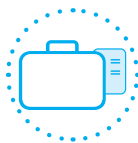




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**Zambia
Health Budget Brief
2019**

Highlights



9.3 per cent of the National Budget has been allocated to the health sector against a sector plan target of 12 per cent. With this level of allocation, the outlined sector goals and targets are not likely to be achieved in full. It is imperative that measures are put in place to put the economy on track to create opportunities for increased domestic revenues.



Despite the Ministry of Health having a budget execution rate of 92 per cent in 2016, the Directorate for Mother and Child Health only received 8 per cent of its budget. The Ministry of Health needs to put in place a mechanism that ensures the protection and fulfilment of budget obligations to all essential departments to achieve congruence.



The provincial per capita allocations are as high as K589 and as low as K200.2. The subnational allocation needs to be improved to address regional disparities. The two provinces with the lowest per capita allocation also have the lowest coverage for institutional birth deliveries.



Implementation of the 2019 National Budget will be under a weak fiscal outlook, but this provides an opportunity for improved prioritization and efficiency in spending.



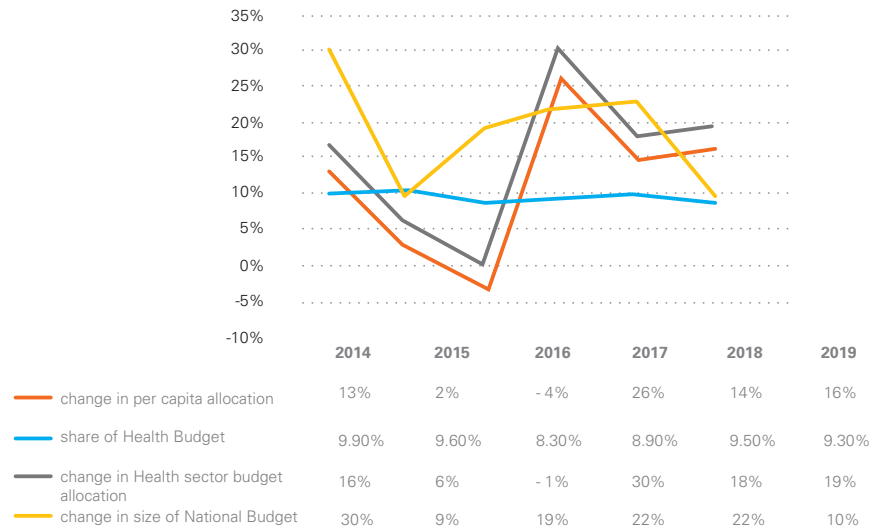
In comparison to its regional peers, Zambia is spending less on health care with its per capita expenditure at \$57 compared to \$86 for Lesotho and \$221 for Swaziland. Household expenditure accounted for 31 per cent of overall expenditure, while government expenditure was 69 per cent of overall spending. Measures should be put in place to reduce out-of-pocket payments as this has the potential to impoverish households.

INTRODUCTION

The 2019 National Budget was approved by the National Assembly on 21st December 2018. The total National Budget stands at K86.8 billion, which is 28.9 per cent of projected GDP. This budget comes at a time when the Government has undertaken austerity measures to deescalate the debt burden. Consequential to this, the Health budget decreased from 9.5 per cent in 2018 to 9.3 per cent in 2019. In nominal terms, however, the allocation increased by 19 per cent, exceeding the inflation target plus population growth by 7 percentage points. Over a six-year period (2014-2019) the budget allocation to health has nearly doubled (increased by 91 per cent), while real per-capita allocation has increased by 65 per cent over the same period. However, the budget allocation is still below the target of 12 per cent stated in the National Health Sector Strategic Plan (2017-2021).



