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ZIMBABWE

2021 Health Budget Brief



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Key Messages and Recommendations

- ❖ **Public health funding has increased significantly and accounts for 13% of the total 2021 national budget.** *Zimbabwe is commended in its effort to increase health spending and is urged to continue gradually increasing to achieve the 15% Abuja Declaration target.*
- ❖ **The MoHCC allocated 70% of its total budget to Curative Services.** *Government should strive to strike a balance across all programme budget components.*
- ❖ **As a share of the total health budget budget, Non-Communicable Diseases (NCDs) budget was reduced from 1.9% in 2020 to 0.3% in 2021.** *To achieve the National Development Strategy target of reducing non-communicable diseases mortality rate to less than 5% by 2025, government should increase funding for NCDs instead of reducing.*
- ❖ **As a proportion of total health budget, recurrent costs are 83% and capital budget is only 17%.** *Expenditure mix re-orientation in favour of capital investments is necessary to ensure availability of adequate health infrastructure and equipment.*
- ❖ **There are huge variations between the approved budget and actual health expenditure outturn, particularly for wages and salaries and capital budget.** *To improve budget execution, there is need to strengthen the capacity of the Ministry of Health and Child Care (MoHCC) in expenditure forecasting and costing in an inflationary environment to improve budget credibility.*
- ❖ **Domestic financing has increased significantly and as a share of total health sector financing account for 58% in 2021 up from 30% in 2020.** *Zimbabwe is urged to continue increasing domestic funding in order to improve health sector financing sustainability and help to guard against volatility and predictability issues associated with external financing.*

1. INTRODUCTION

This Health Budget Brief explores the extent to which the approved 2021 Ministry of Health and Child Care (MoHCC) budget meets the health requirements of Zimbabwe. It provides a summary of the size and composition of the health budget, primarily focusing on adequacy, allocative efficiency, effectiveness, and equity of the country's current and past health spending. The Budget Brief also looks at the sources of health sector financing, mainly focussing on sustainability. The brief also provides recommendations to improve health public spending.

2. OVERVIEW OF THE SECTOR

The health sector is saddled with several challenges that continue to affect the delivery and access of quality health services. The COVID-19 pandemic erupted when the country's health system faced numerous challenges. The country has not been spared by the ravages of the COVID-19 pandemic, which over-stretched and tested the resilience of the sector to major shocks. Inflation, exchange rate depreciation and frequent monetary policy shifts remain a major risk to programming with negative impact on budgets and the quality and coverage of health care services. Insufficient health sector funding remains a challenge to safeguard gains made, and progress towards achieving universal health coverage.

The health sector continues to face a myriad of human resources challenges. These challenges related to Human Resources for Health (HRH) require a sustainable long-term solution rather than an ad hoc and piece-meal fix. Since 2019, the country witnessed one of the longest strikes by health personnel over poor working conditions, which nearly crippled the health sector. Several negotiations between government and health sector employees have failed to unlock the impasse. With no clear solution in sight, a demotivated and incapacitated health workforce will continue to be a risk to the delivery of quality health care services. Retention of critical staff has remained a challenge given the limited fiscal space to address the needs of the health staff. This has been exacerbated by long periods of underperformance of the macroeconomy.

Nevertheless, despite these unprecedented challenges, health outcomes are improving, and the country has managed to post positive results. Under-five mortality rate (U5MR) declined from 75 deaths per 1,000 live births in 2014 to 65 deaths per 1,000 live births in 2019.¹ Overall, the percentage of children that received vaccinations increased from 69.2% in 2014 to 76% in 2019. Maternal mortality rate dropped significantly from 614 deaths per 100,000 live births in 2014 to 462 in 2019. The number of births attended by a skilled professional also increased from 78% in 2014 to 86% in 2019.² However, with the challenges facing the sector there is risk that the gains in health outcomes might be reversed.

The MoHCC is in the process of developing the National Health Strategy 2021-2025 which outline the roadmap towards turning around and restoring stability in the country's health system. Guided by the National Development Strategy (NDS) 1 some of the strategic focus of the National Health Strategy include³;

- i. improved access to essential medicines and commodities;
- ii. increased access to water, sanitation and healthy environment;
- iii. improved health infrastructure and medical equipment for Health Service Delivery;
- iv. improved governance of the Health Service;
- v. improved health sector human resources performance;
- vi. increased domestic funding for health;
- vii. reduced morbidity and mortality due to communicable and non-communicable diseases;
- viii. improved reproductive, maternal, new-born child and adolescent health and nutrition;
- ix. improved public health surveillance and disaster preparedness and response; and
- x. improved primary, secondary, tertiary, quaternary, and quinary care.

