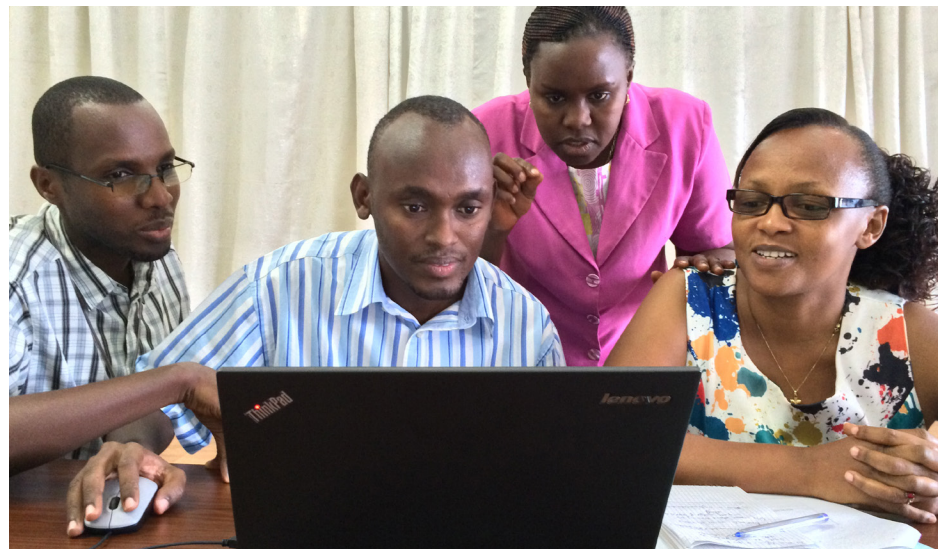


FHI 360'S UNIFIED APPROACH TO **Expenditure Analysis for PEPFAR Awards**

In 2011 the US Office of the Global AIDS Coordinator (OGAC) introduced a new reporting requirement — expenditure analysis (EA) —designed to gain a deeper understanding of costs incurred by PEPFAR in provision of HIV prevention, care, treatment and support services. OGAC's phased rollout of EA required nine countries to report in the first year (fiscal year [FY] 2012), expanding to 20 countries in FY 2013, and to all PEPFAR programs worldwide in FY 2014. This document describes a stream-lined approach developed by FHI 360 to help country programs and meet PEPFAR EA reporting requirements.



Implementation of a unified approach across FHI 360-managed PEPFAR awards ensures the quality of EA reports and efficiency of methods used to produce them, as well as transparency of expenditures for improved program management.

In 2011 the US Office of the Global AIDS Coordinator (OGAC) introduced expenditure analysis (EA) as a means to gain deeper understanding of costs incurred by PEPFAR in provision of HIV prevention, care, treatment and support services. In FY 2014, OGAC required all PEPFAR prime award holders to complete detailed expenditure templates documenting how award resources were used in the prior fiscal year. These templates included expenditures by sub-awardees categorized according to 20 program areas, 17 expenditure types and relevant geographic domains, including expenditures at and above national level (see Table 1). OGAC analyzes completed EA submissions and computes unit expenditure estimates for use by US government country teams in budgeting, setting program targets and managing local implementing partners.

TABLE 1: COMPLETED EA TEMPLATE FOR FACILITY-BASED CARE, TREATMENT AND SUPPORT (FBCTS¹) SERVICES (USAID HIV/AIDS CLINICAL SERVICES PROGRAM IN RWANDA,² FY 2013)

