Community Working Group on Health (CWGH)

POST BUDGET ANALYSIS - HEALTH SECTOR 2019

1.0 Introduction

The national budget essentially entails the use of government spending and revenues to influence the economy. Governments typically use the national budget (also known as fiscal policy) to promote strong economic growth and reduce poverty. The budget must influence both the process of generation and distribution of income in such a way as to disproportionately benefit the poor. The budget therefore is an instrument of resource allocation in order to ensure not just a rapid pace of GDP growth, but also the achievement of important development imperatives such as employment creation and poverty reduction.

A pro-poor, inclusive and sustainable national budget framework is one that prioritizes people and their basic needs as well as ring-fencing expenditures thereto. It must promote employment intensive growth. This is because decent employment is a key nexus between growth and development. It must boost public spending on health, education, agriculture and infrastructure without undermining fiscal sustainability. Importantly, a people's budget must be strongly aligned with constitutional imperatives such that the bulk of resources are dedicated towards the realization of constitutionally mandated people's rights.

Key sectoral spending targets/benchmarks that a National Budget must attain to demonstrate commitment and ensure the realisation of pro-poor, inclusive and sustainable growth and development include:

Table 1: Sectoral spending targets[i]

Sector	**Agreement**	**Target**
Social protection	Social Policy for Africa (2008)	4.5% GDP
Health	Abuja Declaration (2001)	15% government expenditure
Education	Education for All Initiative (2000)	20% government expenditure
Water & Sanitation	eThekwini Declaration (2008) Sharm El-Sheik Commitment (2008)	1.5% GDP
Agriculture	Maputo Agreement (2003)	10% government expenditure
Infrastructure	African Union Declaration (2009)	9.6% GDP

The 2019 National Budget comes at a time when the economy is battling rising inflation which has seriously eroded real incomes. The official year on year inflation for October 2018 was estimated at 20.85% up from 5.39% in September 2018. The official inflation statistics however are based on developments in the formal economy and hence may not provide an accurate picture given the high levels of informality the economy has undergone. This has been the outcome of the financing of the budget deficit which has caused money supply to rise markedly out of line with increase in the productive capacity of the economy. The 2019 National Budget, seeks to, 'stabilise the economy by targeting the "twin deficits" of fiscal and current account, which have become major sources of overall economic vulnerabilities, including inflation, sharp rise in indebtedness, accumulation of arrears and foreign currency shortages.'

2.0 Situational Analysis and Macroeconomic Framework

Economic growth is estimated at 4.0 per cent in 2018 up from 3.7 per cent recorded in 2017 this is less than the 6.3% projected in the Transitional Stabilisation Programme (TSP). In 2019 economic growth is projected at 3.1 per cent less than the 9.0 per cent projected in the TSP. There is need to ensure the economic growth employment-rich and poverty-reducing. This can be achieved by mainstreaming employment and poverty targets in the macroeconomic targets. In the short to medium term the economy will continue to face structural challenges arising from high levels of informality, weak domestic demand, high public debt, lack of confidence, a fluid/uncertain political environment and institutional weaknesses. This will continue to weigh down on economic growth. The doing business environment remains very challenging. The country has made some marginal progress in terms of doing business. The 2019 Doing Business Report of the World Bank shows that Zimbabwe moved 4 places up from 159 out of 190 countries in 2018 to 155 out of 190 countries in 2019. Zimbabwe made starting a business easier by reducing by about 50% the time needed to obtain a business license to about 32 days from about 611 days in 2018. In Zambia, starting a business takes 8.5 days while in South Africa it takes about 40 days. While investors have expressed a lot of interest and enquiries in the country so far not much in terms of actual investments on the ground have materialised.

The macroeconomic framework underpinning the National Budget remains highly consumption oriented with the bulk of expenditures being recurrent (see Table 2). Recurrent expenditures, in particular, employment costs therefore continue to crowd out critical infrastructure and social services expenditures. Furthermore, the financing of the widening fiscal deficit through domestic borrowing has resulted in an increase in the public debt and an unsustainable macroeconomic situation.

Table 2 shows the key macroeconomic and fiscal indicators for the fiscal year 2018.

Table 2: Key macroeconomic and fiscal indicators

	2018	2019	% Change
Revenues and Grants (US$ m)	5,296.8	6,598.2	24.6
% of GDP	21.5	19.6	-1.9
Total Expenditure (US$ m)	8,161.4	7,765.3	-4.9
% of GDP	33.2	24.6	-8.6
Recurrent Expenditure (US$ m)	5,073.5	5,747.1	13.3
% of GDP	20.6	18.2	-2.4
% of Total Expenditure	62.2	74	11.8
Employment Costs (US$ m)	3,854.5	4,050.1	5.1
% of GDP	15.7	12.8	-2.9
% of Total Expenditure	47.2	52.2	5
Capital and Net Lending (US$ m)	3,087.9	2,018.2	-34.6
% of GDP	12.6	6.4	-6.2
% of Total Expenditure	37.8	26.0	-11.8
Budget Deficit (US$ m)	-2,864.6	-1,566.1	45.3
% of GDP	-11.7	-5.0	6.7

Source: 2019 National Budget Statements.

