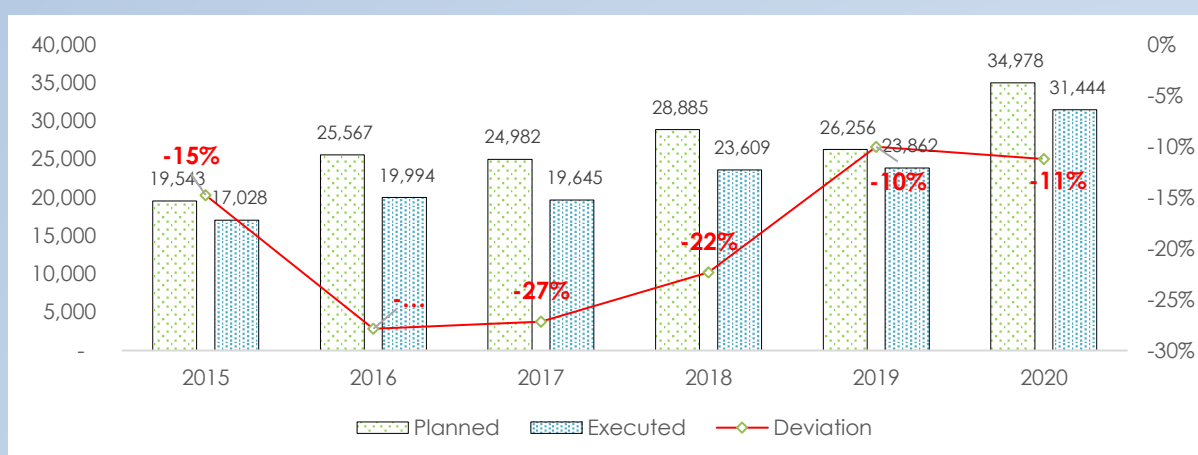


ANALYSIS OF THE HEALTH SECTOR BUDGET EXECUTION REPORTS

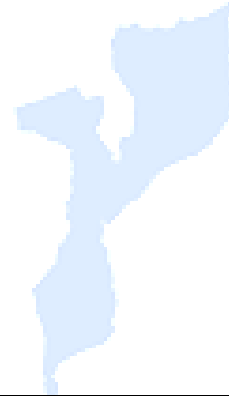


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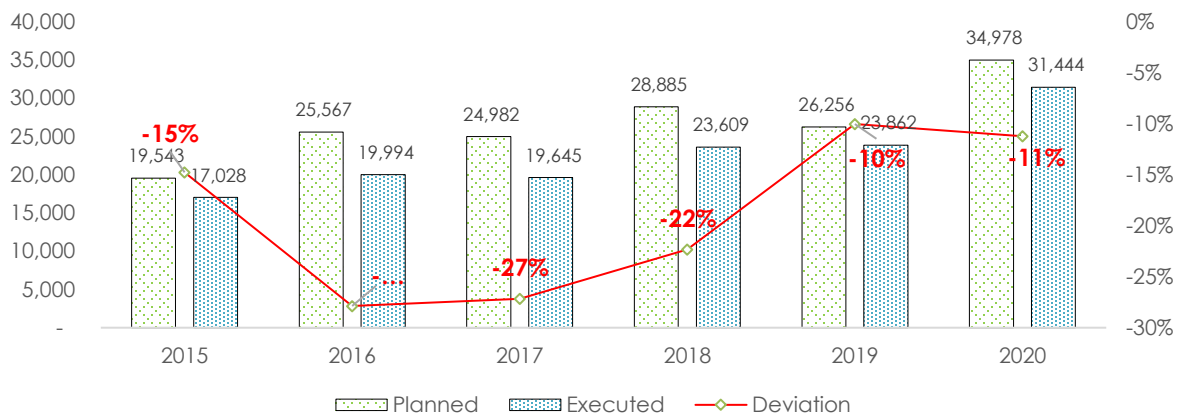
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ANALYSIS OF THE HEALTH SECTOR BUDGET EXECUTION REPORTS



Promoting Accountability and Transparency in the Use of Public Resources

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Datasheet

Title: Analysis of the health sector budget execution report

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Edition and Layout: Observatório do Cidadão para Saúde

www.observatoriodesaude.org

Maputo, September 2021

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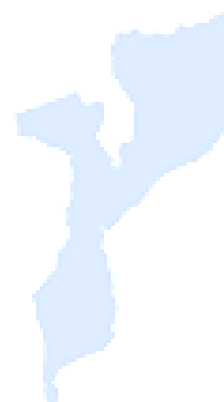
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List of Acronyms

ADIN	Northern Development Agency
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 access and the quality of health services are the main demands of the population, as they provide several externalities that impact the population's quality of life and the generation of internal income. In Mozambique, health services are mostly provided by the public sector and the Ministry of Health (MISAU) is responsible for creating, planning, coordinating and controlling national health policies.

Taking into account the participation of different actors of society in monitoring the process of executing the State Budget (SB) and implementing the Economic and Social Plan (ESP), it is essential to follow the country's economic governance process, especially with regard to definition of strategic priorities favorable to the economic growth and improvement of life's conditions of Mozambicans people, especially the most disadvantaged ones.

