Recovery from COVID-19: Building resilient health financing in Eswatini

Health Budget Brief, 2021/22

November 2021

Key Messages

The total budget allocation to the health sector in fiscal year 2021/22 has nominally increased by 1.8 percent or 1.7 percent after adjusting for inflation, from E2.74 billion in the previous year to E2.79 billion. However, the allocation falls short of spending needs exacerbated by COVID-19.

Recommendation: *The Government should safeguard spending on health in the 2022/23 budget in line with growth in spending needs triggered by COVID-19. Given domestic resource constraints, the Government is encouraged to seek concessional loans and grants from the international community to increase fiscal space for health as part of COVID-19 recovery plans.*

COVID-19 has crowded out spending on other health services, evidenced by a decline in allocations to preventive medicine, medical support services and curative medicine by 1.9 percent, 10.1 percent, and 10.7 percent respectively compared to 2020/21.

Recommendation: *The Government should balance spending on COVID-19 responses with the delivery of ongoing non-COVID-19 health services to avoid a regression in health outcomes.*

In the current year, the Government has committed E50 million to COVID-19 vaccination. However, this is insufficient to ensure that at least half of the adult population in the country is vaccinated by the end of the year.

Recommendation: *The Government is called upon to review its allocation to vaccine procurement at mid-year and utilise non-debt creating flows such as grants to improve financing of the vaccination programme.*

While overall sector budget credibility for the health sector is high at 95.8 percent, capital budgets are usually underspent, with the budget execution rate averaging 49 percent between fiscal year 2017/18 and 2019/20

Recommendation: *The Government should investigate underlying reasons behind delays in the implementation of health capital projects to ensure value for money and to accelerate the supply of health services to all people.*

Introduction

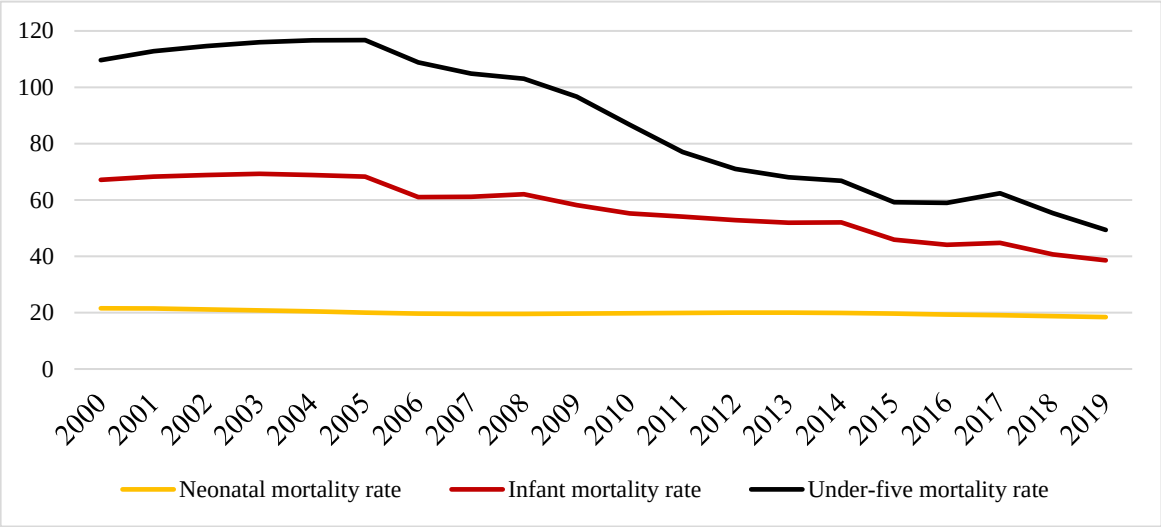
This budget brief explores the extent to which the national budget for fiscal year 2021/22 addresses the health needs of children in the Kingdom of Eswatini. Specifically, it provides an overview of the size and composition of the health budget. While the approved allocations are used as the main source of data for fiscal years 2020/21 to 2021/22, revised budget estimates are used for fiscal years 2017/18 to 2019/20. Fiscal year 2017/18 is used as the base year for inflation adjustments. Inflation for the current year is projected by the Centra Bank of Swaziland to be 3.9 percent. The budget analysis was augmented with literature review of Government and development partners' reports.

