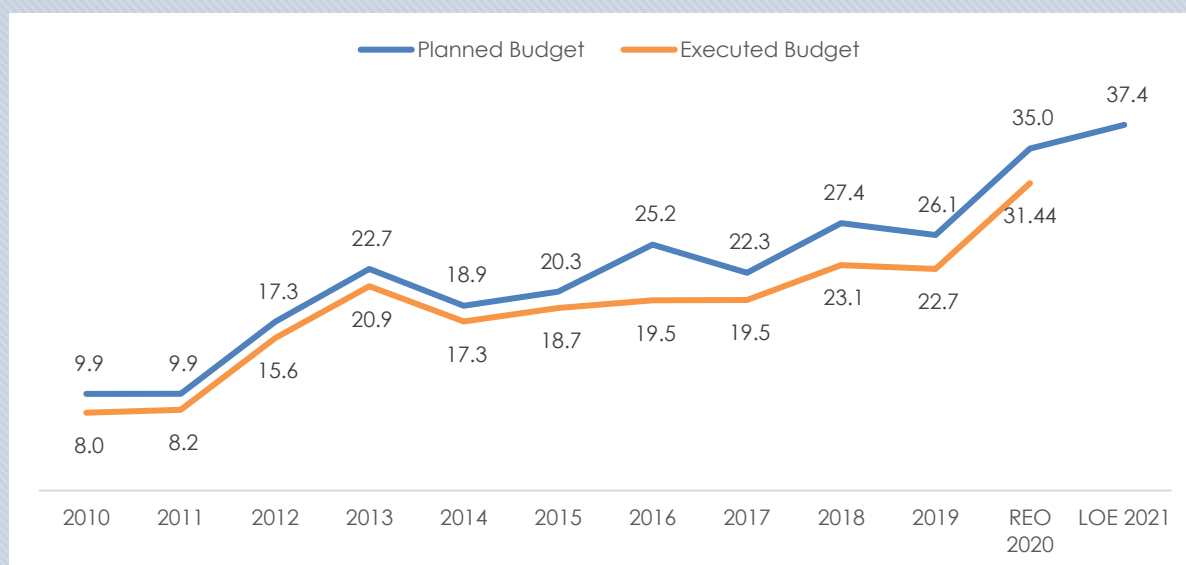


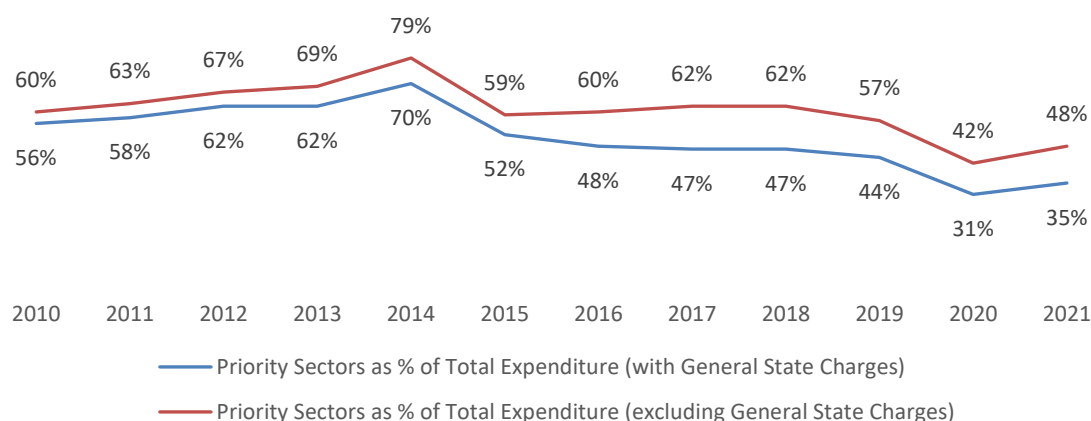
ANALYSIS OF THE MAIN BUDGET INDICATORS OF THE HEALTH SECTOR IN THE LAST 10 YEARS (2010 – 2021)