Figure 1:
National Health Budget: Share of National Budget, change in per capita allocation, change in sector budget and change in size of National Budget



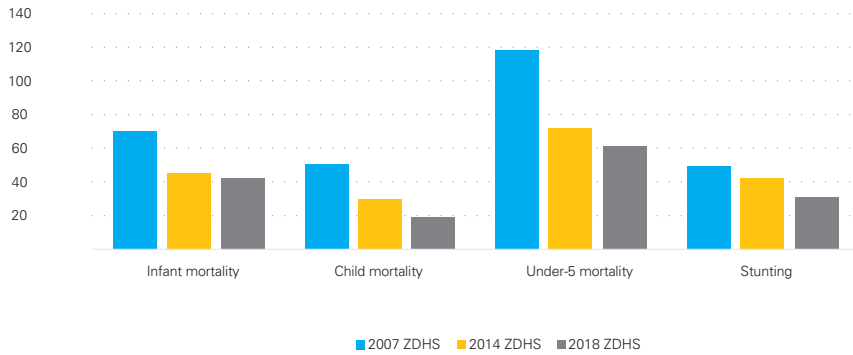
Source: Constructed by UNICEF from Approved National Budgets and Central Statistical Office population estimates

The Ministry of Health plays the dual role of policy formulation, and strategic planning and delivery of health services, with the provincial and district health offices upwardly accountable to the Ministry of Health headquarters.

Zambia has achieved remarkable progress in improving population wellbeing. Life expectancy at birth now stands at 61 from 43 in 2000. This success was driven by an improvement in the macroeconomic indicators (relative to 1980s and 1990s), debt relief, heavy investments in the social sectors (by the Government and cooperating partners), and a large increase in mining and agriculture production since 2004.

Among the population, malaria is the major reason for hospital visitation and admission. While 72 per cent of the population are within a 5 km radius of a health facility, the difference between rural areas and urban areas is almost double. With regards to all key child indicators (infant mortality, child mortality, under five mortality and stunting) there has been a steady decline, indicating improvements in the sector as can be seen in Figure 2 below.

Figure 2:
Trends in key child indicators



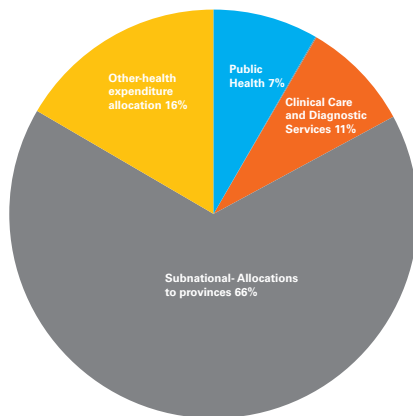
Source: 2018 Zambia Demographic and Health Survey

Intra-sector allocations

Health care is delivered through a three-tier system with primary health care delivered through health posts, health centers and district hospitals. The second tier has secondary level hospitals and the third tier has tertiary level hospitals. A significant share of the health budget goes to personal emoluments with 55 per cent in 2019, marginally higher than the 2018 allocation of 54 per cent.

The share of the sector budget going to subnational level (provincial and districts) has declined from 67 per cent in 2018 to 66 per cent in 2019, although nominally the subnational budget has increased by 18 per cent.

Figure 3:
Distribution of the 2019 National Health Budget



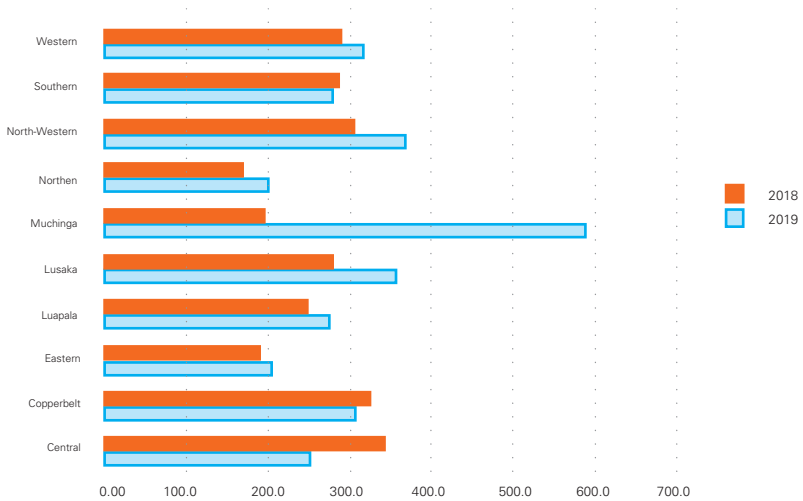
Source: Constructed by UNICEF from Act No.22 of 2018 Appropriation Act authorising expenditure for financial year ending 31st December 2019

At Ministry of Health national level, the Clinical Care and Diagnostics Department has been allocated 11 per cent of the Ministry's budget with the Public Health Directorate has received 7 per cent. Other programmes and departments combined have 16 per cent. The per capita allocation in current prices has increased from K402 in 2018 to K464 in 2019.