Section I – Overview of the Health Sector in Eswatini

Health is a priority of the Government of His Majesty the King of Eswatini. It is a key result area in the National Development Plan under the outcome on social and human capital development. Details of specific health goals and strategies for the country to ensure health for all are outlined in the National Health Sector Strategic Plan (2019-2023) and the National Health Policy (2006). The sector plan is aligned to the Sustainable Development Goals (SDGs). The Ministry of Health has overall responsibility for providing leadership, policy guidance and operational guidelines in the delivery of health services in Eswatini.

The Government of His Majesty the King of Eswatini has achieved notable gains in health outcomes over the past two decades. Most notably, the Government has achieved a larger coverage of health facilities, lowered HIV incidence rates, and reduced infant and child mortality. At present, 80 percent of the population is within a radius of 8 kilometers from a health facility. The HIV incidence rate has fallen from 2.1 percent in 2011 to 1.4 percent in 2016, driven largely by the provision of Early Access to Anti-Retroviral Therapy for All, Prevention of Mother to Child Transmission (PMTCT) and HIV testing and counselling services. Under-five (U5) mortality declined from 110 deaths per 1,000 livebirths in 2000 to 49 in 2019 (Figure 1). While this progress is commendable, U5 mortality is still higher than the SDG target of 25 deaths per 1,000 livebirths.

Figure 1: Child mortality rates in Eswatini, 2000, 2019 (per 1000 live births)

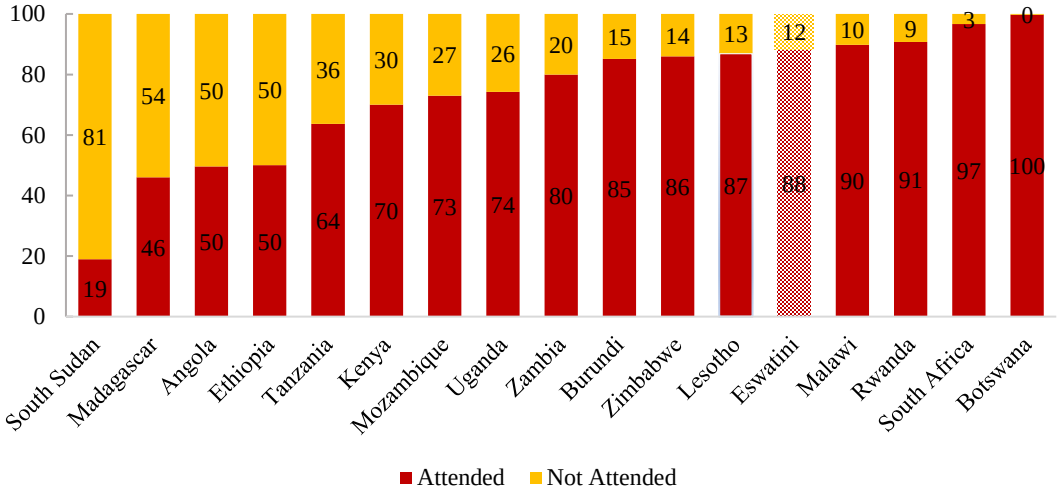


Source: UN Inter-Agency Group for Child Mortality Estimation (IGME) (2021)

One of the areas that the Government has invested a lot in is combatting HIV and AIDS, TB, and Malaria. Eswatini is one of the few countries in the world to have achieved the UNAIDS 95-95-95 targets, meaning 95 percent of people living with HIV are aware of their HIV status, 95 percent of those who are aware of their HIV+ status are on ART and 95 percent of those on ART are virally suppressed. The percentage of confirmed malaria cases treated as per the Ministry of Health guidelines stands at 100 percent. The government has also sustained its investments in awareness and treatment of TB.

Eswatini outperforms many countries in Eastern and Southern Africa (ESA) when it comes to health outcomes. For example, an estimated 88 percent of the births in the Kingdom of Eswatini were assisted by a skilled birth attendant compared to 19 percent in South Sudan and 46 percent in Madagascar, placing Eswatini among the 5 leading countries (Figure 2). This rate is also higher than the global average of 83 percent.

Figure 2. Birth attendance by skilled health professionals in select countries, latest available (as % of total)



Sources: Joint UNICEF/WHO database 2021

The COVID-19 pandemic is threatening progress made by the Government in improving health outcomes. It is also compounding some of the pre-existing challenges in the delivery of health services in the Kingdom of Eswatini. These include maternal health facilities that are poorly equipped, low coverage of antenatal care services and weak tertiary health services. The pandemic is also reportedly crowding out the financing and delivery of other essential health services. For example, as several health facilities have been designated as coronavirus sites, the utilization of some healthcare services has gone down, including routine immunizations of children and facility-based deliveries.