Key Takeaways

- ***Fiscal Space Analysis and/or Public Expenditure Review of the health sector is required and is even more relevant given the current challenges affecting the sector, particularly those related to Human Resources for Health. Conducting the assessments will provide useful insights of ways to raise additional public resources for expanding health coverage, improve conditions for HRH, improve the efficiency of the current spending for effective performance and sustainability of health system.***
- ***The National Health Strategy (2021 – 2025) should prioritise HRH as it remains the biggest risk to universal health coverage and sustainability of health outcomes. Without a motivated and well-capacitated human resource, all other investments into this sector are put to waste.***

¹ UN Inter-Agency Group for Child Mortality Estimation, 2019

² ZIMSTAT, Multiple Indicator Cluster Survey, 2019

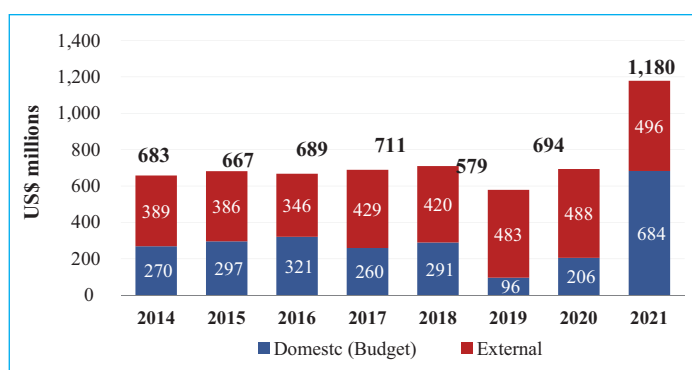
³ http://www.mohcc.gov.zw/index.php?option=com_content&view=article&id=343:national-health-strategy-2020-2025-on-the-cards&catid=84&Itemid=435

3. HEALTH SPENDING TRENDS

3.1 Actual Health Spending, 2016 – 2020

Total health spending averaged US\$668 million over the period 2016 to 2020. While health spending from external partners remained stable at around US\$433 million per year, national budget health spending declined sharply from US\$321 million in 2016 to US\$96 million in 2019 (see Figure 1). Over the 5-year period spanning 2016 – 2020, on average development partners contributed 65% of total actual health spending while the budget contributing only 35%.

Figure 1: Trends in actual health spending (2016 - 2020)



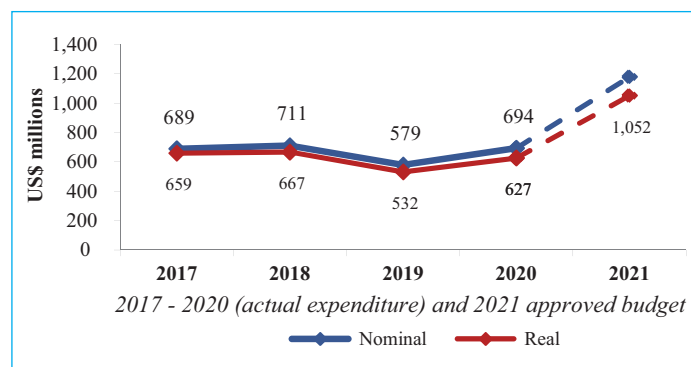
Source: MoFED, Budget Statements and Outturns; 2020 Annual Budget Review; and MoHCC, 2020 Resource Mapping Report

The decline in national budget health spending between 2016 and 2019 was largely on account of a difficult macroeconomic environment, characterised by depreciating exchange rate following the re-introduction of the Zimbabwe dollar (ZW\$) and increasing inflation, as well as tightening of fiscal conditions as government tried to bring the country to a stable footing. However, in 2020 the health sector benefitted from increased budget support as government intensified efforts to fight the scourge of COVID-19 pandemic. National budget health spending increased by 114% from US\$96 million in 2019 to US\$206 million in 2020.



Total nominal actual health spending increased by 20% from US\$579 million in 2019 to US\$694 million in 2020.⁴ In real terms this is equivalent to US\$532 million in 2019 to US\$627 million in 2020. The gap between nominal and real health spending widened due to the combined impact of depreciating local currency and high inflation. Figure 2 shows nominal and real actual health spending for the period 2016 - 2020 and the approved budget for 2021.

Figure 2: Trends in nominal and real health spending, 2016 - 2021

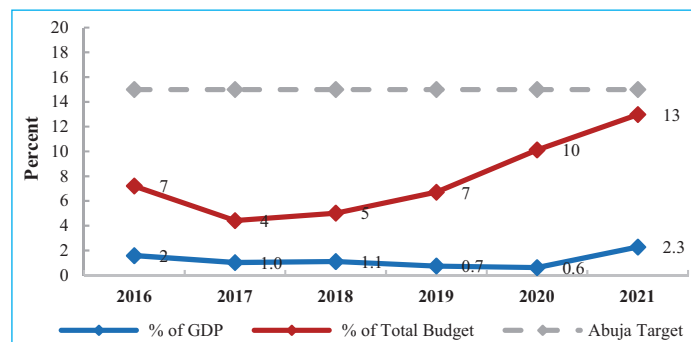


Source: MoFED budget statements and outturns and Author calculations

3.2 2021 Ministry of Health and Child Care Budget

The MoHCC budget increased by 508% US\$112 million (ZW\$6.6 billion) in 2020 to US\$684 million (ZW\$54.7 billion) in 2021.⁵ As a share of the total 2021 national budget, the health budget accounts for 13%, which is only 2 percentage points below the recommended 15% Abuja Declaration Target. As shown in Figure 3, the health sector budget as a share of the total budget increased from 7% in 2019 to 10% in 2020 and 13% in 2021. Compared to other sector ministries, MoHCC has the second highest budget, just below that of Ministry of Primary and Secondary Education (MoPSE) which was allocated US\$690 million (ZW\$55.2 billion).