FBCTS (Facility-Based Care, Treatment, and Support)																
Area Totals		22,983														
Selected Subtotals		1,614	3,718	0	3,203	4	6,523	0	0	0	0	959	229	47	1,616	5,071
Selected Totals		8,539					14,444									
Location		Investment Expenditures (integer dollar amount)					Recurrent Expenditures (integer dollar amount)									
Sub-National Unit	Training (in-service)	Construction & renovation	Vehicles	Equipment and furniture	Other investment expenditures*	Personnel	ARVs	Non-ARV drugs and reagents	HIV Test Kits	Condoms	Other supplies	Food Supplements	Building rental and Utilities	Travel/Transport	Other site recurrent expenditures*	
Kamonyi	157	249	0	188	0	276	0	0	0	0	31	2	10	75	503	
Kicukiro	252	1,119	0	463	0	3,175	0	0	0	0	281	115	4	208	722	
Muhanga	52	1,370	0	696	0	1,152	0	0	0	0	325	34	7	430	917	
Nyamagabe	0	47	0	10	0	4	0	0	0	0	3	0	0	2	771	
Nyanza	81	0	0	130	0	92	0	0	0	0	19	15	0	50	66	
Nyarugenge	0	0	0	0	0	0	0	0	0	0	0	0	0	0	146	
Nyaruguru	1,062	881	0	1,513	0	1,091	0	0	0	0	222	50	26	710	760	
Ruhango	10	52	0	204	4	732	0	0	0	0	78	11	0	140	1,185	

It is important to note that PEPFAR awards typically represent a subset of HIV/AIDS-related funding in any country, at both national and local levels, including for individual facilities and community-based organizations. Other important funders may include local and other national governments, domestic and international NGOs, and multilateral agencies. Thus, unit expenditure estimates produced through EA are not proxies for the full cost per unit of service, but reflect only those costs related to specific packages of resources delivered through a PEPFAR-funded program.

Because the design of each PEPFAR award and service package is adapted to unique local needs and context, EA results may not be comparable across or within countries. However, they are useful in documenting how PEPFAR resources are used within an award. EA results can identify important cost drivers at program, facility and patient

levels, and can help to determine how effectively PEPFAR resources are targeted toward countries or regions with varying epidemic types. The results can also shed light on above-facility-level costs – a topic of increasing importance as funders and governments seek to allocate more funding to direct service provision.

FHI 360's Response

During the first year of EA implementation affecting FHI 360 programs (FY 2012), internal discussions with FHI 360 finance officers in the nine selected EA pilot countries found significant uncertainty about how to efficiently and accurately complete the expenditure templates.³ Approaches varied from last-minute “quick and dirty” efforts in some countries, to intensive post-hoc analysis and classification of each financial transaction recorded for a program over the fiscal year.

¹ FBCTS is one of 20 program areas covered by PEPFAR EA, and each program area has its own template. PEPFAR implementers complete templates only for the program areas relevant to their awards

² The *HIV/AIDS Clinical Services Program in Rwanda* was a PEPFAR/USAID-funded, five-year award (2007-12) managed by FHI 360. Figures presented here reflect activities undertaken in year five of the award. The award was active in each of eight sub-national geographical areas noted in the first column.

³ Although OGAC provides a standard template to collect expenditure information, there is no standard method to generate the information. The data analysis and reporting required to complete EA template differs from those typically used in enterprise financial systems.

Economists in FHI 360's Health Services Research group had recently developed an Excel-based approach for classifying and allocating program costs using resource allocation matrices (RAMs). Using detailed planning budgets as a starting point, the RAMs methodology incorporates information on the types of resources used to support specific activities and services, and analyzes the relative magnitude of expenditures by resource type and across programmatic and geographical areas (see Table 2).

FHI 360 recognized an important opportunity to marry an in-house innovation with an emergent programmatic need. In 2012 the organization began adapting the RAMs approach and resources to the in-country financial reporting and analysis needs posed by PEPFAR EA. Working in close partnership with local program staff, technical experts

developed, piloted and refined tailored resource allocation matrices and analytic workbooks to allow for streamlined reporting into required EA templates. In FY 2013, field-based finance officers received hands-on training in how to classify and allocate resources and expenditures by EA program area and region; technical experts at FHI 360 headquarters provided follow-up support to complete and ensure submission of accurate EAs for each PEPFAR award. In FY 2014 the organization built on and expanded field staff capacity by providing training and technical assistance on the entirety of the EA development and submission process. As a result, field programs have now gained the skills required to not only ensure their programs meet EA requirements, but to organize and lead expenditure and cost analyses more broadly. FHI 360 now employs the RAM approach to complete EAs for all PEPFAR-funded awards.