Regional 2019 per capita allocations in current prices have huge variations, with the difference between the highest and lowest being almost threefold. This is largely due to infrastructure projects and the fact that certain provinces have a high number of hospitals relative to the population.

In addition, with personal emoluments standing at 55 per cent, a province with a high number of facilities will have a higher per capita allocation. For example, the per capita allocation for Muchinga Province is relatively higher than that of other provinces because of the allocation for the Chinsali General Hospital which accounts for 60 per cent of its total allocation. However, when the infrastructure budget is excluded, the per capita allocation is within normal range.

Figure 4:
2019 and 2018 Provincial per capita allocations on health care



Source: Constructed by UNICEF from Appropriation Act for periods ending 31st December 2019 and 2018 and Central Statistical Office population projections 2011-2035

Expenditure Utilization

A review of the Government's financial report reveals that Ministry of Health expenditure has consistently remained below disbursement, apart from 2011 when actual expenditure exceeded disbursement. The disbursement rates (disbursement to budget amount) were 83 per cent in 2014 and 92 per cent in 2016 (latest Government Financial Report). However, the execution rate for the Directorate of Mother and Child Health was 8 per cent in 2016 compared to 84 per cent in 2014.

Extending this analysis to include off budget expenditure, a recent study finds that The Government and donors were the largest sources of health expenditure with a combined contribution of 80 per cent.

In 2016, donor current health expenditure stood at 43 per cent of the total health expenditure, Government accounted for 38 per cent of total current health expenditure, households through out-of-pocket payments accounted for 12 per cent of total current health care expenditure and 9 per cent came from medical aid schemes and insurance companies. What is clear from this is that off-budget expenditure is more than on-budget expenditure.

How can budget allocation and execution improve outcomes?

The increasing cost of servicing debt and the huge wage bill are crowding out domestic resources for other programmes including health care provision. If not urgently addressed, these fiscal constraints may erode the gains made in improving health outcomes. Nevertheless, a lot more can be done within the sector to minimise the impact of these economic shocks. The following three proposals should be considered by the Government and its partners:

1. Doing more with available resources by addressing inefficiencies in funds-flow downstream -

A lot more can be achieved if the health system becomes more efficient and effective. Addressing bottlenecks in the channelling of funds between the various levels of administration in the public health system could result in the reduction of considerable amounts of unspent funds being returned to the treasury and cooperating partners. Very often, sources are spread thinly, and with the declining fiscal space it is essential that, where possible, certain programmes are consolidated. Further, savings can be obtained through early purchase of essential commodities like vaccines i.e. prioritise purchase of imported vaccines and drugs when the exchange rate is favourable including initiating

purchase as early as six months in advance.

- 2. Improve financial management -** the sector has not been spared financial irregularities in the annual Auditor General's report. It is important that the current financial management be enhanced including the rollout of IFMIS to subnational and cooperating partners resources. Through these measures, central government will have an opportunity to better mobilise and utilise public resources.
- 3. Create a balance between infrastructure development and meeting recurrent expenditure -** Although it is clear that infrastructure gaps inhibit many individuals from accessing health care, it is also important that infrastructure development does not come at the expense of resources for interventions.
- 4. Implement the National Health Insurance Scheme especial for the coverage of poor and vulnerable individuals.**



United Nations Children's Fund

UN House

Alick Nkhata Road, Longacres

PO Box 33610

Lusaka

Zambia

Tel: (+260) 211 374 200

Fax: (+260) 211 253 389

Facebook: <https://www.facebook.com/unicefzambia>

Twitter: <https://twitter.com/unicefzambia>

Instagram: <https://www.instagram.com/unicefzambia>

Website: www.unicef.org/zambia