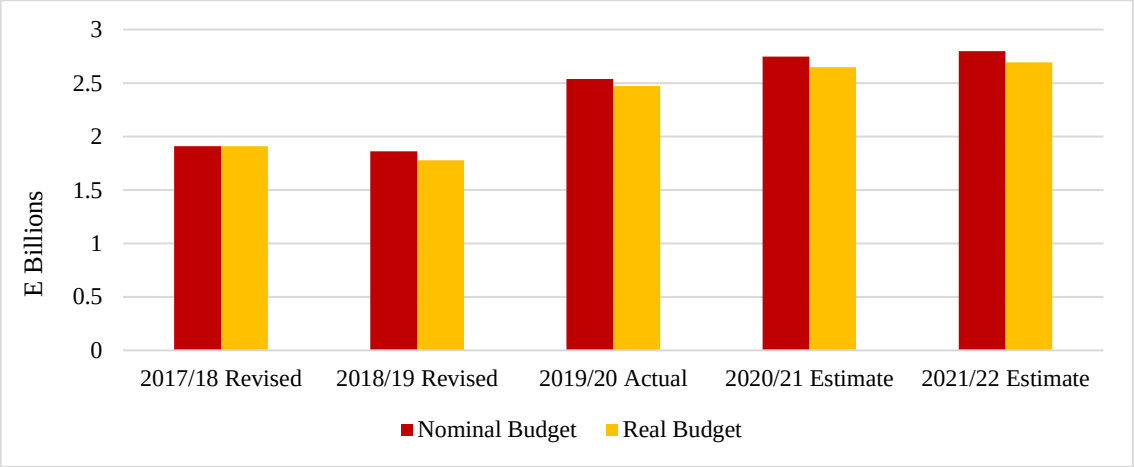
Key takeaways

- It is only through sustained and resilient health spending that the Kingdom of Eswatini can consolidate gains made in the past decade to achieve SDG3 on healthy lives and well-being for all ages.
- Government policy should continue to focus on tackling the coronavirus pandemic to avoid regression in health and other human capital development outcomes.

Section II - Size of Health Spending

The budget allocated to the health sector has modestly increased compared to the previous year. The sector was allocated E2.79 billion up from E2.74 billion in 2020/21 (Figure 3). This amounts to a 1.8 percent increase in nominal terms, and 1.7 percent in real terms. In per capita terms, the allocation is estimated to be E2,387 compared to E2,368 in 2020/21.

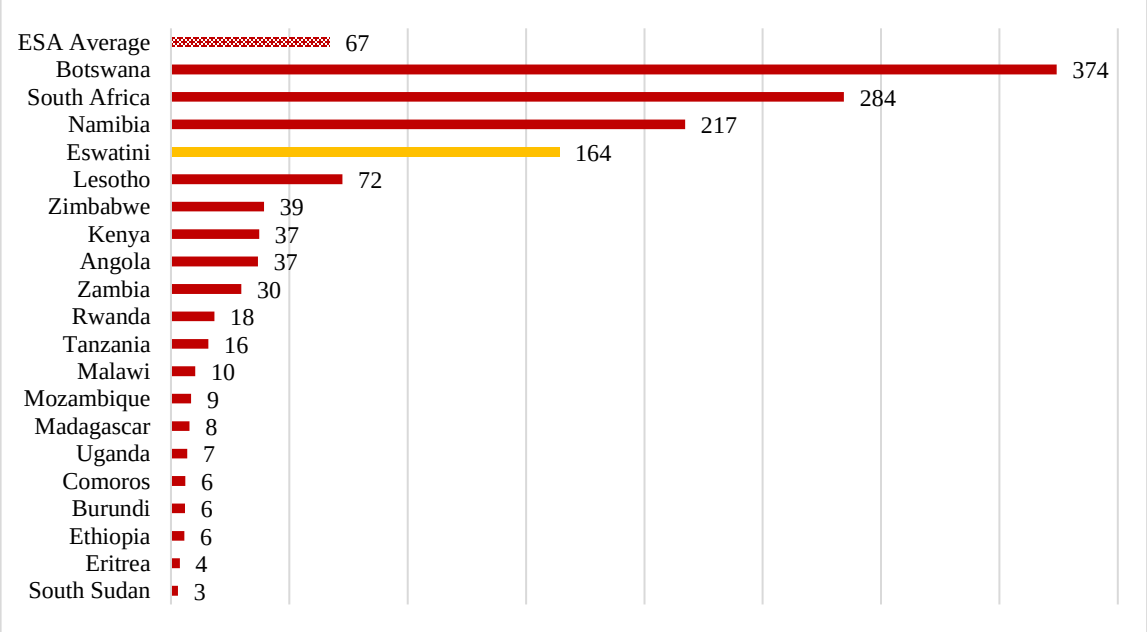
Figure 3: Total health budget, 2017/18-2021/22 (in E billions)