This study is part of the monitoring efforts of national public finance management. It is also part of analysis reports of the execution of the State Budget and the result of financial activity in the period from 2015 to 2020. The focus of this study is to analyze budget execution in the health sector, with particular emphasis on the magnitude of deviations observed in relation to allocations, taking into account the amount allocated to operating and investment expenditure.

Methodologically, a comparative macroeconomic analysis is carried out, in terms of achievements of the selected health sector in relation to allocations, as indicated in the Budget Execution Report (BER).

The main sources of data were the Budget Execution Report (BER), the annual Economic and Social Plans (ESP). The indicative targets for the five-year period are taken from 2015 to 2019, while the ESP provides the annual targets by sector and by category of activity. Budget and expenditure data are triangulated via the BER.

2. Deviations between Planned and Execution Disturb the Health Budget

Health services in Mozambique are mostly provided by the public sector, and the Ministry of Health (MISAU) is responsible for enabling the creation, planning and control of national health policies. The health area is the third sector that absorbs most resources from the State Budget (SB), followed by the Education and Infrastructure sectors, according to the methodology presented in the budget documents referring to the economic and social sectors.

This sector is divided into three levels, namely:

1. The Central Level, which is represented by the Ministry of Health (MISAU);
2. The Provincial Level, which is represented by the Provincial Health Directorates (DPS);
3. And finally, we have the District Level, which is represented by the District Services for Women's Health and Social Action (SDSMAS).

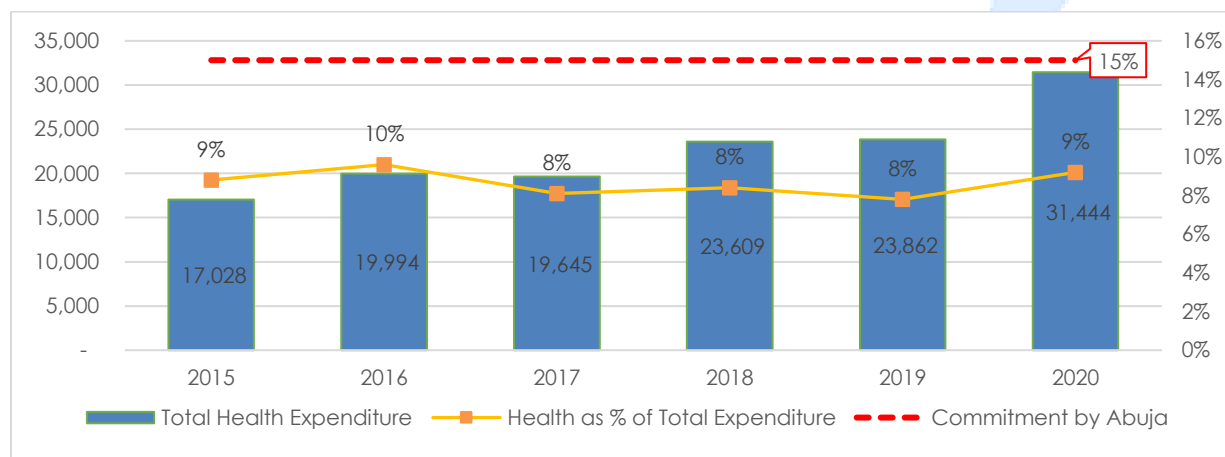
Therefore, it will be on the basis of these levels that our analysis of allocations for the health sector in the period 2015 - 2020 will be carried out.

During the period under review, expenditure in the health sector absorbed around 22.6 billion meticaís, which, in terms of total expenditure, means that around 9% was spent. It means that we still far from the goals proposed in Abuja Commitment for the sector, which recommends the investment of at least 15% of the State Budget for health development. Expenditure in the health sector, as a percentage of total expenditure, has not shown increasing trends over the last three years, which means that it remains around 9%.

Although in 2015 there was a growth of 9% in total expenditure, and then in 2016 there was a growth of 10%, there was (in 2017, 18 and 19) a reduction of 2% and, in 2020, there was a reduction of 1% in relation to the weight that the health sector represents as a function of total expenditure. On the other hand, despite the reductions noted above, it was noticed that in 2020 compared to 2019, there was a nominal growth of around 32% in the envelope of resources. However, the current increase of resources is

not reflected in the achievement of the commitments established for the sector. (as illustrated in the Graphic 1 below)