Promoting Accountability and Transparency in the Use of Public Resources

Maputo, September 2021

ANALYSIS OF THE MAIN BUDGET INDICATORS OF THE HEALTH SECTOR IN THE LAST 10 YEARS (2010 – 2021)



Promoting Accountability and Transparency in the Use of Public Resources

Maputo, September 2021

Supported by:

**CHAMPIONS
OF GLOBAL
REPRODUCTIVE RIGHTS**
pai.org

Datasheet

Title: Analysis of the main budget indicators of the Health Sector in the last 10 years

Technical Staff: Clélia Liquele, Alberto Massango, António Mathe, Marta Simone, Crislaine Maluleca, Titos Quive, Denzel dos Santos, and Pedro Nhanengue

Technical Staff Leader: Rogério Simango

Quality Control: Sidónio Tembe

General Coordination: Jorge Matine

Edition and Layout: Observatório do Cidadão para Saúde

www.observatoriodesaude.org

Maputo, September 2021

TABLE OF CONTENTS

List of Acronyms.....	5
1. INTRODUCTION	6
2. Lack of consistency in budget allocations with regard to the health sector	7
3. The proposed budget for the health sector 2021 is sustained at 81.8% with internal resources and 18.2% with external resources.....	9
4. Main Findings	15
5. Bibliographic References	16

LIST OF GRAPHICS AND TABLES

Graph 1: Health Budget (in Thousand Million Meticals)	7
Graph 2: Weight of Health Expenditure (%)	9
Graph 3: Weight of priority sectors in the budget.....	10
Graph 4: Evolution of expenditure in the State budget (Billion Meticals)	12
Table 1: Indicators and Targets of the ESP Proposal for the Health Sector in 2019	13



List of Acronyms

ART	Anti-retroviral Treatment
BER	Budget Expenditure Report
ESP	Economic and Social Plan
FMO	Budget Monitoring Forum
FYP	Five Years Plan
GDP	Gros Domestic Product
MISAU	Minister of Health
MZN	Mozambican Currency
OCS	Observatório Cidadão para Saúde
pp	Precept Points
SB	State Budget
SBL	State Budget Law
SBP	State Budget Proposal
SGA	State General Account
SGC	State General Charges

1. INTRODUCTION

The health sector is one of the common development challenges among African countries. A report by the World Health Organization (WHO) estimates that around 630 million lives were lost in 2015 due to diseases that affect the population of 47 among African member states. This represents a loss of more than US\$2.4 billion, in the value of the region's annual Gross Domestic Product (GDP), according to (WHO, 2019).

In Mozambique, the health sector is the third sector that absorbs most resources from the State Budget, the first of the priority sectors that most absorbs resources is Education, followed by the infrastructure sector and education sector, considering the methodology presented in the budget documents for the economic and social sectors.

The State General Account (SGA) represents the financial expression of the government's actions carried out in a certain year, reflecting the Government's priorities in terms of the allocated budget. Thus, this analysis has crucial importance as it brings the "photograph" of the performance and achievements of the Government's Five-Year Plan (FYP) goals, as well as serving as an advocacy tool to influence the process of change.

The special focus of this report will be on the analysis of the main indicators that make it possible to measure the level of budget allocation for the health sector, considered a basic sector in the construction and maintenance of human capital, one of the priorities of the current Government, and as a fundamental right enshrined of the human being.

In this context, Observatório do Cidadão para Saúde (OCTBGSS) realizes the analysis of the instruments that describe the unfolding of the commitments assumed by the Government, and the quality of public resources usage serves as a basis for the contribution of Civil Society in the construction of an inclusive law in which citizens are well informed about the value of their tax contributions.