TABLE 2: RESOURCE ALLOCATION MATRIX (RAM) FOR BUZANSA HEALTH CENTRE, KICUKIRO DISTRICT, RWANDA, FY 2013)

EXPENDITURE CATEGORY	SITE-LEVEL SERVICES																			
	FBCTS	CBCTS	PMTCT	VMMC	HTC	PEP	BS	LAB	IC	OVC	SORP-GP	SORP-IDU	SORP-CSW	SORP-MSM	SORP-KP OTH	MMT	SI	SURV	HSS	PRGM MGMT
Training (in-service)	0.0032	-	0.0011	-	0.0021	0.0011	-	-	-	-	0.0032	-	-	-	-	-	-	-	-	-
Construction	0.2658	-	0.0886	-	0.1772	0.0886	-	-	-	-	0.2658	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equip & Furn	0.0006	-	0.0002	-	0.0004	0.0002	-	-	-	-	0.0006	-	-	-	-	-	-	-	-	-
Other Invest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personnel	0.0082	-	0.0033	-	0.0065	0.0016	-	0.0164	-	-	0.0098	-	-	-	-	-	0.0196	-	-	-
ARVs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-ARVs & Reagents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HIV Test kits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Condoms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Supplies	0.0019	-	0.0006	-	0.0013	0.0006	-	-	-	-	0.0019	-	-	-	-	-	-	-	-	-
Food Supplements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent & Util	0.0011	-	0.0004	-	0.0007	0.0004	-	-	-	-	0.0011	-	-	-	-	-	-	-	-	-
Travel / Trans	0.0035	-	0.0014	-	0.0028	0.0007	-	-	-	-	0.0042	-	-	-	-	-	0.0014	-	-	-
Other Recurring	0.0034	-	0.0011	-	0.0023	0.0011	-	-	-	-	0.0034	-	-	-	-	-	-	-	-	-
Consultants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other General Admin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0003

Note: each cell in this RAM shows the proportion of total award expenditure for Buzansa Health Centre that should be allocated to each combination of expenditure type (columns) and program area (rows). For example, 26.58% of total award expenditures at this location should be allocated to construction in FBCTS, while 1.64% should be allocated to lab personnel.

Advantages of FHI 360 Approach

The main benefit of FHI 360's unified approach to EA reporting is that it provides a coherent structure and process to a task that many finance officers otherwise found intimidating and difficult to complete. Field staff who received training provided positive feedback, and were found to require limited assistance in completing EAs once trained. The approach has increased and ensured the consistent quality of EA reporting across FHI 360-managed PEPFAR awards. At the local level, the process has fomented strong partner engagement in the classification and allocation of budget line items, thereby ensuring their buy-in and agreement with underlying assumptions. The approach also offers transparency and flexibility, given that methods used to complete EA now are well documented, and inputs and outputs can be readily reviewed and understood. The specific approach used for a given program can be easily adjusted as implementation evolves and partnership roles change over the life of an award. Furthermore, the FHI 360 unified approach does not require modifications to existing financial reporting systems and can therefore be readily implemented across different platforms.

In addition, FHI 360's EA approach may help programs to improve use of resources by enabling them to:

- Proactively identify how award resources will be used geographically and across activities, and ensure these allocations align with program objectives;
- Identify potential redundancies or inefficiencies, particularly between FHI 360 and partner budgets; and
- Analyze resource use within an award on an on-going, quarterly or semi-annual basis versus annually alone.

FHI 360's approach to PEPFAR EA exemplifies two of the organization's greatest strengths: our commitment to building local capacity, and our passion for finding innovative solutions. The implementation of a unified approach across FHI 360-managed PEPFAR awards ensures the quality of EA reports and efficiency of methods used to produce them, as well as transparency of expenditures. The organization is continuing to look for ways to evolve its approach. This includes piloting incorporation of the expenditure analysis framework into program designs and budgeting at the start of an award to further increase reporting efficiencies.

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FHI 360 is a nonprofit human development organization dedicated to improving lives in lasting ways by advancing integrated, locally driven solutions. Our staff includes experts in health, education, nutrition, environment, economic development, civil society, gender,

youth, research, technology, communication and social marketing — creating a unique mix of capabilities to address today's interrelated development challenges. FHI 360 serves more than 70 countries and all U.S. states and territories.