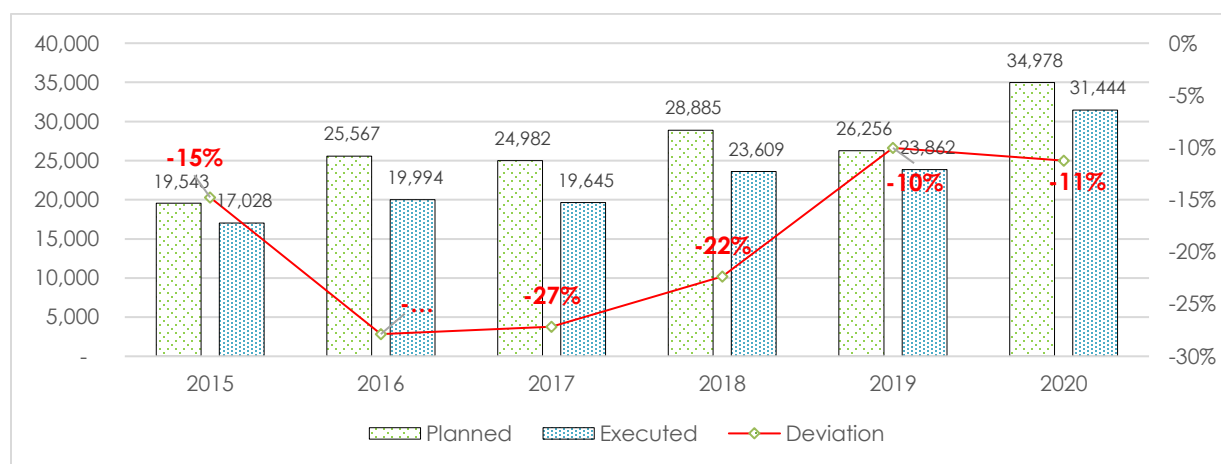
Graph 1: Expenditure of the Health Sector (in Millions of Meticaís)



Source: OCS based on data from REO of Health REO 2015 to 2020

It is also verified that there are deviations that make the planning not to be reflected in the executions and, consequently, in the performance. These deviations are associated with successive differences in relation to the forecast and actual budget. In the period under review, public expenditure has an average of 19% below expectations. The largest deviations, however, occurred in 2016 and 2017, 28% and 27% below expectations, respectively, and in 2019 and 2020, finally, the expenditure was only 10% and 11% lower, respectively.

Graph 2: Forecast versus execution of public expenditure in the health sector (Millions of Meticaís)



Source: OCS based on data from BER of Health sector 2015 to 2020

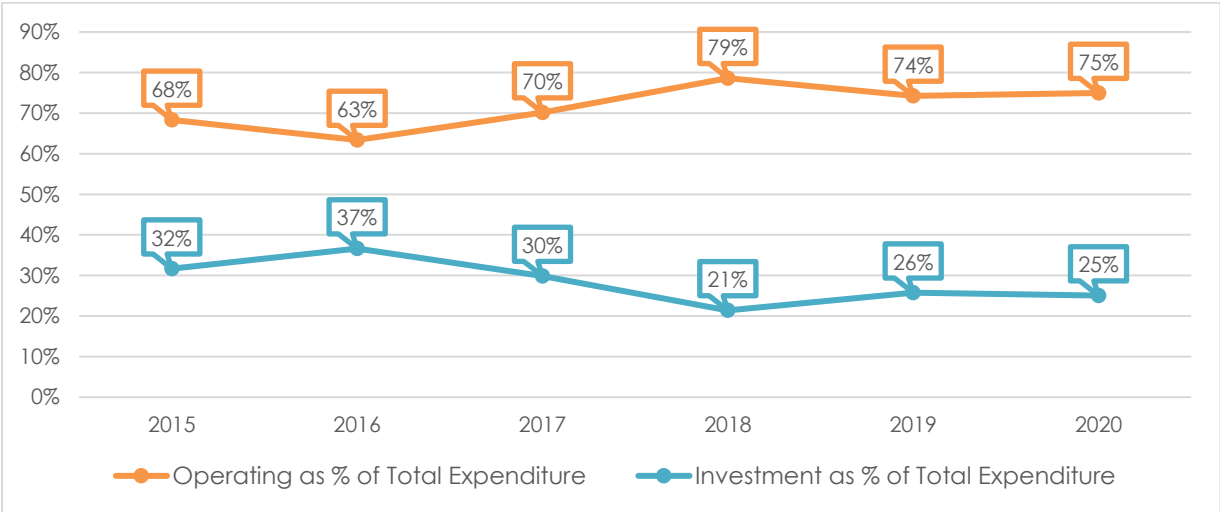
Operating Expenses, in addition to absorbing the largest proportion of resources, have been showing an increasing trend over the years. They corresponded to 68% in 2015 and rose to 75% in 2019. Therefore, it is expected that they will remain at the same levels in 2021.

The growth in current expenditures compromised the construction of health infrastructures. However, it did not contribute to the reduction of the average distance that inhabitants travel to access a health unit, a context in which this indicator has not registered significant changes in last years.

According to data annually published by the National Institute of Statistics (INE), the average distance that inhabitants travel to access health care reduced from 12.4km in 2015 to 12.3km in 2019 – a fact that illustrates the greater need to make efforts to increase investments, in order to guarantee the proximity of health services to the population.

Additionally, it is possible to notice that the current share of investment expenditures has been decreasing. In 2020, investment expenditure is around 25%, which represents a reduction of pp compared to 2017 expenditures, 7 pp when compared to 2015 expenditures and 12 pp less compared to 2016 expenses, in a context where the need for public investment in the sector has been increasing.