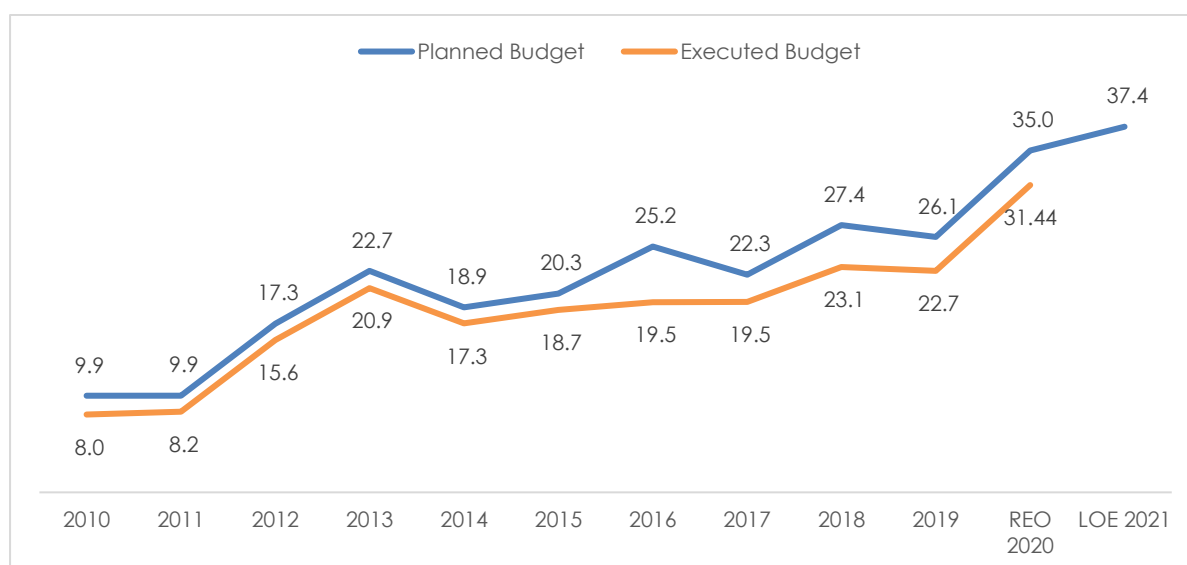
In this context, it is relevant to trigger analysis actions with a view to ascertaining the degree of alignment between the main instruments of public finance management

and planning, as well as their management with a view to achieving the main planned goals, in order to guarantee the continuation of a good provision of public goods and services needed by citizens. This process aims to analyze the prioritization via the allocated budget, as well as its realization.

2. Lack of consistency in budget allocations with regard to the health sector

For the fiscal year 2021, the government allocated to the health sector 37.4 billion meticaïs, corresponding to 498.3 million USD. The resources allocated to the health sector represent 5.6% increase compared to the revised allocation in 2020, as well as 59% increase compared to the 2019 health expenditures.

Graph 1: Health Budget (in Thousand Million Meticaïs)



Source: OCS based on the State General Account (SGA) 2010-2019, BER 2020, SBL 2021

Over the last six years, the budget directed to the health sector has been volatile, in terms of the growth rate of allocated resources, as well as executed resources. Indeed, while the volume of the budget allocated to the sector grew by an average of 11% per year during the period, there was an annual growth peak of 34% in 2020 and a reduction of 11% in 2017.

The average of increases of the annual budget expenditure was similarly 11%, with the highest variation occurring in 2020 (39%) and the lowest in 2019 (negative 2%). This lack of consistency in the trend of budget allocations over the time under

analysis may be showing, in part, the absence of a consistent policy for financing the health sector.

This situation calls into question the consolidation of the gains that have been achieved over the years and the materialization of internationally assumed commitments, namely the Abuja Declaration, which establishes the need to allocate 15% of the state budget (SB) to the health sector.