Source: Author based on Eswatini Budgets Estimates, 2017/18-2021/22

Eswatini performs relatively well than most Eastern and Southern African (ESA) countries on health spending per person. The health sector budget allocation in the current year amount to E2,387 (about US$164) per person compared to E2,228 (about US$156) in 2018/19 (Figure 3B). The health budget per person in Eswatini is nearly twice the minimum spending benchmark of $86 proposed by the World Health Organisation for low income countries.

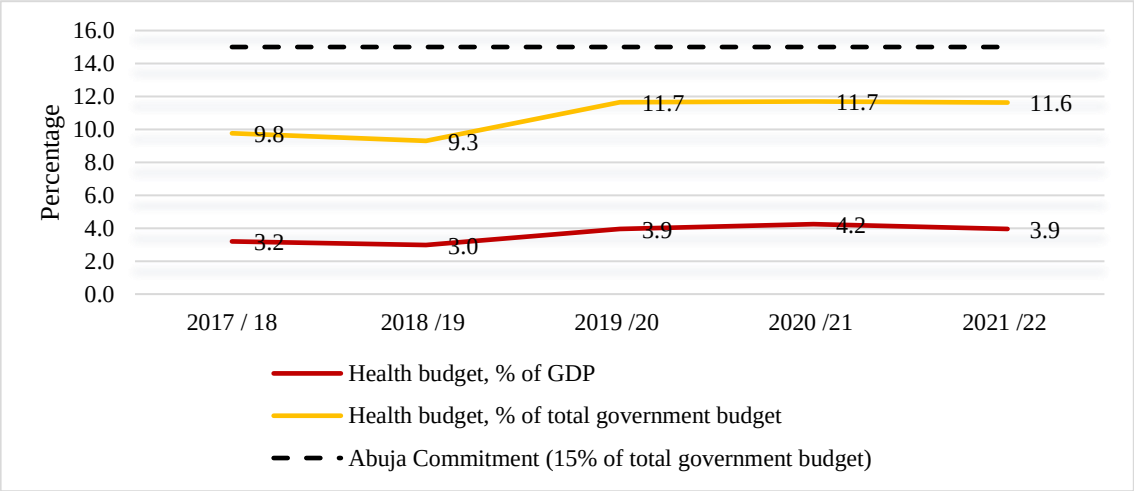
Figure 4: Per capita health budget, (in US$ current prices)



Source: UNICEF (2021), based on health expenditure data from the WHO Global Health Expenditure Database (2018 or latest available) and GDP data from the IMF World Economic Outlook, April Update for all select countries and the Eswatini 2021/22 Budget Estimates.

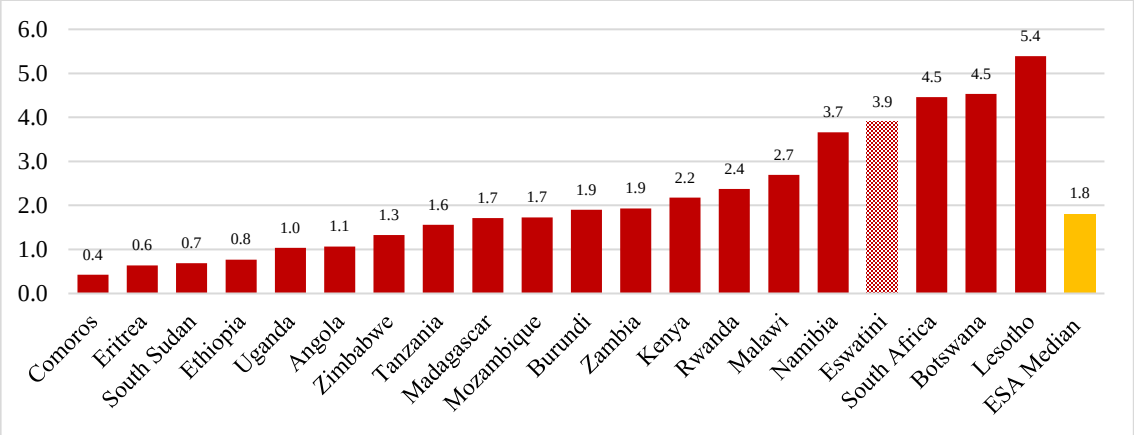
The health sector budget has largely stagnated at 11.7 percent as a share of the total government budget, on average (Figure 5). This level of spending is slightly below the Abuja Declaration target for African governments to allocate at least 15 percent of their total budgets to health. A similar trend has been observed is the sector budget when measured as a percentage of the gross domestic product (GDP). In 2021, the total sector budget is approximately 4 percent of the country's GDP. In the entire region, Eswatini is the fourth highest spender on health after Lesotho, Botswana and South Africa (Figure 6)

Figure 5: Total health budget, 2017/18 to 2021 / 22
(as a % of GDP and total government budget)



Source: Author based on Government Budget Estimates, 2017/18-2021/22

Figure 6: Eswatini Health spending in relation to select countries
(as a % of GDP)



Source: Author based on Eswatini 2021/22 Budget Estimates and WHO Global Health Expenditure Database (2018 or latest available) for all other countries.

The total health sector budget falls short of additional financing needs induced by COVID-19. Main financing needs include strengthening the testing capacity of the country, roll-out of the national vaccination programme, treatment of cases, and procurement of health supplies. In addition to donations received from the COVAX Facility, the Government is exploring direct procurement of vaccine to facilitate the acquisition of additional vaccines to cover the eligible population.

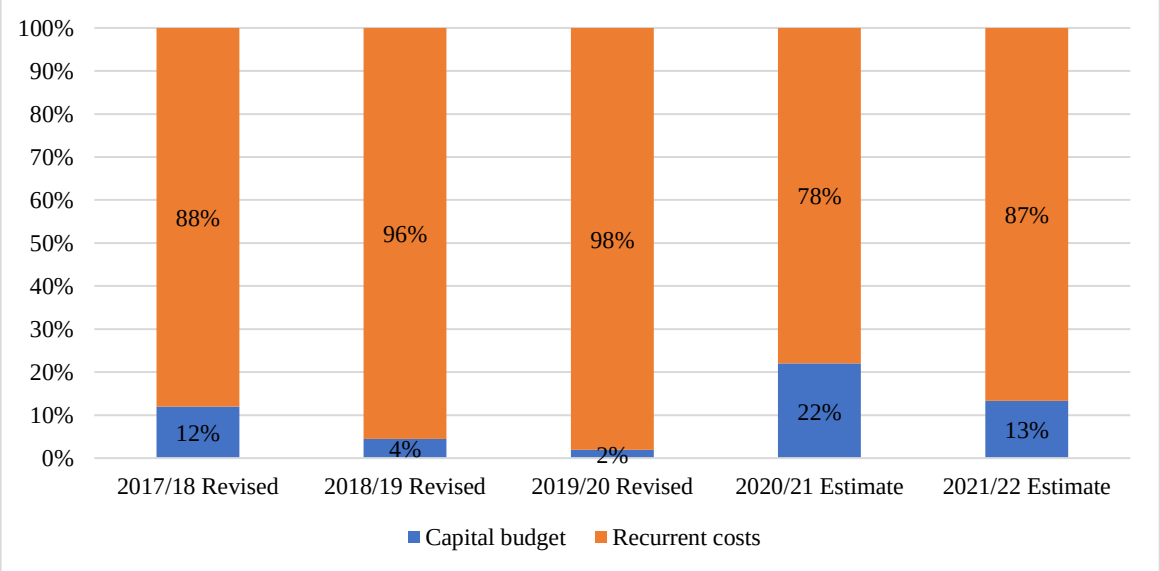
Key Takeaways

- The COVID-19 pandemic has stretched the limited health sector resources due to a surge in financing needs to prevent and treat cases. Chances are high that COVID-19 responses will crowd out spending on other health services.
- With limited fiscal space, the only option for the Government is to finance the implementation of the Health Sector Plan in the short-term is through non-debt creating international financial assistance in the form of grants and special drawing rights (SDRs).

Section III - Composition of Health Spending

A majority of the health sector resources are used to pay for recurrent costs. In 2021/22, 87 percent of the health budget has been allocated to recurrent costs. This is a slight increase from the 78 percent in 2020 (Figure 7).

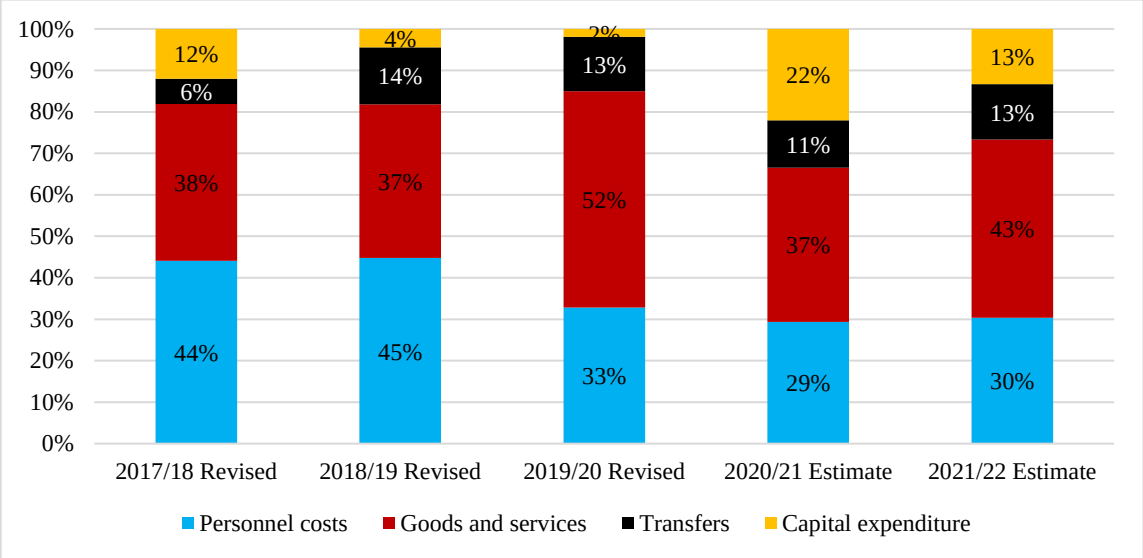
Figure 7: Recurrent vs capital budgets, 2017-2021
(as a % of the total health budget)



Source: Author based on Eswatini 2021/22 Budget Estimates.

Most of the recurrent costs are for the procurement of health goods and services and salaries. In the current year, good and services have been allocated 43 percent of the total health sector budget, with personnel costs allocated a third of the budget (Figure 8). In total, the budget for goods and services has increased by about 18 percent in nominal terms from E1 billion in 2020/21 to E1.2 billion in 2021. The budget for transfers also increased by 18 percent from E315 million to E317 million during the same period.

Figure 8: Composition of the health budget by economic classification, 2017-2021 (as a % of total)

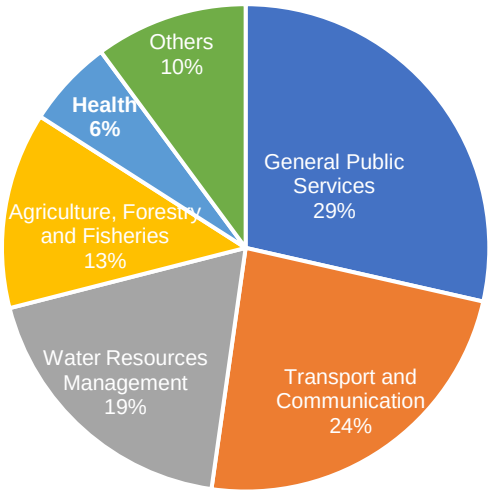


Source: Eswatini Budget Estimates, 2017/18-2021/22

Allocations to the capital budget have been volatile for the past four years. In 2021/22, capital projects were allocated E373 million, which is a 38 percent decline from the E604 million allocated in 2020/21. As a share of the health budget, the capital budget nose-dived from 22 percent in 2020/21 to 13 percent in the current year. The volatility of the capital budget partly reflects reprioritization of expenses, especially in the current year due to COVID-19. For example, the timelines for capital projects such as the TB Hospital, and the Cancer Diagnosis & Treatment facility were changed, with some resources repurposed towards COVID-19 responses.

The health capital budget is the fifth largest as a share of the total government capital budget (Figure 9). In the current year, the health capital budget will take up 6 percent of the total government budget for capital projects (Figure 9). Nearly a third of the capital budget is going to general public services, followed by transport and communications at 24 percent, with water resources management coming third at 19 percent, and then health.

Figure 9. Capital expenditure priority of different sectors (2021/22) (as a % of total)



Source: Eswatini 2021/22 Budget Estimates.

When looking at all votes within the Ministry of Health, the Ministry's administration, continues to receive the highest allocation. In the current year, this vote was allocated about 32 percent of the Ministry's budget. If allocations to the Minister's office and the Directorate Office are included, the total allocation to administration is approximately 43 percent. The Ministry's administration budget also increased the most by 44 percent compared to the previous year (Table 1).

Table 1: Composition of the budget for the Ministry of Health, 2020/21-2021/22

Budget line	2020/21 Allocation	20/21 share of total	2021/22 Allocation	Share of total	% change in 2021/21 from 2020/21
Curative Medicine-41	1,867,160	0.09	1,668,165	0.07	-10.7
Minister's office-10	1,992,776	0.09	2,125,815	0.09	6.7
Preventive Medicine-32	102,763,425	4.80	100,782,915	4.16	-1.9
Medical Support Services-21	160,870,557	7.51	144,691,463	5.97	-10.1
Shiselweni Health Services-43	155,122,919	7.24	163,351,038	6.74	5.3
Hhohho Health Care Services-45	164,685,560	7.69	175,797,239	7.25	6.7
Lubombo Health Care Services-44	179,602,546	8.38	195,843,620	8.08	9.0
Directorate Office-51	274,443,478	12.81	274,443,478	11.32	0.0
National Referral Hospitals-12	280,266,601	13.08	290,747,321	11.99	3.7
Manzini Health Care Services-42	289,274,125	13.50	309,107,725	12.75	6.9
Ministry Administration-11	531,796,173	24.82	766,083,147	31.60	44.1
Total for the Ministry of Health	**2,142,685,320**		**2,424,641,926**		**13.0**

Source: Eswatini Budget Estimates, 2020/21-2021/22

The second largest share of the Ministry of Health budget (about 13 percent) will go to Manzini Health Care services. Manzini was allocated E309 million in 2021/21, which amounts to a 7 percent increase compared to E289 allocated last year. The second largest share (about 12 percent) was allocated to National Referral Hospitals at E290 million.

Of all budgets for health care services, the allocation to Lubombo Health care services has seen the largest increase of 9 percent, followed by Hhohho at just under 7 percent. The budget for Lubombo was increased from E179 million to E195 million, while that of Hhohho increased from E164 million to E175 million. The increase in the budget for Lubombo is partly because the Referral Hospital was designated as a coronavirus site for moderate to severe critical cases.

Budget allocations to preventive medicine, medical support services and curative medicine went down compared to the previous year by 1.9 percent, 10.1 percent, and 10.7 percent respectively. The budget for preventive services, for example, declined in nominal terms from E160 million last year to E144 million in 2021/22. This decline has implications on the provision of health services, especially at tertiary level.

The government has committed E50 million to COVID-19 health sector responses. The country received its first batch of 32 000 Oxford-AstraZeneca vaccines in late March. Out of this,12 000 came through the COVAX facility and 20,000 through a donation from the Indian Government. By mid of September 2021, the Government had vaccinated about a tenth of the adult population. More resources are required for the continued response to the health dimensions of the pandemic while continuing to deliver on other services to the rest of the population.

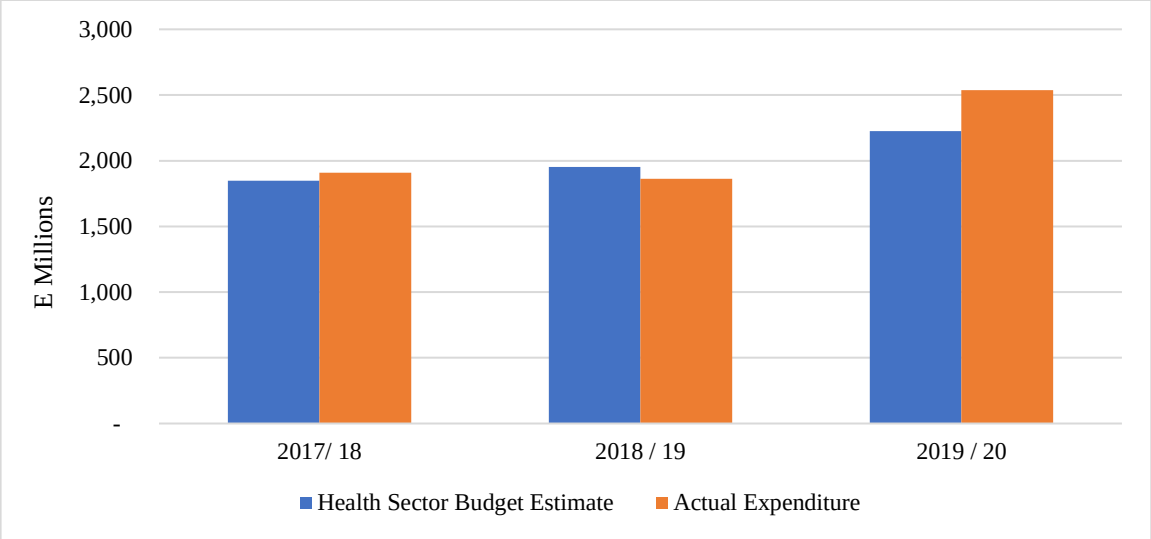
Key Takeaways

- The decline in allocations to preventive medicine, medical support services and curative medicine will have implications on the delivery of quality health services.
- While the government is commended for dedicating resources to vaccine procurement, the allocations are insufficient to meet the financing needs on the ground, if all eligible people are to be vaccinated.

Section IV - Budget Credibility and Execution

Health sector budget credibility has slightly deteriorated. In 2019/20, while about E2.2 billion was allocated, about E2.5 billion was spent resulting in a budget overrun by about 14 percent (Figure 10). **I**n 2018/19 the total health budget was underspent by 4.1 percent.

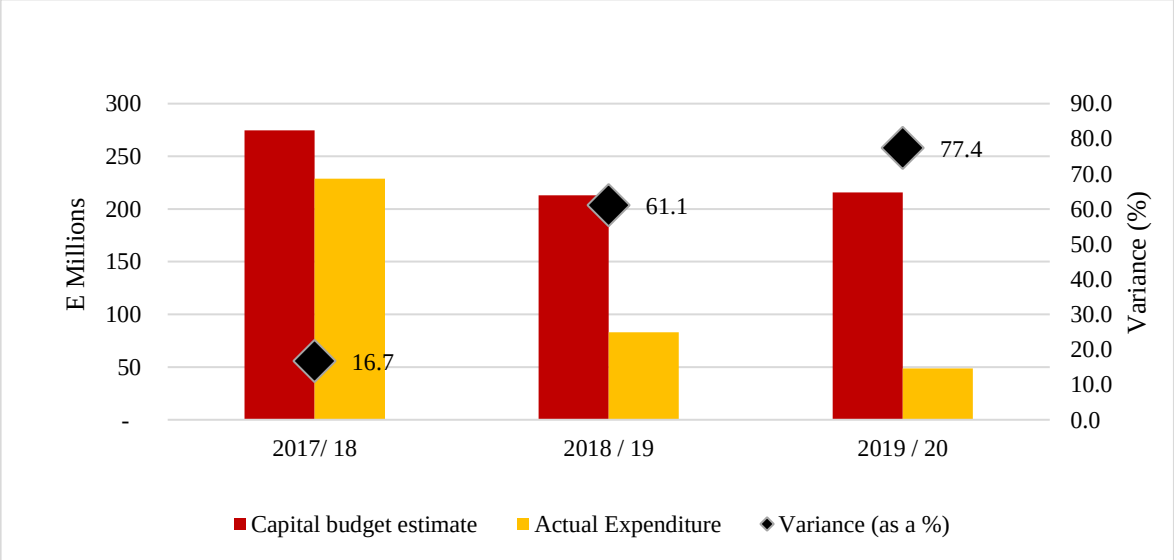
Figure 10: Health sector budget credibility (in E millions)



Source: Eswatini Budget Estimates, 2017/18-2019/20

Low budget credibility is driven by underspending of capital budgets. In 2019/20, the capital budget was underspent by 77% owing to delays in the implementation of some capital projects and capacity constraints within the Ministry of Health. Out of the E215 million allocated, only E48.7 million was spent during the year (Figure 11).

Figure 11: Credibility of the Health Capital Budget, 2017/18 - 2019/20



Source: Eswatini Budget Estimates, 2017/18-2019/20

Key takeaways

- Unless investigated and addressed, deteriorating budget credibility especially of the capital budget may potentially affect attainment of health sector objectives.

- Proper planning and sequencing of capital projects is needed to address the problem of underspending of the health capital budget.

Section V - Financing the Health Sector

Most of the health sector resources come from within the country. However, in 2020, the Government agreed on a US$20 million (about E 290 million) financial package with the World Bank for a five-year period. The aim of the financial assistance is to implement the "*Strengthening the Health System and Nutrition for Human Capital Development in Eswatini Project".* The funding is a loan under the Investment Project Financing (IPF) instrument. The people of Eswatini also benefit from off-budget financial assistance provided by development partners such as UNICEF. Added together, total external funding to the health sector is expected to remain under 5 percent of the total health budget in the current year.

Key takeaway

- Despite being a middle-income country, external financial assistance will be required to bolster the Government's response to the pandemic and to sustain investments in quality health services given domestic fiscal pressures.

Acknowledgements

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