Graph 3: Health Operating and Investment Expenditure as % of Total Expenditure



Source: OCS based on data from BER of Health 2015 to 2020

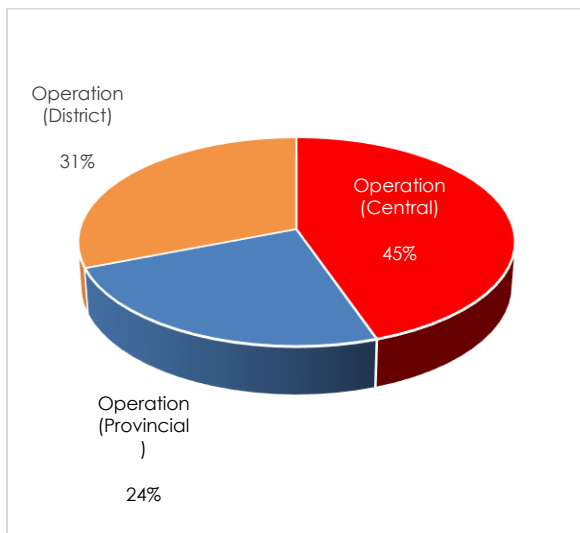
At the national level, it can be seen that the expenditure carried out by the State Budget (Operating Expenses) – including Salaries, Remuneration and Other Expenses with staff, as well as Goods and Services – have very different weights.

Considering the weight of operating expenses, at a national level, Wages, Remuneration and Other Personnel Expenses represent 77% of the total, while Goods and Services represent 23% and Capital Expenditures have a worthless representation.

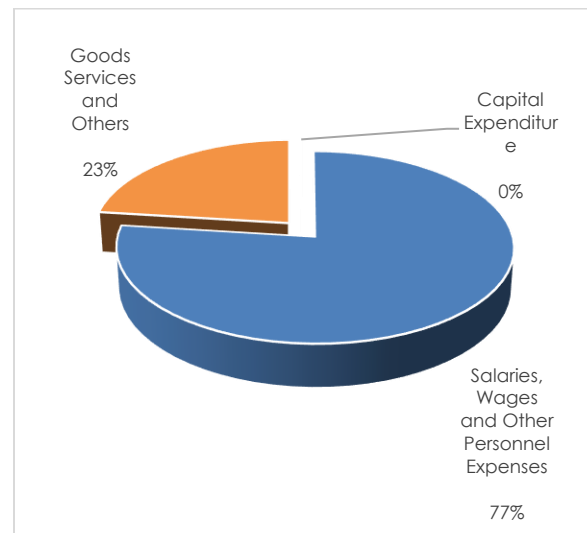
Overall, the realization of operating expenditure, at the central level, covered the largest percentage of resources and the smallest percentage was for the district level.

This growth in current expenses jeopardizes the improvement of the sector's efficiency and performance in the medium and long term, as it limits the construction of health units and hospitals, as well as the training of doctors and nurses and the purchase of equipment and medical articles. This does not contribute to reducing the average distance that the inhabitants travel to access the health unit, in a context which this indicator has not registered significant changes, much less improvements in recent years.

Graph 4: Operation by National Scope 2020



Graph 5: Collapse of Operation in 2020



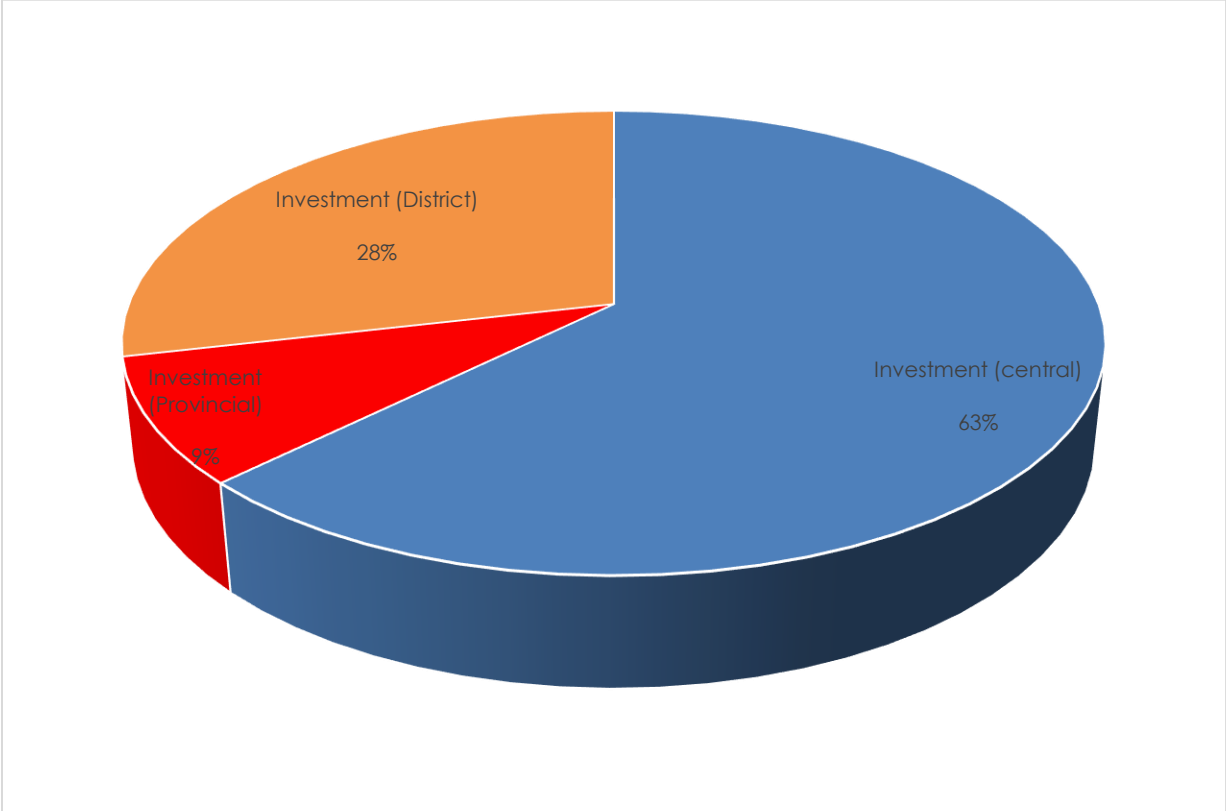
Source: OCS based on data from REO of Health 2020