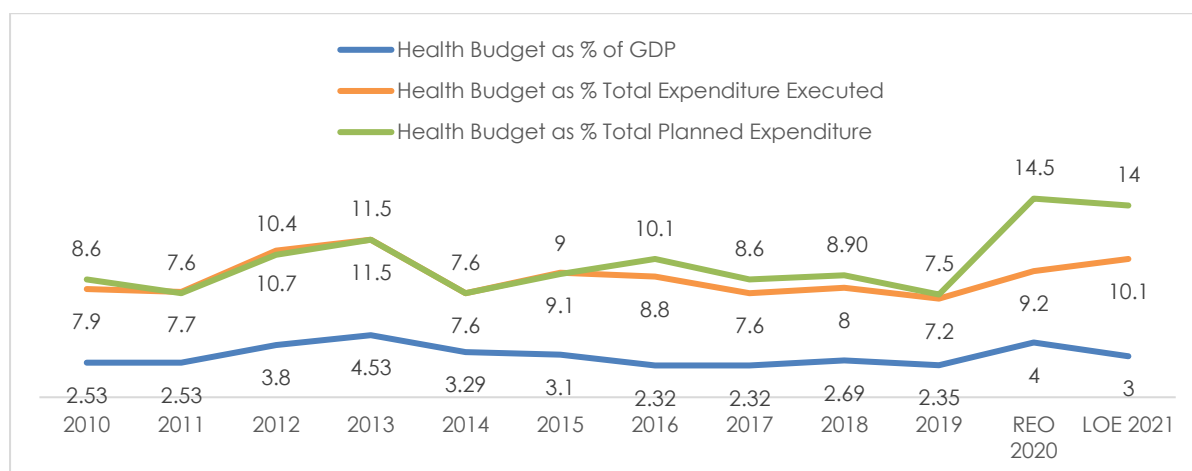
The amount allocated to the sector in 2021 represents 10.1% of the total SB (including general state charges - GSC), reaching 14% when GSC are excluded. From a historical point of view, these ratios showed a stable behavior from 2014 to 2019, with remarkable growth in 2020 and 2021 at around 5% compared to the average of the last five years. However, the average of resources allocated to the sector, as a proportion of the global SB, is around 9%, and 10% when the GSC are excluded.

However, the 10% share is similar to the average health sector share in low-income countries, but it is lower than the average health sector share in sub-Saharan African countries.

With regard to the proportion of resources allocated to the sector, in relation to Gross Domestic Product (GDP), Mozambique has improved its situation in the last year by 0.6 pp (having reached the 3% threshold in 2021.)

This ratio is similar to the country's average in the last decade (3.0%) and has not changed a lot. The ratio also indicates a performance above the average of Sub-Saharan African countries (1.9%).

Graph 2: Weight of Health Expenditure (%)



Source: OCS based on the State General Account (SGA) 2010-2019, BER 2020, SBL 2021

There is a lack of consistency in budget allocations with regard to the health sector and, therefore, it is assumed that the country needs to find ways to overcome the obstacles and make health investments more effective and efficient, generating benefits such as a healthier and more productive population able to sustain the economic and social sustainable growth.

3. The proposed budget for the health sector 2021 is sustained at 81.8% with internal resources and 18.2% with external resources

The Mozambican Government recently presented to the Assembly of the Republic, the Mozambican parliament, a proposal for the State Budget (SB) for the year 2021.

From January to April, Observatório do Cidadão para Saúde (OCS) analyzed the proposal. In the OCS analysis, it was found that the Government's proposal does not foresee the allocation of funds for specific cases, such as the conflicts in Cabo Delgado Province, which started in October 2017. On the other hand, the analysis found that the government foresees the allocation of funds for the fight against Covid-19 in Mozambique.

