure commitments captured in the in-year budget reports, as the accounting system is still based on cash payments rather than accruals.

Recommendations

After conducting the GFMIS assessment, the USAID HFG Project provided the following recommendations to enhance the government ministries and departments' usage of the system. GFMIS is a standard system for all government entities, including MOH. Therefore, these recommendations apply to the GFMIS as a whole:

1. Modify GFMIS to be accrual based in order to connect the government units and cater for the due arrears in healthcare.
2. Establish budget dialogue between GBD and MOF and line ministries including MOH through GFMIS.
3. Enhance GFMIS to provide detailed level data for budget preparation work (Hyperion).
4. Upgrade GFMIS to print the annual budget law and dismiss the GBD internal system which does this at present.
5. Activate the electronic signature to save time and promote paperless government work.
6. GFMIS should tie all government units such as the Health Insurance Directorate and Prince Hamza Hospital.
7. With the implementation of the decentralization; the governorates budget preparation and execution should be through GFMIS and the system needs to be prepared to support these functions.

Conclusion

GFMIS is an accounting system that ties up all government departments such as MOH and RMS and units such as High Health Council to the MOF and the GBD. It manages the financial processes in all public sector budget institutions. However, in respect to the budget process, the four pillars of this process should be operational in the system; budget preparation, budget execution, project management, and position management. So far, the budget execution is operated through the system while the project management and budget preparation are ready but partially operated, and the position management is still under development.

Government units are not yet connected with the MOF and GBD through the system. There is a need for modifying the accounting system to accrual method as a step before the GFMIS is expanded to the government units. Moreover, running internal systems in the government entities is one of the GFMIS deficiencies as the main objective of implementing the GFMIS is to connect all government ministries and departments with the MOF and GBD in a unified system to manage the financial process in all the budget institutions and to have a clear picture of the budget situation.

The implementation of the above-mentioned recommendations does not require a large investment of resources as the system is equipped and capable to be modified and/or add the necessary applications to enhance and raise the level of service provided to the budget institutions.

Improved functionality of the GFMIS will enhance the ability to effectively plan and monitor government ministries and departments' performance on an ongoing basis. It will provide opportunities to focus resources on improving quality of information. Additionally, it will improve and promote the efficient use of the government financial resources management processes and support accurate decision making in a timely manner. Improved fully operational GFMIS will enhance the use of a unified and integrated database to assist in the efficient and effective management of public funds, and apply procedures to improve the allocation of financial resources per the budget law.