One of the evidences is the average distance that the users of the National Health System (SNS) have to travel to have access to health care. In the fiscal year of 2020,

among investment expenditure, 33% came from internal sources and 67% from external sources. These proportions constitute a significant change when compared to the situation at the beginning of the decade. In fact, in 2009, internal and external investment had the weights of 9% and 91%, respectively. The new structure in the composition of investment sources is explained by the trend of decline in foreign investment over the last decade, even though it increased by 79% from 2018 to 2019.

The data indicate the need of increasing the State's tax collection capacity, including the possibility of increasing taxes on tobacco and alcohol, consigning them to the Health Sector, as well as minimizing/eliminating tax exemptions offered to foreign investors, such as way of expanding the source of internal resource collection to expand the internal response capacity to the needs of the health sector.

Graph 6: Investment Expenditure by National Scope 2020



Source: OCS based on data from REO of Health 2020

Despite the current increase in the envelope of resources allocated to the health sector in recent years, it is still possible to note that it is characterized by deviations from plan-

ning in relation to execution. The increases mentioned above are not reflected in the achievement of the Abuja commitments, established at the sector level, when the weight of execution of resources on total expenditure is made.

On the one hand, the largest percentage of expenditure has been allocated to the operating component. On the other hand, it is observed that the growth of current expenditures jeopardizes the construction of health infrastructure, and the most disadvantaged layers of society are the ones that suffer most from these low levels of public funding, as they "out of pocket " a large part of their income to cover expenditures with travel to the Sanitary Units, treatment and food for both the patient and the companion. A serious illness can impoverish a family for many years as they lose income and assets and will have to go into debt to pay for treatment expenditures.

Therefore, the sector needs greater effort to increase and boost investment expenditure, in order to ensure that there is a shortening of distance between health services and the population.

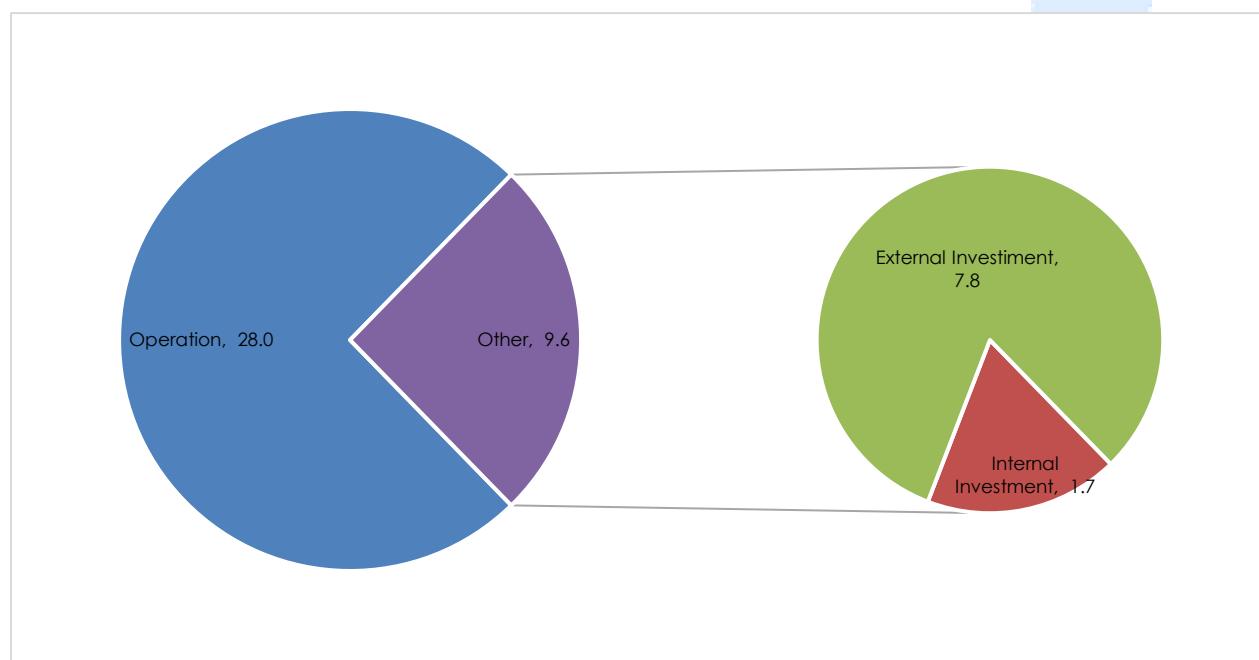
3. Weak Realization of Investment Expenditure Compromises the Quality of Public Expenditure in the Health Sector in the First Quarter of 2021

The current context of the national infra-structural situation and of the Health sector, in particular, suggests the need to invest in the massification of investment in public expenditure, highlighting its allocation in absolute terms, up to its level of periodic realization.