Figure 3: Health sector budget against international targets, 2016 - 2021



Source: Budget Statements, 2016 - 2021

⁴ Inclusive of both national budget and development partner spending

⁵ To convert to US\$ equivalent, exchange rates used are those in the 2021 National Budget Statement, p6. The exchange rate may shift significantly and reduce the value of 2021 Health budget in US\$ terms as was witnessed in 2020.

Similarly, as a share of GDP, the health budget increased from 0.6% in 2019 to 2.3% in 2021. The improved budget allocation will go a long way to enhance health outcomes, and the country is encouraged to continue gradually increasing health budget to achieve recommended Abuja Declaration Target. Although the 2021 health budget still falls short of the Abuja Declaration Target, it is the largest ever having been allocated to the MOHCC and shows a remarkable effort by Zimbabwe to meet its international commitment.

Key Takeaways

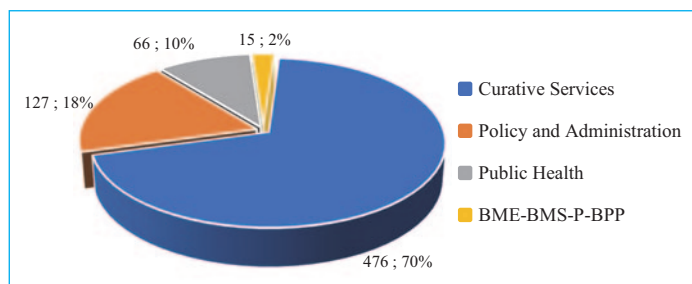
- The 2021 health budget as a percentage of total government budget is 13%, which is only 2 percentage points from the recommended 15% Abuja Declaration Target. Zimbabwe is commended in its effort to increase health spending and is urged to continue increasing to meet the international commitment thresholds of 15% of total national budget.
- Increasing health budget is also critical, particularly in the face of increased spending needs related to COVID-19 response.

4. COMPOSITION OF HEALTH SPENDING

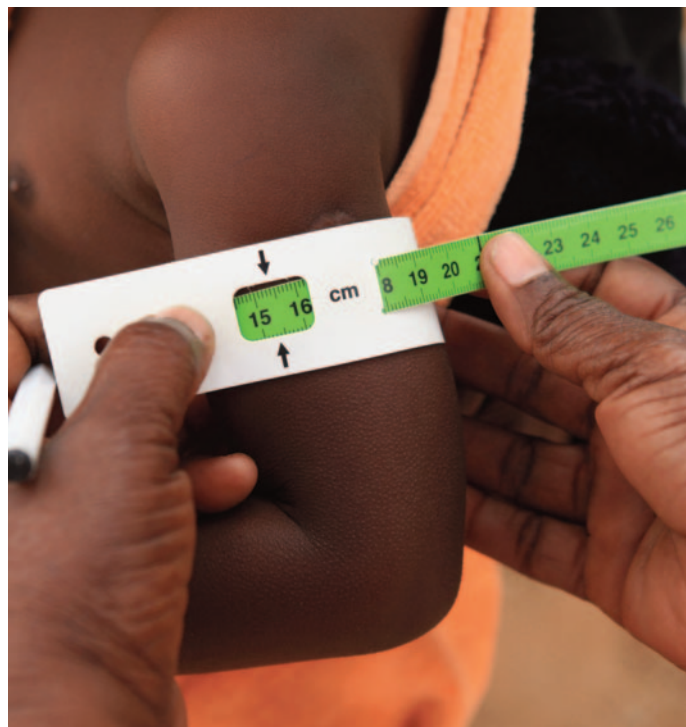
4.1 Composition of the 2021 MOHCC Budget by Programme

The MoHCC has four programmes namely, Policy and Administration, Public Health, Curative Services and the Bio-Medical Engineering, Bio-Medical Science, Pharmaceuticals and Bio-Pharmaceutical Production (BME-BMS-P-BPP). **As has been the trend, the Curative Services Programme was allocated the highest proportion of the MoHCC budget, with 70% (US\$476 million or ZW\$38.1 billion).** Policy & administration was allocated US\$127 million (ZW\$10.1 billion), Public Health US\$66 million (ZW\$5.3 billion) and BME-BMS-P-BPP US\$15 million (ZW\$1.2 billion). Figure 4 shows budget allocations across the 4 programmes under MoHCC.

