

**ECONOMIC AND SOCIAL RESEARCH FOUNDATION  
(ESRF)**



Policy Dialogue Seminar on

**“POST BUDGET (2007/08) DISCUSSION FORUM”**

**IMPLICATIONS OF THE 2007/08 BUDGET IN THE  
DEVELOPMENT OF HEALTH SECTOR**

A Brief Commentary

Paul Smithson  
IHRDC

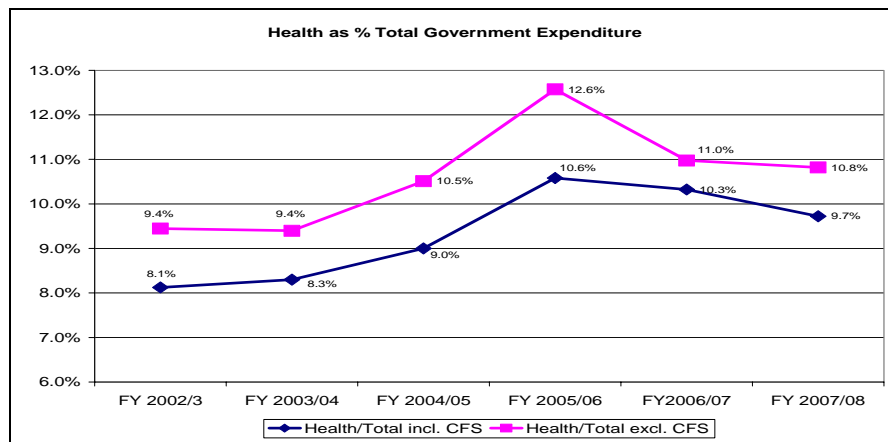
19<sup>th</sup> June 2007 - Venue: ESRF Conference Hall

## 1. INTRODUCTION

1. The health budget is not yet finalized. Significant changes are still being made in the MOHSW's budget proposal<sup>1</sup>. The final figure will not be known until the final budget is put before the National Assembly on July 16<sup>th</sup>. Our expectation is that the latest draft of the MOHSW recurrent budget (200 billion) will be reduced by about 12 billion to 188 billion. For this reason, none of the figures discussed below should be considered definitive. They are not final, and should not be quoted as such.

## 2. OVERVIEW

2. Total proposed government expenditure on health for next year amounts to about 590 billion. This is equivalent to 9.7% of total government expenditure (excluding CFS) – somewhat lower than last year's 10.3%.



3. There are three main elements making up the health budget:
  - Ministry of Health
  - Regional Health Spending (mostly Regional Hospitals)
  - Councils' Health Spending
4. In total the **MOHSW recurrent budget** will remain about the same as last year's. However, because the wage bill for MOHSW staff and those at "subvented institutions" has gone up, the funding available for "other costs" is expected to decline from 140 billion to about 114 billion – a decline of 26 billion.
5. In contrast, the **MOHSW development budget** is set to double – from 91 billion to 182 billion. All of this increase comes from foreign aid – the domestic component remaining level at about 7 billion. It is doubtful whether the increase in aid for health is real. Much of the observed increase seems to be due to aid being included in the budget for 2007/8 that had been omitted last year.<sup>2</sup>

<sup>1</sup> Specifically, MOHSW has been requested to reduce its draft budget for "OC" by 12 billion, reducing it from about 126 billion to about 114 billion.

<sup>2</sup> For example, in 2005/06, the Health PER estimated that there was 98 billion of aid for the health sector that had not been included in the budget books, but which was reflected in the MOF's external aid database.

6. Health spending at the **Regional Level** is set to increase substantially. **Recurrent** expenditure – mostly for the running of Regional Hospitals, is set to increase by more than 10 billion – from 17 billion to 29 billion. **Development** expenditure<sup>3</sup> on health at the Regional Level is also expected to increase – from 2.3 billion to 7.3 billion. These are very substantial increases, and correspond to government’s commitment to strengthen and rehabilitate regional hospitals.
7. At the level of the councils, the government block grant for health is set to increase by more than 20 billion – from 117 billion to 138 billion. This substantial increase comes after a similar, marked, increase between 2005/06 and 2006/07.<sup>4</sup> It is unclear at present how much of the increase is for additional staff at the district level, and how much is for “other costs”.
8. Thus the major change in the “shape” of the health budget is a substantial shift of (domestic) resources from the central MOHSW to the Regions and Districts – a move that is in line with Government’s policy of Decentralisation by Devolution (D-by-D).

#### Summary of Major Elements of Health Budget (billions)

	2006-07	2007-08
Ministry of Health Recurrent	196	200
PE	17.5	16
OC	140.1	125.9*
Parastatal PE	38.4	58.1
Ministry of Health Development	90.8	182.4
Domestic	7.1	6.8
Foreign	83.7	175.6
<b>Ministry of Health Total</b>	<b>286.8</b>	<b>382.4</b>
Regional Health		
Recurrent	16.8	29
Development	?	44.2
Domestic	2.3	7.3
Foreign	?	36.9
<b>Regional Total</b>		<b>73.2</b>
Councils Health		
PE	n/a	110
OC	n/a	28
<b>Councils Total</b>	<b>116.8</b>	<b>137.7</b>
<b>HEALTH GRAND TOTAL</b>		<b>593.3**</b>

\* Draft figure. Expected to be reduced by 12 billion to approx 114 billion

\*\* Compares to 589.9 billion mentioned in Minister of Finance Budget Speech

<sup>3</sup> The figures quoted here are for domestically-funded development budget only – ie they exclude aid.

<sup>4</sup> The council health figures here exclude a further amount of about 36 billion that will be contributed by partners to the “district health basket”.

### 3. DETAIL

#### *MOHSW Recurrent Budget*

9. The MOHSW' budget is laid out in great detail in its MTEF. The enormous level of detail obscures the simple fact that about 80% of the recurrent budget goes to just 3 major items:
  - a. Salaries and Allowances (typically about 15+%)
  - b. Subventions to National, Referral, Specialist, NGO Hospitals plus NIMR and TFNC (typically about 25+%)
  - c. Drugs and Medical Supplies (typically about 40+%).
  
10. We are unable to analyse specifically what will happen to each of these major elements until the MOHSW budget is finalized in early July. The preliminary figures suggest that total PE plus allowances will be around 30 billion – a similar level to last year. Spending on subventions is expected to be about 58 billion – fractionally higher than this year. The provisional figure for drugs and medical supplies is almost certain to reduce as MOHSW has been asked to make savings of 12 billion on non-discretionary spending. This would be the second year in a row that the (recurrent) budget for drugs / medical supplies has been cut. Some of this shortfall may be made up from external aid (both basket and project aid).
  
11. The main reason that the MOHSW's recurrent budget has been squeezed is set out explicitly in the Government's budget guidelines. The intention is to systematically move funding for service delivery to the Councils, in line with D-by-D policy. The changing "shape" of the health budget indicates that this is indeed taking place. There remains a major question-mark over budgets for drugs and medical supplies. Hitherto these have been paid for from MOHSW's recurrent budget and supplied by MSD. Have the Councils set aside a part of their increase for the procurement of supplies? Will they be able to purchase from sources other than MSD? These questions cannot be answered in the absence of a more detailed analysis of Council health budgets.
  
12. The "local" element of MOHSW's development budget is largely devoted to infrastructure. Out of the 6.8 billion total, about 5.7 will go to hospital rehabilitation and a further 1 billion to construction of facilities for the Food and Drugs Administration (TFDA).
  
13. The "foreign" element of MOHSW's development budget consists of a large number of projects. 58 billion is earmarked for HIV/AIDS<sup>5</sup> control plus TB. 55 billion is allocated to malaria control (ITN voucher scheme, drugs, diagnostic kits and indoor residual spraying). Over 15 billion is earmarked for ADB's "3 regions project", with an emphasis on infrastructure rehabilitation. Over 6 billion is set aside for the implementation of the "roadmap for maternal, neonatal and child health". Over 6 billion represents Danida support to the councils. The remaining amount is spread over a large number of much smaller projects.

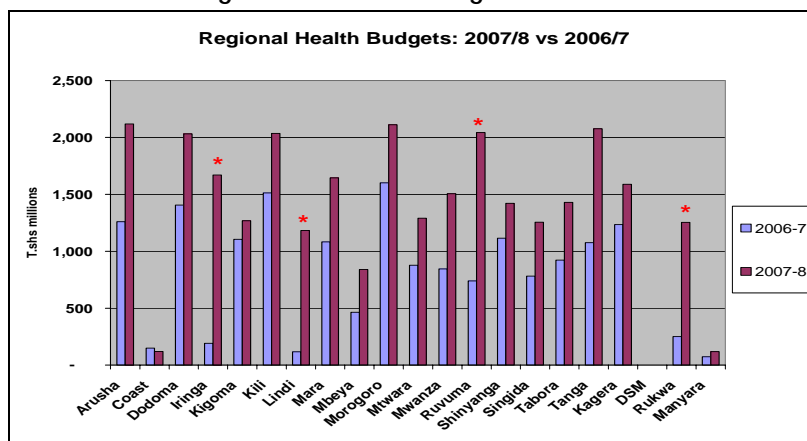
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<sup>5</sup> This figure does NOT seem to include the largest donor for HIV/AIDS work – the US Government's PEPFAR.

### Regional Health Budgets

14. All Regions indicate a substantial increase over last year. Iringa, Lindi, Rukwa show the largest (relative) increases in regional health spending on the recurrent side. The size of the increases is consistent with the running of a Regional Hospital where previously there was none. It would be interesting to obtain further explanation on these figures and confirm whether these regions really are to get newly-designated Regional Hospitals.
15. On the development side, at least half of the Regions have set aside a substantial sum (typically 600 million shillings) for the rehabilitation of Regional Hospitals. In addition, there is a limited amount of money for construction or rehabilitation of other hospitals and health centres.

### Regional Recurrent Budgets for Health



### Regions Development Budget for Health 2007/08 (millions)

	Foreign	Local
Arusha	1,764	??
Coast	1,726	434
Dodoma	??	600
Iringa	2,050	500
Kigoma	2,558	600
Kili	1,812	314
Lindi	1,197	-
Mara	??	1,065
Mbeya	2,439	173
Morogoro	4,891	?
Mtwara	1,885	100
Mwanza	659	25
Ruvuma	3,747	600
Shinyanga	3,778	520
Singida	??	600
Tabora	2,323	600
Tanga	2,263	600
Kagera	?	?
DSM	?	?
Rukwa	3,773	600
Manyara	??	??
<b>TOTAL</b>	<b>36,865</b>	<b>7,331</b>

### *Council Health Budgets*

16. The figures already described above indicate a substantial increase – of more than 20 billion. In addition, the “district health basket” is expected to increase by 50% to the equivalent of 0.75 per capita – or about 36 billion. Until all of the council health budgets have been uploaded electronically, it will not be possible to provide a more detailed analysis of the allocation of funds.
17. The provisional figures suggest a substantial increase in proposed PE spending by the councils. Does this reflect the intention to hire more front-line health workers (described in the budget guidelines and the Minister of Finance’s speech)? How many extra staff – and of which cadre - are expected to be deployed, and how will they be distributed across the Councils?
18. No detailed information is available on proposed development spending. In previous years, about 15% of the Local Government Capital Development Grant has been devoted to Health. What the allocation will be for next year depends upon the combined allocation decisions of 120+ councils.

#### 4. END NOTES

19. The figures described above amount to 593 billion in total – close to the 589.9 billion announced in the budget speech of the Minister of Finance. This figure appears NOT to include development spending under the PMO-RALG vote (mostly basket funds for health infrastructure rehabilitation) nor Government’s contribution to the National Health Insurance Fund (set to increase from 29.5 billion to 33.2 billion). As described in the introduction, figures cited here are draft only and are subject to change as the budget is finalized.