In 2021, the State Budget was approved in the order of 368 billion meticaís (MT), representing 33% of the expected GDP for 2021. Of this amount, 37.6 billion, corresponding to 10% of total public expenditure, were allocated to the health sector.

Meanwhile, from the 37.6 billion MT, 28 billion were allocated for operating expenditures and only 9.6 billion for investment expenditures, corresponding to 75% and 25% of the total public expenditure of the health sector, respectively (see the graph Graph 7 below).

Graph 7: 2021 Health Sector Budget (billion Meticaís)

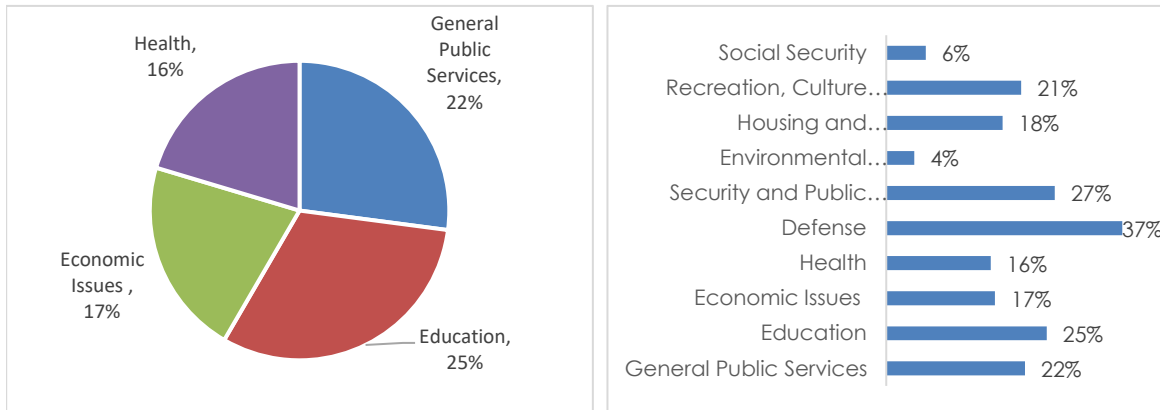


Source: BER Jan – Mar 2021

This scenario occurs in a context in which the health sector still faces challenges associated with the deficit of infrastructure, medical and nursing equipment, which significantly compromises the response capacity, as well as the quality of public service provision in health sector.

In this context, the overall realization of expenditure in the health sector was 6.2 billion meticaís, which corresponds to 16.4%, a context in which, when analyzing the performance of each of the functions, it appears that 10 functions: the Sectors of Security and Public Order, Defense and Recreation, Culture and Religion, had completion rates ranging from 21.2% to 37.1%. On the other hand, the Sectors of Environmental Protection, Housing and Collective Development, Health, Economic Affairs, Security and Social Action and General Public Services, had achievements ranging from 4.4% to 18.3% (see Chart 8).

Graph 8: Budget Execution Rate in the Economic and Social Sectors from January to March 2021 (in billion MT and %)



Source: BER Jan – Mar 2021

The low quality of public expenditure and its lack of equitable distribution contributed to the depreciation of investment expenditure in the health sector during the first quarter. Such depreciations were felt in the issue related to the construction of District Hospitals (DH), namely: DH in Ngaúma, DH in Macate, DH in Cheringoma, DH in Govuro, DH in Buzi, DH in Ponta Douro, as well as contributing to the redevelopment of the Sussundenga DH, which benefits 87,796 inhabitants. Furthermore, the same depreciation of investments contributed to the delay in the start of construction of intermediary warehouses for medicines, as well as to the delay of the medicine center, in extension in the provinces of Zambezia, Cabo Delgado and Sofala, whose need is extremely important and urgent, since the high demand for public health services in the provinces mentioned.

The occurrence of rain and strong winds, atmospheric discharges, floods in the southern zone – Cyclone Chalane – recorded in December 2020, which affected the Provinces of Sofala, Zambezia and Manica, resulting in the destruction of socio-economic infrastructures, residences, agricultural units and Health infrastructure, should have been a catalyst so that expenses such as the construction of district hospitals, intermediate drug warehouses and drug center had been prioritized and included in the realization of the first quarter, albeit in lesser degree.