Figure 4: Breakdown of 2021 MoHCC budget, US\$ millions and percent of total



Source: : MoFED, 2021 National Budget Statement

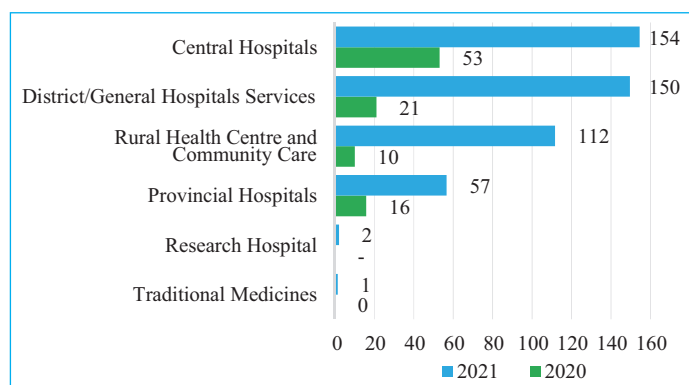


4.1.1 Curative Services Budget

An analysis of the 2021 MoHCC budget shows that the government has continued to invest in curative services, as has been the case over the years as the sector is the main stay of health delivery system. However, there has been a shift in proportions, with a decline in the allocation towards curative services.

As a share of the total MoHCC budget, Curative Services Programme has the highest proportion and was allocated 70% in 2021; however, this is lower than 87% in 2020. The curative services budget, which covers all expenses related to treatment services, from health posts to Central Hospitals, received a total of US\$476 million (ZW\$38.1 billion). Compared to 2020, the 2021 Curative Services budget increased by 375%. Figure 5 shows the breakdown of Curative Services Programme budget for 2020 and 2021.

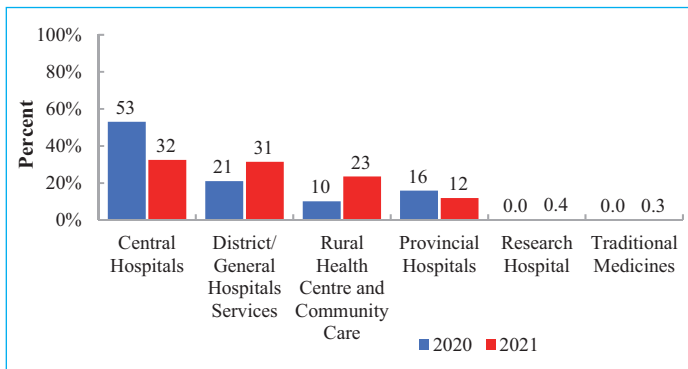
Figure 5. Composition of Curative Services Programme, US\$ millions



Source: : MoFED, 2020 and 2021 Budget Statements

Central hospitals and district hospitals are earmarked for the highest proportions of the budget. However, the proportion for central hospitals has declined from 53% in 2020 to 32% in 2021, while that for district/general hospitals has increased from 21.1% to 31%. In addition, Rural Health Centres (RHCs) allocation more than doubled from 10.1% in 2020 to 23.5% in 2021 (Figure 6). The increase in Rural Health Centres support is a welcome development as it will assist in de-congesting Central Hospitals through ensuring that services are available at local levels for the population.

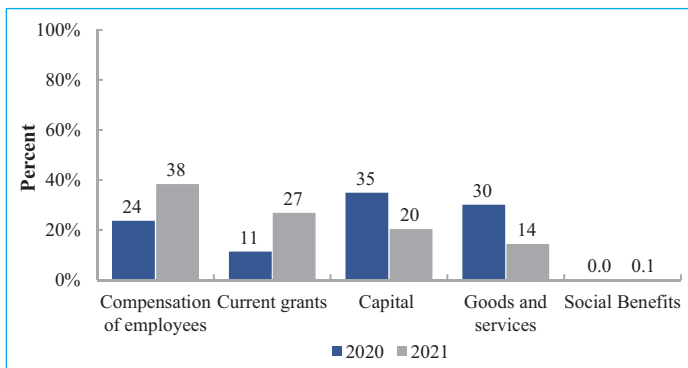
Figure 6: Composition of the Curative Services Budget, Percent of Total



Source: MoFED, 2020 and 2021 Budget Statements

Support to hospitals and other extra-budgetary units have increased as observed by the increase in current grants. As a share of total curative services budget, current grants to other general government units increased from 11% in 2020 to 27% in 2021. This could improve the operations of hospitals which have been underfunded for quite some time. Employment costs will consume 38%,⁶ and social benefits 27%. The share operations budget was reduced from 30% in 2020 to 14% in 2021. Figure 7 shows composition of curative services budget by economic classification.

Figure 7: Composition of Curative Services by Economic Classification, Percent of Total



Source: 2020 and 2021 Budget Statements

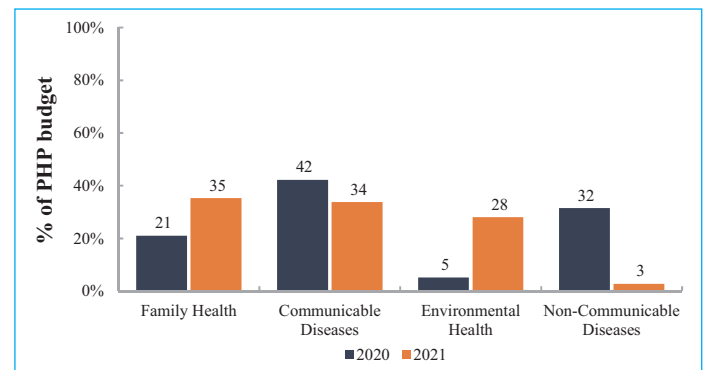
⁶ In addition to the 38%, there is a significant component of employment costs in current grants budget line item.