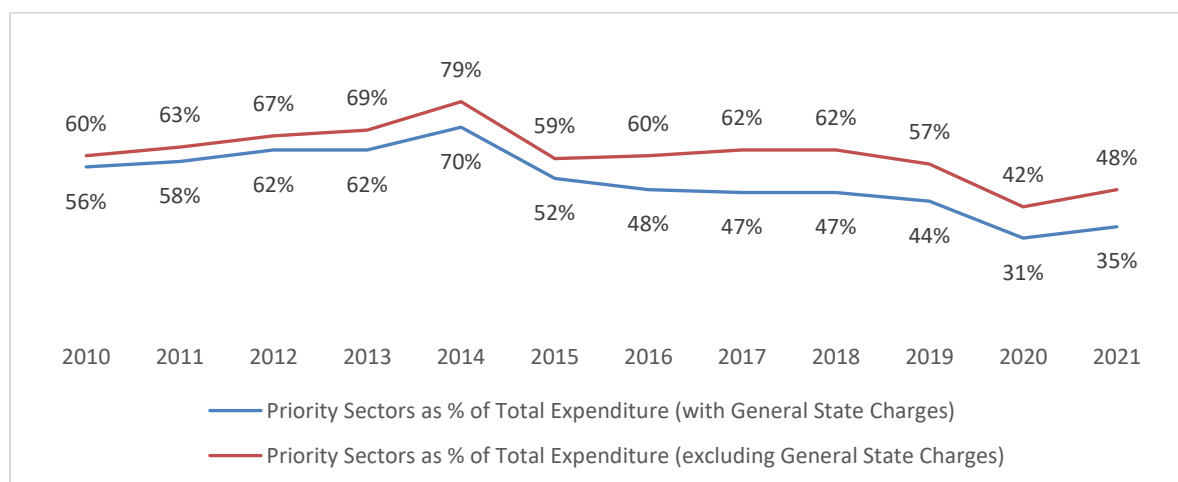
The budget proposal for the year 2021 maintained the general pattern of budget distribution inherited from poverty reduction programs, where areas such as Education, Health, Agriculture and Rural Development are considered priorities.

In the Government's proposal, the percentage participation of priority sectors, in the State Budget, is calculated excluding the General State Charges (GSC). The Mozambican government set a target to allocate the amount of 128 billion MZN for sector commitments, which corresponds to 47.9% of total expenditure excluding the GSC. However, as the GSC increased the percentage of the total expenditure. The 47.9% is not a reliable reference as it does not include the total expenditure, i.e., it does not include the GSC.

Proportional expenditures in priority sectors as a percentage of the entire SB increased from 2010 to 2014, however, from 2015 onwards, proportional expenditures decreased significantly and reached the lowest share in 2020, with less than 31%.

By 2021, it is projected that just over 34.8% of the entire budget will be allocated to the sector commitments. However, the increasingly accentuated differences between the two calculations over time are due to the exponential growth of debt service and financial operations.

Graph 3: Weight of priority sectors in the budget



Source: OCS based on SGA 2010 - 2019, SB 2020 Review Proposal and SBP 2021

In the 2021 Budget Proposal, 128.1 billion MT were allocated to the economic and social sectors. In nominal terms, the proposed allocation for priority sectors is 9% higher than the 2020 allocation and 5% lower than 2019 expenditures. If approved by parliament, this will be the second lowest proportion of resources allocated to

priority sectors, after the same fact was registered in 2020, with the allocation of resources to the social sectors.

In the Budget Proposal for 2021, the amount of 37.4 billion MT was allocated to the health sector, which represents, in nominal terms, an increase of 5.6% compared to the proposed allocation for the 2020 revision and an increase of 59% in regarding health expenditures in 2019.

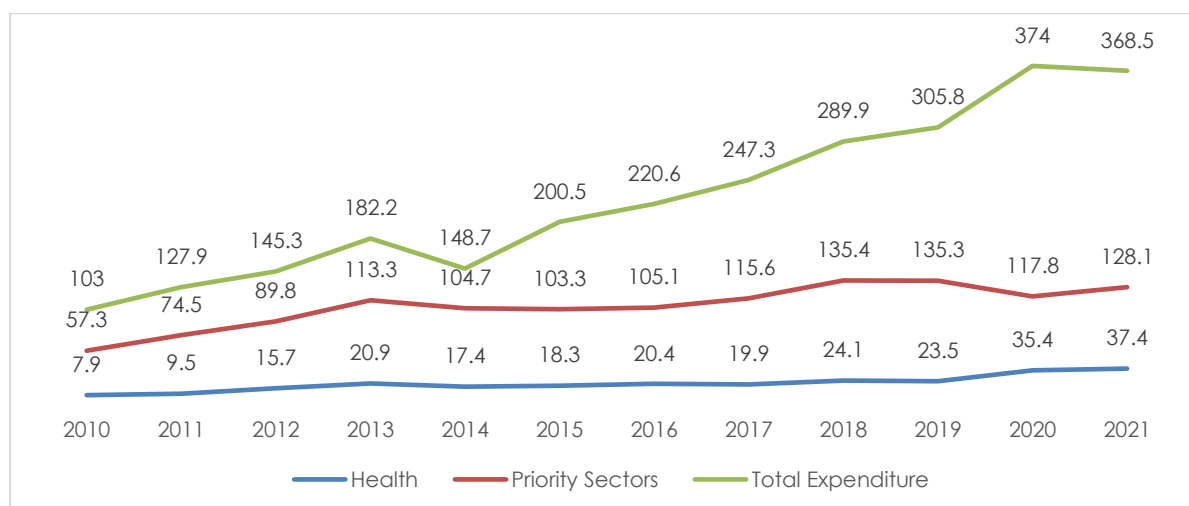
The initial allocation to the health sector is not a very reliable indicator of how expenditure will be allocated. In fact, over the last decade, the sector's budget and expenditure has been erratic. Furthermore, it is important to note that the sector relies on large off-budget resources that are not easily tracked, therefore, off-budget resources are not documented in these figures.

The health sector represents 14% of the proposed budget for 2021, excluding financial operations and debt service, and 10.1% of the entire budget. The 14% share (recognized by the Government) is slightly lower than the revised budget for 2020 and higher than the sector's expenditure in 2019. However, the 10.1% share (standard for reference) is similar to the average share of the health sector in low-income countries, but it is lower than the average health sector share in sub-Saharan African countries.

The allocation of the proposal for health in 2021 represents 3% of estimated GDP, which is equal to the share registered in 2020 (3%). Compared to other countries, the share of the health budget in Mozambique's GDP (1,133,867 million meticaís) is slightly higher than the average for low-income countries in sub-Saharan Africa of 2.4%.

The proposed budget for the health sector in 2021 is sustained at 81.8% with internal resources and 18.2% with external resources. When compared to the 2008 ratio (that is, 48% internal to 52% external) it is evident that the Government has progressively increased its contribution to the Sector. However, it is important to note that this ratio of domestic versus external funding does not consider off-budget resources which are naturally additional external contributions to the sector and are not tracked in budget documents.

Graph 4: Evolution of expenditure in the State budget (Billion Meticals)



Source: OCS based on SGA 2010 - 2019, SB 2020 Review Proposal and SBP 2021

Health sector expenditures are highly centralized. Since 2008, most of the resources earmarked for the health sector have been executed at central level. Over the last decade, central level institutions absorbed an average of 59% of sector expenditures and provincial level institutions absorbed an average of 29% and district level an average of 12%. However, in more recent years, allocations to districts have generally been much higher than those at the provincial level (UNICEF, 2019).

In 2021, it is projected that just over 19 billion MT of the health budget will be allocated at the central level, corresponding to 51% of the total volume of resources destined to the health sector, with the highest percentage (50.4%) is absorbed by the Ministry of Health (MISAU). This fact shows that there is a higher prevalence of concentration of resources at the central level of the total allocated to the health sector, therefore, only 8%, 4%, 2% and 0.25% are allocated to central, provincial, general and district hospitals, respectively.

According to the 2021 Economic and Social Plan (ESP) Proposal, the relevant health targets for children are in line with the 2024 PQG targets (see table 1 below). In general terms, the Government ended the first half of the fiscal year 2020 with a rate of achievement of the ESP and FYP targets with a direct impact on citizens' lives above 50% and with increases in the real value of executed budgets.

As it can be seen in the table below, the positive highlight in health performance goes to the indicators of institutional births and the coverage of vaccinations in children under 12 months. On the other hand, the non-compliance with the goals in the recruitment of professionals and in the number prevailed of children receiving Anti-retroviral Treatment (ART). According to the Budget Monitoring Forum (FMO), both the problem of recruiting professionals and the case of access to ART are part of a general pattern of precariousness, lack of personnel, lack of medication and lack of materials, accentuated with the interruption of the direct budget support program and the subsequent destruction of the real value of expenditure allocated to the sector.

Table 1: Indicators and Targets of the PES Proposal for the Health Sector in 2019

Indicadores	FYP (2020-2024)		Real 1 Semester 2020	Plan 2021
	Base	Goal 2024		
% of Children under the age of five Fully Vaccinated	94%	96%	53%	95% (1.020.144/1.073.836)
% of institutional childbirth to reduce morbidity and mortality	87%	91%	49%	89%
Number of children benefiting from ART	95.08	141.154	75.169	135.805
Density ratio of special regime professionals	113,3 (2018)	170,5	106,6	130,7(900)

Source: 2021 Economic and Social Plan Proposal

Despite the progress registered in the expansion of hospital infrastructures, the problem of access and quality of service continues to be deficient as people move from large cities to rural areas and to areas of greater poverty and greater concentration of population.

The scenario became worse by the outbreak and the rapid spread of the COVID-19 pandemic, which changed the economic and social paradigm, testing the country's ability to respond to the demand for health and social protection services, allied to the armed conflict in the province of Cabo Delgado, in northern region of Mozambique.

Indeed, the Community Survey carried out as part of the 2014-2015 well-being assessment shows that communities' perceptions of the availability of health personnel and services have worsened compared to the previous period,



coincidentally the one with the greatest growth in weight of the health budget in total public expenditure. Therefore, based on this analysis, it can be stated that the reduction in the weight of health, in total public expenditure between 2015-2019, at best, may not have changed this perception of rural communities (Marrengula et al, 2018).

4. Main Findings

The proposed budget for the health sector in 2021 is sustained at 81.8% with internal resources and 18.2% with external resources. When compared to the 2008 ratio (i.e. 48% internal to 52% external) it is evident that the Government has progressively increased its contribution to the Sector, despite the fact that it may represent a result of the suspension of funding to the SB in 2016 by the Government's partners, after the discovery of the hidden debts.

There is a higher prevalence of concentration of resources at the central level of the total allocated to the health sector, therefore, central, provincial, general and district hospitals are allocated only 8%, 4%, 2% and 0.25%, respectively.

Despite the progress in the hospital infrastructure expenditure, the problem of access and quality of health services remain deficient, as people move from large cities to rural areas, and to areas of greater poverty and greater population concentration.

The ESP 2020 targets and the sector's budget allocation do not help to recover from the unfulfillment of the last five years goals, nor do they offer perspectives on the sector's response to the armed conflict in Cabo Delgado province.

The positive highlight in health performance goes to the indicators of institutional births and the coverage of vaccinations in children under 12 months. On the other hand, it goes to the non-compliance with the targets in the recruitment of professionals and in the number of children benefiting from ART prevailed.

Reversing this scenario, which sustains execution rates a little below the maximum value and the drop in real terms of availability in priority sectors, it constitutes one of the main challenges for Public Finances in Mozambique. Although, the future of these sectors after COVID-19 pandemic is not clear. In the short term, it is important to find ways to make better use of what we have, starting by reflecting on the limits that justify the execution rates below the budget in the economic and social sectors.



5. Bibliographic References

- INE (2021), Produto Interno Bruto, per capita, 1991_2020, disponível em http://www.ine.gov.mz/estatisticas/estatisticas-economicas/contas-nacionais/anuais-1/pib_percapita_18-05-2021.xlsx/view, consultado em 24 de Junho de 2021
- MEF (2021), Proposta do Plano Económico e Social, disponível em <https://www.mef.gov.mz/>, consultado em 24 de Janeiro de 2021
- MEF (2021), Proposta do Orçamento do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 24 de Janeiro de 2021
- _____ (2020), Balanço do Plano Económico e Social, disponível em <https://www.mef.gov.mz/>, consultado em 24 de Março de 2021
- MEF (2010), Conta Geral do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021
- MEF (2010), Conta Geral do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021
- _____ (2011), Conta Geral do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021
- _____ (2012), Conta Geral do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021
- _____ (2013), Conta Geral do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021
- _____ (2014), Conta Geral do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021
- _____ (2015), Conta Geral do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021
- _____ (2016), Conta Geral do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021
- _____ (2017), Conta Geral do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021
- _____ (2018), Conta Geral do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021
- _____ (2019), Conta Geral do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021

- _____ (2020), Conta Geral do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021 •
- MEF (2021), Orçamento do Estado, disponível em <https://www.mef.gov.mz/>, consultado em 23 de Junho de 2021
- Comunidade dos Países de Língua Portuguesa (2011), Relatório Mundial da Saúde: Financiamento dos Sistemas de Saúde, disponível em https://apps.who.int/iris/bitstream/handle/10665/44371/9789899717848_por.pdf?sequence=33, Consultado em 24 de Junho de 2021.
- UNICEF (2019), Informe Orçamental: Saúde Mozambique 2019, disponível em https://www.unicef.org/mozambique/media/2756/file/informe_Or%C3%A7a%20mental_2019_-_Saude.pdf, consultado em 10 de Fevereiro de 2021.
- UNICEF (2019), Proposta de Orçamento do Estado para o Ano Fiscal de 2019 Moçambique: Análise dos Sector Economico e Social <https://www.unicef.org/mozambique/sites/unicef.org.mozambique/files/2019-04/2019-Analysis-of-state-budget-proposal-portugues.pdf>, consultado em 10 de Fevereiro de 2021.
- CIP (2020), Análise do Plano Economico e Social e Orçamento do Estado de 2020 nas Áreas da Saúde, Agua e Saneamento, disponível em <https://www.cipmoz.org/pt/2020/04/16/analise-do-plano-economico-e-social-e-orcamento-do-estado-de-2020-nas-areas-da-saude-agua-e-saneamento/>, acesso em 16 de Abril de 2020.
- Sylvestre, M, Constantino Marrengula, E. Neves, 2018. Proposta do Orçamento do Estado para o ano 2019. Análise dos Sectores Prioritários com Enfoque para Educação, Saúde, Abastecimento de Água e Agricultura. Relatório Submetido ao Grupo Moçambicano da Dívida. Maputo: Mozexpect & Proactive, Lda





The Observatório do Cidadão para Transparência e Boa Governança no Sector de Saúde (OCS) is a private, non-profit legal person, endowed with legal personality, with administrative, financial and patrimonial autonomy, governed by these statutes and others applicable law. The organization was created by a heterogeneous group of Mozambican health professionals, social scientists and researchers interested in contributing to the deepening of public participation, guaranteeing human rights and restoring citizenship informed about public health services in Mozambique.

The main objective of the OCS is to contribute to the promotion of public policies and initiatives based on transparency, access to information, citizen participation, accountability, ethics and probity in the management of public goods, to generate quality behavior in public services, which have a positive impact on human development and sustainability in the Mozambican population.

The OCS takes a position in relation to the country's health policy agendas, however seeks to objectively analyze what has been happening in the public health system, from governance processes, public participation to the actions of the main health actors. The OCS gathers evidence that supports all its position taken in relation to processes, actions and results in this sector.

For this purpose, seeks to progressively establish an adequate observational device and regularly promotes meetings with groups of professionals, users, managers, community-based organizations, researchers and others, to deepen the national health issues of the population for an informed position.

In addition to studying the present and examining the more or less immediate past, the OCS seeks to establish scenarios about the future and learn through a continuous comparison between the “desired”, the “expected” and the “observed”.

This Project was Supported