The ideal level of budget realization in the first quarter of 2021 of the main economic and social sectors (health, education and economic affairs), taking into account the

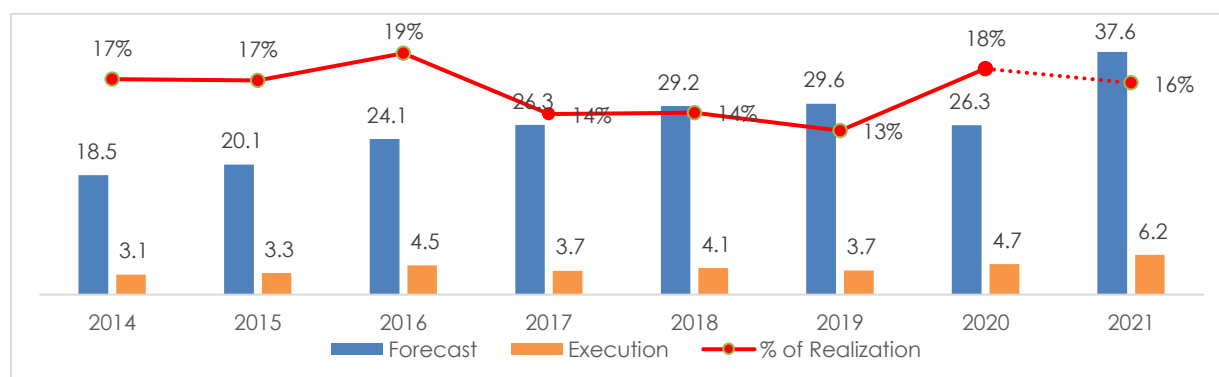
current devastating and harmful context to the economic and social environment, associated with the Covid-19 pandemic, it could be 25%, corresponding to a quarter of the annual expenditure, also considering the increase in availabilities resulting from the resumption of support to the State Budget by donors with a view to alleviate the economic and social implications imposed by the new 'normal', conditioned by the COVID-19 pandemic, which resulted in the greatest global and national recession.

4. Budget execution in the health sector from January to March 2021

From 2020 to 2021, the health sector expenditure growth rate increased by 43%, from the previous 26.3 to 37.6 billion MT. However, the execution in the period from January to March 2021 was 16.4%, which represents a reduction of 1.6% compared to the same period of 2020, when the execution in the first quarter was 18%, a decrease sharp when compared with the execution rate of the education sector, which reduced only 1.2 pp, from 26.4% to 25.2%.

In the period under review, the lowest execution of health expenditure was registered in the years 2017, 2018 and 2019, when it did not exceed 14% (see Graph 9). And in fiscal year 2021, it again registers low execution in the health sector, although the Budget Execution Report shows that the allocation of resources prioritizes the allocation of resources to the crucial sectors (Education, Health and Agriculture), so that actions are developed in order to reduce social inequalities, increase agricultural production, combat and prevent COVID-19. It can be seen that there is a trend towards a reduction in the degree of budget execution, with particular focus on the health sector, which does not amount to 20% of the budget foreseen in the first quarter, with some advances in the execution of funds in 2016 and 2020, where it was 19% and 18%, respectively, but still far from the average that should have been, around 25% per quarter (see Graph 9 below).

Graph 9: Execution of the Health Sector Budget from January to March 2021 (MT billion)

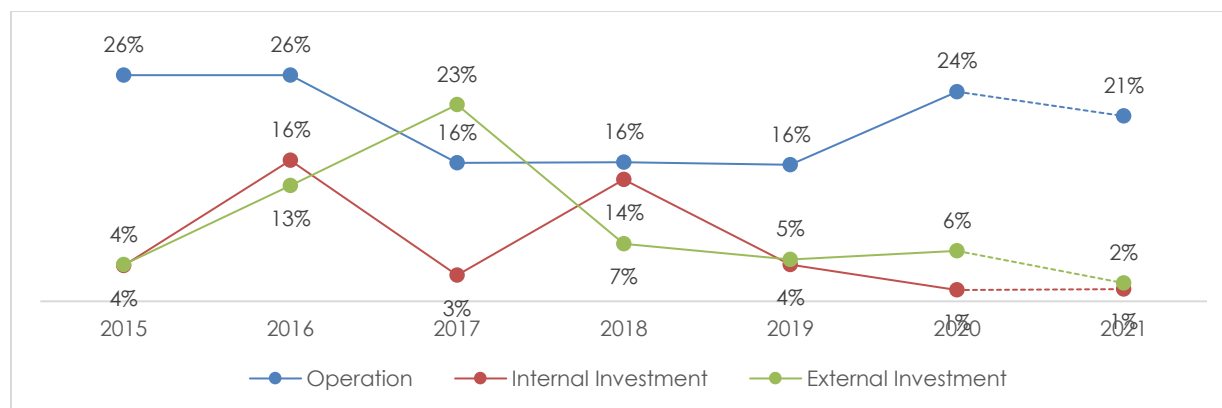


Source: BER Jan – Mar 2021

The charts 10 and 11 show that the reduction in the level of budget realization in the health sector, in the period from January to March 2021, was largely due to the low level of execution of internal and external investment expenditure, in 1.4% and 2.1%, respectively, and only the operating expenditure presents a high level of execution, at the threshold of 21%. If the expenditure of the health sector remains in the same way, by the end of the year, the sector will have only realized (65% of the budget), thus it is also possible to predict that, by the end of the year, the quality of the public health sector expenditure is compromised and important actions, such as the construction of district hospitals, warehouse of the central medicine and medical supplies, among other important achievements, are left behind.