4.1.2 Public Health Programme

The Public Health programme (PHP) was allocated 10% of the MoHCC budget (US\$66 million), an increase from 6% (US\$7 million) in 2020. In nominal terms the PHP budget was increased by 842% from US\$7 million in 2020 to US\$66 million in 2021.

As a share of total PHP budget, Family Health budget was increased from 21% of total PHP budget in 2020 to 35% in 2021. Although the Family Health budget increased to 35% as a share of total PHP budget, in absolute terms it is still low and is only US\$23 million (ZWS\$1.9 billion) considering critical issues it covers related to reproductive, maternal, new-born, child, adolescent health and nutrition services. Environmental Health budget as a share of total PHP budget increased from 5% in 2020 to 28% in 2021. However, there are huge declines in proportions of the Communicable Diseases (CDs) and Non-Communicable Diseases (NCDs). The NCDs budget was severely cut from 32% of total PHP budget in 2020 to only 3% in 2021 (or 1.9% of total health budget in 2020 to 0.3% in 2021). Similarly, CDs budget was reduced from 42% in 2020 to 34% in 2021 (Figure 8).

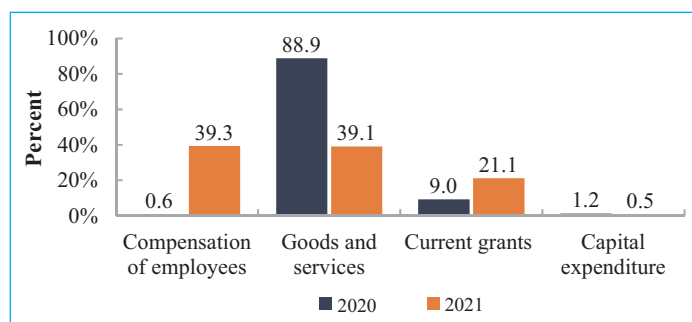
Figure 8: Composition of Public Health Programme Budget by subprogrammes



Source: 2020 and 2021 Budget Statements

With the targets set for the two major disease areas in the NDS 1, and as set out as key indicators in the 2021 budget, these developments do not work to pursue this objective. For example, the NDS 1 is targeting a reduction in NCDs mortality rates from more than 15% in 2019 to 11% in 2022. In addition, the budget is targeting to have a 100% capacity for screening NCDs by 2021. Under these targets, the funds allocation to this sub-programme may not be reflective of the feasibility of meeting these targets.

Capital budget for the PHP is very low and accounts for only 0.5%. Employment costs will account for 39.3% on the PHP budget, an increase from 0.6% in 2020. The operations were reduced from 88.9% in 2020 to 39.1% in 2021. Current grants were increased from 9.3% in 2020 to 21.1% in 2021. Figure 9 shows the composition of the PHP by economic classification.

Figure 9: Composition of PHP Budget by Economic Classification

Source: 2020 and 2021 Budget Statements

4.1.3 Bio-Medical Engineering, Bio-Medical Science, Pharmaceutical and Pharmaceutical Production

Bio-Medical Engineering, Bio-Medical Science, Pharmaceutical and Pharmaceutical Production were allocated US\$15.5 million (ZW\$1.24 billion). As this is still an evolving programme, it was allocated 2% of the total MoHCC budget. This is a new programme that was introduced in 2021, with new sub-programmes, namely Bio-Medical Engineering, Bio-Pharmaceutical Engineering and Production and Bio-Medical Science Research. The programme is aimed at reviving the country's medical and pharmaceutical supply industry as well as advance health research. Table 1 gives the breakdown of the Bio-Medical Engineering, Bio-Medical Science, Pharmaceutical and Pharmaceutical Production.

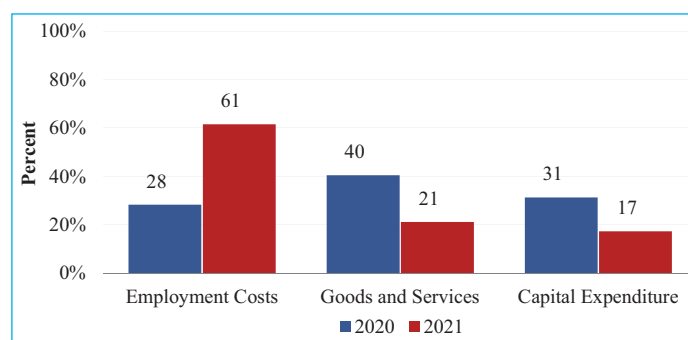
Table 1: Breakdown of the Bio-Medical Engineering, Bio-Medical Science, Pharmaceutical and Pharmaceutical Production

	2020 Budget	% of 2020 Budget	2021 Budget	% of 2021 Budget
Bio- Medical Engineering	-	0.0%	2,867,288	19%
Bio-Pharmaceutical Engineering and Production	-	0.0%	2,422,894	16%
Bio-Medical Science Research	-	0.0%	3,719,919	24%
Bio-Analytics	261,096	15.5%	2,107,100	14%
Health Research	1,421,113	84.5%	4,359,600	28%
Total	1,682,209	100.0%	15,476,800	100%

4.2 Composition of the 2021 Health Budget by Economic Classification

As a proportion of total MoHCC budget, recurrent costs account for 83% and investment budget only 17%. Employment costs were allocated US\$420.5 million (ZW\$33.6 billion) up from US\$332.2 million (ZW\$1.9 billion) in 2020. As a share of total MoHCC budget this is equivalent to 61% in 2021 and 28% in 2020. Out of the total employment costs in 2021, US\$287 million (ZW\$22.9 billion) will be channelled through central government, while US\$133.5 million (ZW\$10.7 billion) will be through current transfers for salaries and wages for grant-aided institutions⁷. Figure 10 shows the composition of the MoHCC budget for 2020 and 2021 as a percent of total.

Figure 10: Composition of MoHCC Budget by Economic Classification



Source: MoFED, 2020 and 2021 Budget Statements

Goods and services budget increased from US\$46 million (ZW\$2.7 billion) in 2020 to US\$145 million (ZW\$11.6 billion) in 2021. However, as a share of the total MoHCC budget, goods and services budget was cut by almost half from 40% in 2020 to 21% in 2021 (Figure 11).

Similarly, the proportion of capital budget to total MoHCC budget was cut from 31% in 2020 to 17% in 2021. The budget for 2021 shows a worrisome trend on allocations to the capital budget, which is at 17% against a 2020 allocation of 31%. Quality of health care infrastructure remains compromised by both low budgetary allocation and weak execution rate. Figure 11 shows the composition of the three programmes by economic classification. Against the need to repair existing health infrastructure as well as equip health facilities with the necessary equipment, the low allocation is a worrying indication of what the year will turn out to be on capital goods supplies. Considering that development partners are not prioritizing capital expenditures, investment projects will be grossly underfunded. Expenditure reprioritization in favour of the development budget is required.

⁷ Includes Central Hospitals, Mission Hospitals, Health Services Board, Zimbabwe National Family Planning Council and Local Authorities

Drawing on lessons from some countries that have lower health spending yet have better health outcomes, increased emphasis must be placed on optimizing allocative and operational efficiencies, optimal donor coordination especially on disease specific funding streams, strengthening budget execution at all levels, mainstreaming innovative purchasing mechanisms such as Results Based Financing, and establishing more robust public finance monitoring mechanisms.

Key Takeaways

- **The health budget is inclined towards Curative Services having been allocated 70% of the total budget. However, the huge budget cuts for Communicable Diseases (CDs) and Non-Communicable Diseases (NCDs) under the Public Health programme is of concern. Government should strive to strike a balance across all programme budget.**
- **Quality of health care infrastructure remains compromised by both low budgetary allocation and weak execution rate. Deliberate efforts should be made in re-orient expenditure mix in favour of the development budget.**

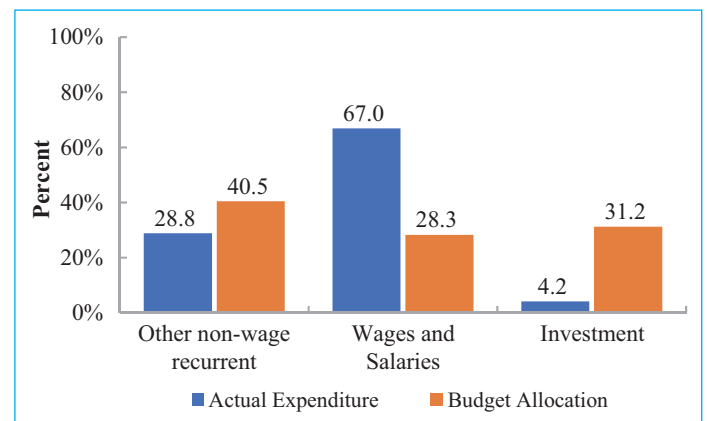


5. BUDGET CREDIBILITY AND EXECUTION

5.1 Budget Execution by Economic Classification

For the period January – December 2020, MoHCC actual total expenditure stood at US\$205.7 million (ZW\$12 billion) against the total approved budget of ZW\$6.6 billion (US\$113.8 million). Overall, expenditure to December 2020 overshot the approved budget by 81%, largely spurred by inflation and exchange rate depreciation, as well as expenditure pressures related to COVID-19 response. Recurrent expenditures accounted for 96% of total 2020 actual expenditure, of which 67% was for employment costs and 29% for other non-wage recurrent expenditures. Figure 11 shows the performance of the 2020 budget. In absolute terms, US\$137.7 million* (ZW\$8 billion) was spent on on employment cost against an approved budget of US\$32.2 million (ZW\$1.9 billion). For goods and services a total of US\$59.3 million (ZW\$3.5 billion) was utilised against a budget of US\$46.1 million (ZW\$2.7 billion), giving a budget overrun of 28.8%.

Figure 11: 2020 MoHCC actual spending against budget allocation, percent of total.



Source: MoFED, 2020 Fiscal Outturn

Capital expenditure only accounted for 4.2% of total actual expenditure against a budget target of 31.2%. The capital budget performance was affected by reallocation of resources towards COVID-19 response, as well as lockdown restrictions measures which slowed down implementation of investment projects as health personnel focused on COVID-19 mitigation and prevention.

Despite COVID-19 related challenges which impacted implementation of investment projects in 2020 mentioned above, execution of the capital budget remains a challenge

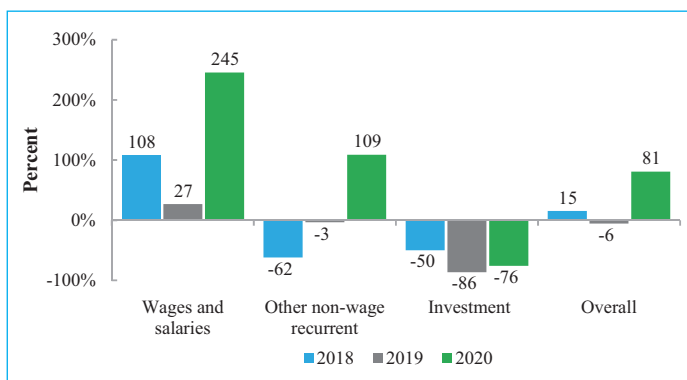
* Of which 38% (ZW\$3.1 billion) of that was utilised by grant-aided institut



and has underperformed by an average 71% over the period 2018 – 2020. Some of the factors affecting implementation relates to limited capacity within the MoHCC to plan and execute infrastructure projects, procurement delays due to limited understanding of the new procurement legislation, policies and guidelines. Capital budget expenditure is very weak and should be strengthened and prioritised.

Overall, in 2020 there was a budget overrun of 81%. Huge budget overruns are observed on wages and salaries, overshooting the approved budget by 328%. Other non-recurrent expenditure overperformed by 29% while capital expenditure underperformed by 76%. Figure 12 shows budget execution rates by economic classification for the period 2018 – 2020. Budget execution is weak as evidenced by the huge variations of actual expenditure from the approved budget. Weak budget implementation is one of the major obstacles towards achieving better health outcomes.

Figure 12: Budget execution rates by economic classification (% deviation from approved budget)

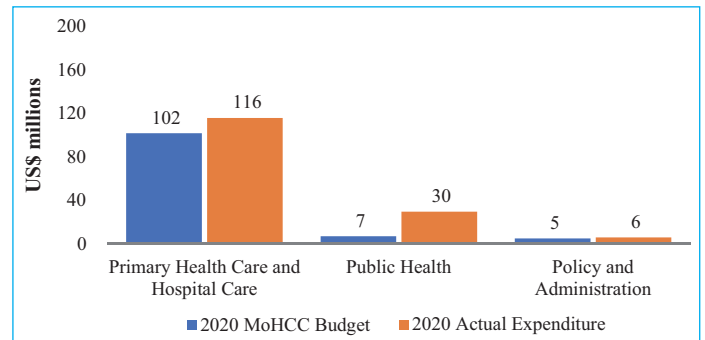


Source: MoFED, Fiscal Outturns, 2018 - 2020

5.2 Budget Execution by Programme

In 2020, there were budget overruns across all the 3 MoHCC programmes. Primary Health Care and Hospital Care (which is now Curative Services) exceeded budget by 55.7%, public health by 482% and Policy and administration by 59.8%. Figure 13 shows 2020 MoHCC budget and actual expenditure by programme.

Figure 13: 2020 Budget Execution by Programme



Source: MoFED, 2020 Fiscal Outturn

Note: Primary Health Care and Hospital Care is now renamed Curative Services

Key Takeaways

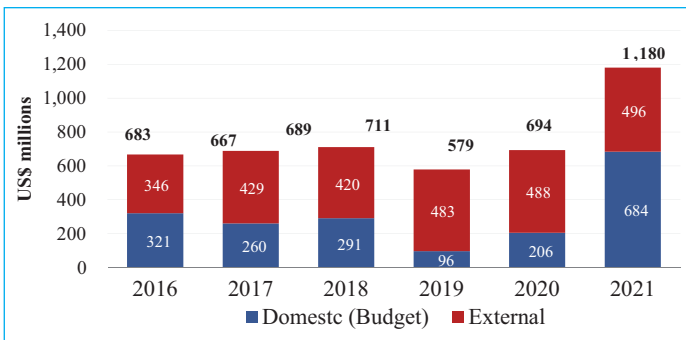
- *The huge variations between the approved budget and actual health expenditure outturn particularly for wages and salaries and capital budget gives evidence of weak budget planning and execution. Addressing structural challenges affecting capital budget execution will be critical to ensure provision adequate and quality of health care infrastructure. In addition, addressing other macroeconomic issues related to inflation and exchange rate instability will go a long way to improve budget planning and forecasting and avoid the huge variations.*



6. FINANCING OF HEALTH SECTOR

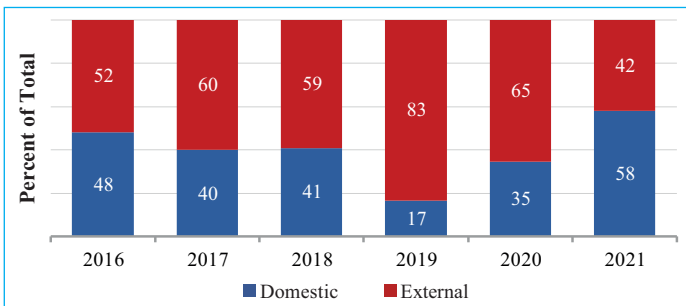
A total of US\$1.2 billion will go towards financing health sector interventions in 2021. Out of the available total financing, domestic resources from the budget will account for 58% (US\$684 million) and external financing 42% (US\$496 million). Public sector financing has increased significantly from US\$206 million in 2020 to US\$684 million in 2021. However, the stability of the local currency is crucial to maintain value in US\$ terms. Figure 14 and 15 shows the trend in health sector financing over the period 2016- 2021.

Figure 14: Sources of health sector financing, 2016 - 2021



Source: MoFED, Budget Statements and Outturns; 2020 Annual Budget Review; and MoHCC, 2020 Resource Mapping Report

Figure 15: Composition of Health Financing, Percent of Total, 2016 - 2021



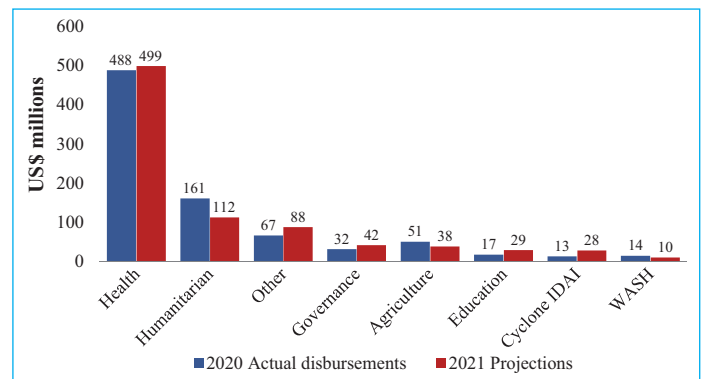
Source: Various Budget Statements and MoHCC, 2020 Resource Mapping Report



The health sector gets a lion’s of Development Partner support. As a share of total development partner support, the health sector is projected to get US\$499 million in 2021, which is equivalent to 59% of total external financing to Zimbabwe. However, there are significant uncertainties whether the 2021 pledges and commitments will all materialize as most donor countries are facing huge funding requirements in their countries as a result of the COVID-19 crisis, of which some have already hinted funding cuts to developing countries.

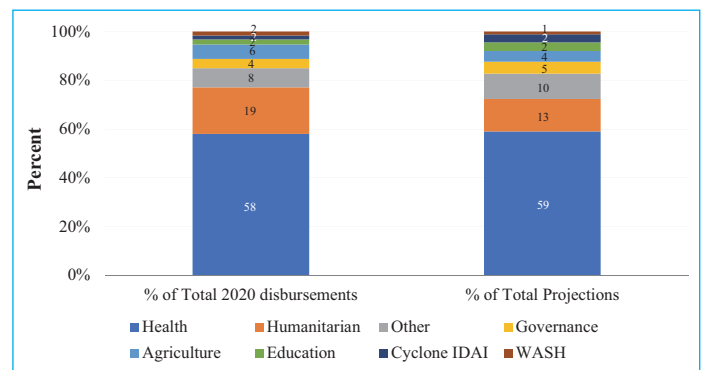
Despite the uncertainties around development partner financing, it remains a crucial part of the sector financing. Figures 16 and 17 shows the sectoral distribution of external financing for 2020 and 2021. With COVID-19 impacting on major donors, which may result in funding cuts, reliance on donor support for the health sector, exposes the country to exogenous shocks which have a huge impact on health outcomes.

Figure 16: External health financing by sector: 2020 actual disbursements and 2021 projections



Source: 2021 Budget Statement and 2020 Annual Budget Review

Figure 17: Composition of external health financing, percent of total



Source: 2021 Budget Statement and 2020 Annual Budget Review

Key Takeaways

- **Public health financing has increased significantly. As a share of total health sector financing, in 2021, domestic financing will account for 58% up from 30% in 2020. Zimbabwe is urged to continue increasing domestic funding in order to improve health sector financing sustainability and help to guard against volatility and unpredictability associated with external financing.**



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