Government has been issuing Treasury bills and bonds to finance the budget deficit, capitalisation of public entities, payment for past Government Debt as well as funding Government programmes, including “Command Agriculture”. Government has increasingly sought recourse to the overdraft facility with the Reserve Bank of Zimbabwe (RBZ), which has risen unsustainably. The overdraft increased by US$1.11 billion for the period January to September 2018 and is projected to close the year at US$2.5 billion, which is well above the stipulated statutory limit. During the period January to August 2018 alone, Government issued Treasury bills and bonds worth US$2.5 billion. Resultantly, outstanding Government Securities stood at US$6.2 billion as at end of August 2018.

On a positive note, the fiscal deficit for September 2018 has been significantly whittled down owing to increases in revenues following the 2 cents tax. For instance, in September 2018 the fiscal deficit was US$19.4 million against a target of US$99.9 down from the August 2018 fiscal deficit of US$651.2 million against a target of US106.4 million. However, the fiscal deficit for the year is still estimated at $2.86 billion. Revenue collections for the nine months to September 2018 amounted to US$3.8 billion, against a target of US$3.4 billion, and by year end, collections of US$5.5 billion are projected. On the other hand, total expenditures during the same period stood at US$6.5 billion, against a target of US$4.1 billion. Accordingly, expenditure outturn to year end is estimated at US$8.2 billion against a budget of US$5.3 billion, implying an expenditure overrun of US$2.8 billion. The 2018 Budget Deficit is projected at US$2.86 billion (11.7% of GDP), against a target of US$793 million. The month on month deficit developments, however, confirmed that for the month of September 2018, the deficit level narrowed sharply.

Growth in imports have continued to outpace growth in exports. The higher growth of imports relative to exports implies a widening trade balance. A gap of US$2.1 billion was recorded during the first three quarters of the year, compared to US$1.4 billion. Remittances, which make up the greater portion of net income from abroad slowed down to US$1.2 billion in the first three quarters of 2018 compared to US$1.3 billion of the same period in 2017. Consequently, the current account deficit for the first three quarters of 2018 widened to US$935.8 million relative to US$246 million in 2017.

The total public debt stock is estimated at US$17.7 billion as at August 2018 with US$9.5 billion being domestic while US$8.1 billion is foreign. The country has experienced a steep increase in money supply.

Table 3: Total Debt Stock

	As at December 2017	As at August 2018	As at December 2018	% Annual Change
Total Debt Stock (US$ m)	14,641.7	17,685.8	18,076	23.5
% of GDP	81.4	71.9	73.5	-7.9
Domestic (US$ m)	7,133.6	9,544.2	9,571.1	34.2
% of GDP	39	38.8	38.9	-0.1
% of Total Debt	48.7	54.0	53	4.3
Foreign (US$ m)	7,508.1	8,141.6	8,505.9	13.3
% of GDP	42	33.1	34.7	-7.3
% of Total Debt	51.3	46	47	-4.3

Source: 2019 National Budget Statement.

The cost of servicing the debt continues to crowd out fiscal resources that could have been invested in critical social services such as health care and education. As a result, Government spending on critical sectors such as health remains relatively low. Government subsidies to loss making parastatals amounting have also had a strong crowding out effect on critical social and capital expenditures. The reform of Parastatals therefore needs to be urgently expedited in the 2019 Fiscal Year so as to stop the further haemorrhaging of the economy.

3.0 Key National Budget Highlights

The major thrust of the 2019 National Budget is fiscal austerity and the Minister of Finance and Economic Development announced a number of measures aimed at realising this thrust. The Minister announced the following cost containment measures: reviewing 13th Cheque payment criteria from 2018 by limiting payment to basic salary; rationalisation of Foreign Service Missions, with effect from July 2019; retirement of Youth Officers, by December 2018; rationalisation of Foreign Service Missions; biometric Register for Civil Servants in 2019; stricter management of the Government Fleet; and Public enterprises reform among others.

The Minister also announced a number of revenue generation measures that include inter alia: reviewing excise duty on cigarettes to US$25 per 1000 sticks, with effect from 1 December 2018; customs duty and all other taxes on imported motor vehicles be levied in foreign currency acceptable as legal tender, with effect from 23 November 2018; payment of tax in the Currency of Trade; increase excise duty by 7 cents per litre on diesel and paraffin and 6.5 cents on petrol; the tax-free threshold was reviewed from the US$250 to US$300 with effect from 1 January 2015; exempt imports of sanitary ware from duty and value added tax; and suspension of duty on goods for use by physically challenged persons.

4.0 Implications on Health

4.1 Allocation and Spending

Table shows the sectoral spending performance of Zimbabwe based on the 2019 National Budget estimates.

Table 4: Sectoral spending targets and performance for Zimbabwe based on 2019 estimates

Sector	Agreement	Target	2019 Estimate
Social protection	Social Policy for Africa (2008)	4.5% GDP	0.26%
Health	Abuja Declaration (2001)	15% government expenditure	8.9%
Education	Education for All Initiative (2000)	20% government expenditure	14.6%
Water & Sanitation	eThekwini Declaration (2008) Sharm El-Sheik Commitment (2008)	1.5% GDP	0.7%
Agriculture	Maputo Agreement (2003)	10% government expenditure	12.7%
Infrastructure	African Union Declaration (2009)	9.6% GDP	12.6%

In particular, Government allocation on health care as a percentage of total expenditure and net lending continues to account for a relatively small share of total government spending with health sector allocation standing at 8.9% in 2019. Employment costs however constitute 66% of the total health budget. The Abuja target remains an elusive target for the country. Total government expenditure on health as a percentage of total government expenditure is less than 15% (Abuja target) over the period 2012-2019 as shown in Table 3. The Sub Saharan African average is 13%. As of 2015, Rwanda was spending at least 23% of its budget on health care. The Government also spends a relatively small share of its gross domestic product (GDP) on health care. Lower levels of per capita health expenditure indicate that health expenditure in the country is insufficient to guarantee adequate access and quality of healthcare. Per capita health allocation stands at about US$41 in 2019 up from US$31 in 2018. Per capita health spending is US$650 in South Africa, US$90 in Zambia and US$200 in Angola. The inadequate public financing of health has resulted in an overreliance on out-of-pocket and external financing which is highly unsustainable.

Defence and home affairs spending continue to account for a predominant share of the total budget crowding out critical sectors such as health and social protection. In the 2019 National Budget the Ministry of Defence was allocated US$547 million up by US$420.4 million (constituting 7.0% of the total vote) while the Ministry of Home Affairs received US$518 million up from US$435.5 million (representing 6.7% of the total vote). Countries that are doing both regionally and internationally are reducing defence and security to allow for the scaling up of pro-poor expenditure on human and infrastructure development. Military and security spending have been shown to retard development by diverting government resources that could be put to better use. In fact development, not military deterrence, is the best strategy for a safer society. Developed countries spend relatively more on health than they spend on defence while developing countries spend relatively more on defence than they spend on health. The USA spends 76 of its GDP on health care and only 3.8% of its GDP on defence. Japan spends 1% of its GDP on defence and 7% of its GDP on health care. Germany spends 1.4% of its GDP on defence and 8.6% of its GDP on health. Eritrea on the other hand spends 20% of its GDP on defence and only 3% of its GDP on health. Burundi spends 6% of its GDP on defence and only 0.6% of its GDP on health. Zimbabwe spends about 7% of GDP on defence and security and only 2% on health. There is therefore a clear direct and positive relationship between health spending and development.

Table 5: Trends in Public Health Expenditure, 2010-2017

	2012	2013	2014	2015	2016	2017	2018	2019
Public Health Expenditure (% of Total Government Expenditure)	9.7	9.6	8.5	6.6	8.3	6.9	9.0	8.9
Per Capita Public Health Expenditure					24	22	31	41
Public Health Expenditure (% of GDP)	2.8	2.8	2.5	2.1	2.3	1.9	2.7	2.8

Source: Calculations based on Ministry of Finance figures. The figures for 2016, 2017 and 2018 are planned not actual.

4.2 Breakdown of the Health Vote

Table 6 shows the economic/financial classification of the actual expenditure to September 2018 and the 2019 appropriation. In 2019 Government allocated 46% of the total appropriation to employment costs and 11.4% of the total appropriation to acquisition of fixed assets.

Table 6: Economic Classification of the 2019 Health Appropriation

	Actual Expenditure to September 2018	2019 Appropriation	% of 2019 Appropriation
CURRENT EXPENDITURE	**410,008,743**	**614,957,000**	**88.6**
Employment Costs	246,471,168	319,677,000	46
Goods and services	51,975,509	135,534,000	19.5
Maintenance	152,737	480,000	0.07
Current transfers	108,402,148	159,266,000	22.9
Targeted initiatives	3,007,181		
CAPITAL EXPENDITURE	**18,264,504**	**79,510,000**	**11.4**
Acquisition of fixed capital assets	13,714,504	71,810,000	10.3
Capital transfers	4,550,000	7,700,000	1.1
TOTAL	**428,273,247**	**694,467,000**	**100**

Source: Proposed Budget Estimates.

Table 7 shows the programmatic disaggregation of the 2019 health appropriation. About 92% of the health vote is allocated towards primary health care and hospital; about 5% is allocated to public health; and about 3% is appropriated towards policy and administration. However in terms of the primary health care and hospital care appropriation about 48% is employment costs related, 17.3% is allocated to goods and services and only about 11% is allocated to the acquisition of fixed capital assets (see Table 8). About $80 million was allocated to rural health centre and community care; $231 million was allocated to district/general hospital services; $83 million to provincial hospital services; and about $2000 million to central hospital services. The district and community health systems are the foundation of the national primary health care system. In terms of public health, Government appropriated about $7 million to the fight against communicable diseases; $6.5 million to non-communicable diseases; about $9 million to research and development; and about $10 million to family health as shown Table 9. These amounts are grossly inadequate to deal with the scourge of the communicable and non-communicable disease burden.

Table 7: Programmatic Disaggregation of the 2019 Health Appropriation

Programme	Expenditure to September 2018	2019 Appropriation	2019 Appropriation (%)
Programme 1. Policy and Administration	19,270,808	20,178,000	2.9
Programme 2: Public Health	11,424,694	34,137,000	4.9
Programme 3: Primary Health Care and Hospital Care	397,577,745	640,152,000	92.2
TOTAL	**428,273,247**	**694,467,000**	**100**

Source: Proposed Budget Estimates.

Table 8: Disaggregation of Primary Health Care and Hospital Care

	2019 Appropriation	%		2019 Appropriation	%
Sub-programme 1: programme Management	45,660,000	7.1	**CURRENT EXPENDITURE**	563,452,000	88
Sub-programme 2: Rural health centre % Community Care	83,038,000	13	Employment Costs	309,650,000	48.4

Sub-Programme 3: District/General Hospital Services	231,407,000	36.1	Goods and services	110,944,000	17.3
Sub-programme 4: Provincial Hospital Services	83,259,000	13	Current transfers	142,858,000	22.3
Sub-programme 5: Central Hospital Services	199,788,000	31.2	Targeted initiatives		
			CAPITAL EXPENDITURE	76,700,000	12
			Acquisition of fixed capital assets	69,700,000	10.9
			Capital transfers	7,000,000	1.1
TOTAL	**640,152,000**	**100**	**TOTAL**	**640,152,000**	**100**

Source: Proposed Budget Estimates.

Table 9: Disaggregation of Public Health

	2019 Appropriation	**%**		**2019 Appropriation**	**%**
Sub-programme 1: Programme Management	592,000	1.7	**CURRENT EXPENDITURE**	33,437,000	97.9
Sub-programme 2: Communicable Diseases	7,194,000	21.1	Employment Costs	2,791,000	8.2
Sub-programme 3: Non-Communicable Diseases	6,512,000	19.1	Goods and services	18,074,000	52.9
Sub-programme 4: Environmental Health	226,000	0.7	Maintenance		
Sub-programme 5: Research & Development	9,180,000	26.9	Maintenance		
Sub-programme 6: Family Health	10,433,000	30.6	Current transfers	12,572,000	36.8
			Targeted initiatives		
			CAPITAL EXPENDITURE	700,000	2.1
			Acquisition of fixed capital assets	300,000	0.9
			Capital transfers	400,000	1.2
TOTAL	**34,137,000**	**100**	**TOTAL**	**34,137,000**	**100**

Source: Proposed Budget Estimates.

Development partners are expected to complement 2019 Budget appropriations. The Global Fund for instance is expected to provide US$75 million. The high dependency on external financing is unreliable, unpredictable, unsustainable and highly dependent on the political environment, raising concerns on the sustainability of health financing and the vulnerability of government's budget should external funding be withdrawn.

5.0 Conclusion

In nominal terms the health budget appropriation has remained largely stagnant at about 9%. The percentage is however far less when you take into account the effect of inflation. The health budget remains grossly inadequate to fund the critical needs in the health sector. Moreover, the bulk of the resources will be channelled towards financing employment costs leaving very little for capital expenditures. Government must demonstrate its commitment to health by at least meeting the Abuja Declaration benchmark of 15%.

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[i] Overseas Development Institute (ODI) Project Briefing No. 55 (March 2011).