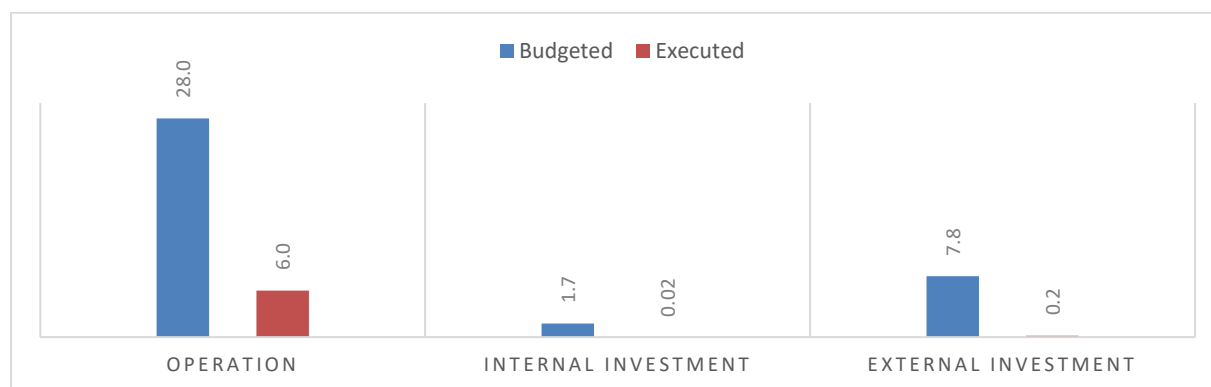
As long as the current scenario prevails, the achievement of the goals established in the Economic and Social Plan (PES 2021) will also be committed, affecting, for example, the reach of the greatest number of women (aged 25-54 years old) who benefit from cervical cancer screening. On the other hand, it will also contribute to the low assistance provided to adults and children living with HIV, who benefit from ART, among other goals, which can be influenced by a multiplier effect.

Graph 10: Expenditure realization rate of the health sector according to the functional classification



Source: REO Jan- Mar 2021

Graph 11: Execution of Investment Expenditures in the Health Sector from January to March 2021 (billion MT)



Source: REO Jan- Mar 2021

Additionally, it is observed that with the resumption of support from the World Bank to Mozambique (to be allocated by the Northern Integral Development Agency [ADIN]) the country will benefit from external resources in the amount of 1.1 billion USD, resulting from donations signed by the Government and the World Bank, which from the next few months will be destined to the construction of 800 classrooms, 200 houses for teachers, 10 hospitals, 43 water supply networks, 130 community infrastructures (sports and social), 20,000 improved latrines and 40 public toilets, as listed by the Head of State¹.

These interventions by the Government have not yet been strategically presented as a properly designed plan, which opens up spaces for the following questions:

- How will hope be ensured to the population?
- How will the environment of humanitarian catastrophe caused by the military conflict in Cabo Delgado be relieved?
- And, in particular, how will it contribute to the Strengthening Primary Health Care Program?
- Finally, how will the World Bank support be reflected in the lives of Mozambicans, looking at the track record of execution of funds already allocated?

¹ <https://www.dw.com/pt-002/nyusi-apoio-do-banco-mundial-desanuvia-ambiente-de-catástrofe-humanitária/a-57367293>

5. Conclusions and Recommendations

According to the Observatorio's analysis, for the Government to provide minimum internationally acceptable conditions in the health sector would need to spend at least 113 billion meticalais, corresponding to 32% of the total expenditure, triple of what was spent in 2020.

This fact occurs at a time when the health sector expenditure growth rate increased by 43% in nominal terms, from the previous 26.3 billion MT in 2020 to 37.6 billion MT in 2021. The low quality of public expenditure and its lack of equitable distribution makes the realization of expenditure, in the health sector, in the first quarter, leave behind investment expenditures, such as the start of construction of District Hospitals, Warehouses as well as Medicine Centers.

On the one hand, the largest percentage of expenditure has been allocated to the operating component. On the other hand, it is observed that the growth of current expenditures that jeopardizes the pursuit of investments that expand the sector's capacity to respond to the needs for services, which involve increasing the ratio of coverage of sanitary units per number of inhabitants, are far from the average distance that people travel to access primary and specialized health care.

The OCS defends that a greater effort in the allocation of resources to investment expenditures on health by the Mozambican government will provide a favorable environment for the expansion of the health network and greater coverage of the National Health System (NHS) in terms of services and treatment provided to the population.

Additionally, there is greater pressure on the various economic and social sectors in terms of the need for investment, with a particular focus on the health sector, which should be one of the reference points for the main public investment expenditure in the in order of 25%, as the need to ensure a timely response to the adversities imposed by the current context of the "new normal", which requires the State to adopt response and mitigation measures to the COVID-19 pandemic, which must also be reflected in budgetary terms, the realization of which must also comply with the deadlines and periods foreseen for budgetary realization.



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Nyusi: World Bank support "defuses humanitarian disaster environment," available at <https://www.dw.com/pt-002/nyusi-apoio-do-banco-mundial-desanuvia-ambiente-de-catastrofe> humanitária/a 57367293, consulted on April 28, 2021.



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 by:

