# Health Sector

## Budget Brief 2012[1]

**Key Messages**

- **The weight of the Health sector increased from 7.0% (2011) to 7.2% (2012)** as a percentage of total public expenditure. This was an increase in nominal terms of 15%.
- **The District Health, Women's Affairs and Social Welfare Services recorded an increase of 24%** in their budget, driven mostly by the gradual fiscal decentralisation to the Districts that the Sector is undertaking.
- **The Running costs show a growth of 22%,** when compared with the 2011 State Budget. This growth is due to the fact that the Health sector is absorbing staff who were previously paid by external funds. There was also an increase in expenditure on goods and services.
- **Expenditure per person in the Health sector is US$ 43 (PPP)**, expressed in international dollars based on the purchasing power parity. This is still below the desired international standards (US$ 54 PPP). But if observed in nominal terms, one can note a growth over the years.
- **The internal component of capital costs has recorded continual growth** over the years, while the external component of capital costs shows a declining trend. However, it is known that aid covers about 83% of the capital budget of this sector.
- **Admissions, Progressions and Promotions in this sector are budgeted at about US$ 9 million** and most of this sum is destined for the southern provinces.
- **It is difficult to monitor the investment of public resources in initiatives linked to HIV/AIDS in the 2012 Budget**. The National AIDS Council (CNCS) is allotted expenditure of US$ 6 million in 2012.
- **Inequity between provincial allocations and human development indicators.** The northern and central provinces have the highest infant and child mortality rates, but receive the lowest per capita expenditure in the country.

### 1. Definition of the Sector

The Health sector is defined as the Heath system (Ministry of Health, Provincial Directorates and Hospitals) and the HIV/AIDS system (National AIDS Council). This definition of the sector is the same as that used in the dialogue between the government and the Programme Aid Partners who provide direct support to the Mozambican budget. It is also the definition reflected in the expenditure implementation report contained in the quarterly Budgetary Execution Reports issued by the Ministry of Finance.

### 2. Budget trends in 2012

For this year, about **11,344,7 million MT** (US$ 420 million[1]) have been allocated to the Health sector, which is **7.2%** of the total budget for 2012 and **2.6% of the nominal GDP** estimated for the present financial year. Compared with the budget execution in the previous year there is an increase of 21% in nominal terms. This increase is associated with the growth in the budget for the sector's running costs.

**Table 1 Budgetary allocation by levels – 2011-2012**

| | REO 2011 (MT) | LOE 2012 (MT) | Difference |
|---|---|---|---|
| **MISAU** | 3,869,4 | 4,427,823 | 14% |
| **Provincial Health Directorates** | 2,224,9 | 2,430,434 | 9% |
| **Hospitals (provincial, central, general, Maputo, psychiatric)** | 1,781,171 | 2,161,657 | 21% |
| **District Health, Women's Affairs and Social Welfare Services** | 1,324,502 | 2,172,445 | 64% |
| CNCS | 171,957 | 152,322 | -11% |
| **TOTAL** | **9,372,067** | **11,344,681** | 21% |

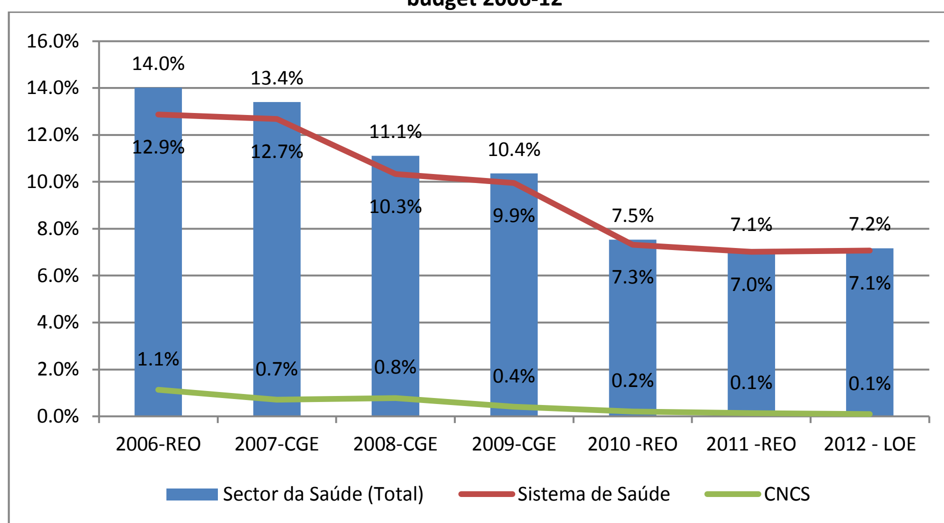
Source: LOE 2011 and 2012

The decreasing weight of the Health vis-à-vis the country's total envelope of resources should be interpreted cautiously (Graph 1). The sector's percentage fell from 10.4% of the total budget in 2009 to 7.5% in 2010. During the same period, there was a decline in the external component of investment costs and this reduction could be

[1] US$ 1 =0. 27 meticais

associated with a "clean up" exercise done by the Finance Ministry in some projects financed by foreign resources where there was no clear information about the disbursement of funds by the financing agencies.

**Graph 1: Weight of the Health sector (Total, System of Health and National AIDS Council - CNCS) in comparison to the total budget 2006-12**



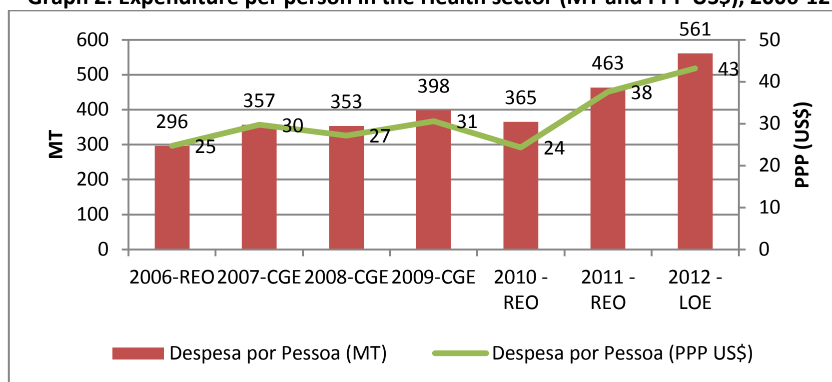

Source: 2006, 2010 REO; 2007-09 CGE; LOE 2011 and 2012

## 3. Expenditure per person

In the 2012 State Budget, per capita nominal expenditure in the Health sector is about **561 MT.** This is equivalent to **US$ 43 per person**, in terms of parity purchasing power.[2] This figure is relatively higher than that obtained with a simple conversion of the exchange rate, since for this it takes into account non-negotiable goods and services and the impact of inflation.

Despite the nominal increase in per capita expenditure in this sector over the years, Mozambique is still below the minimum figure desired for the supply of an essential package of adequate medical services, recently updated to **US$ 54** per person.[3]

**Graph 2: Expenditure per person in the Health sector (MT and PPP US$), 2006-12**




Source: 2006, 2010 REO; 2007-09 CGE; LOE 2011 and 2012;
PPP (US$) World Bank (2009 data was used to calculate the PPP of 2011 and 2012)

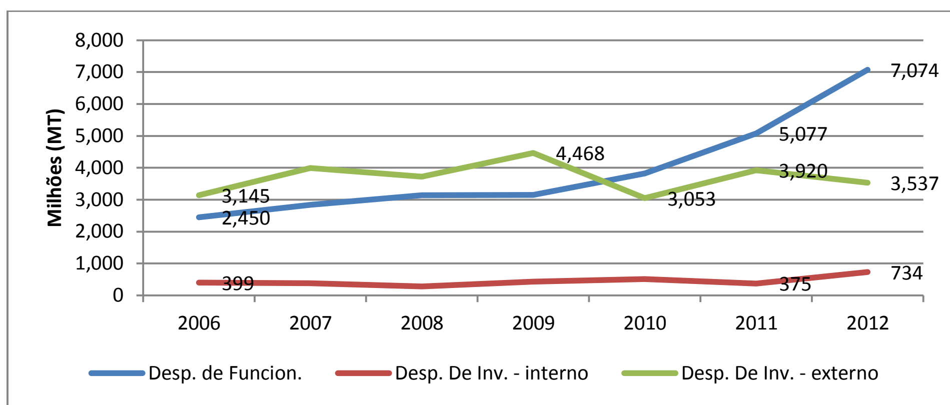
## 4. Running costs

Running costs have been increasing considerably over the years, and particularly since 2010. This increase reflects a more realistic position on the needs of the Sector, which used to have to reinforce its running costs to fill in gaps during the financial year.

[2] *Purchasing Power Parity* – PPP (World Bank). For 2011and 2012, the PPP conversion factor is that of 2009.

[3] Taskforce on Innovative Health Financing for Health Systems (2009), Working Group 1 Report: Constraints to Scaling Up and Cost).

**Graph 3: Comparison of Health sector expenditure (Running costs and Internal and External Investment), 2006-12**




Source: 2006, 2010 REO; 2007-09 CGE; LOE 2011 and 2012

In 2012, this growth is also associated with the following factors:

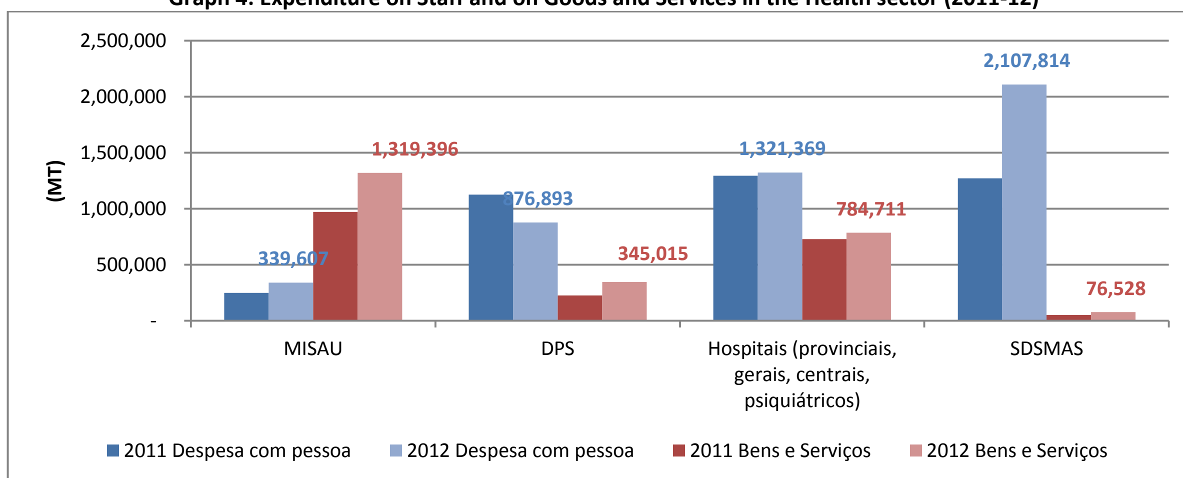
- **Decentralisation of the wages that used to be paid at Provincial level.** Staff costs declined by 22% in the Provincial Health Directorates and increased by 66% in the District Services between 2011 and 2012. In nominal terms the expenditure of the District Health, Women's Affairs and Social Welfare services (SDSMA) increased from 437,310 MT (2010) to 2,184,342 MT (2012). This is a significant increase and needs to be monitored closely.

- **Admission of 1,800 staff previously paid with funds from the sector Common Fund (PROSAUDE) (176,400 MT)**. The foreign funds are recorded in the Budget as capital costs. However, what happens in practice is that some of these funds can be used to cover certain running costs, such as the payment to wages of staff outside the staff table in the health units. In the present financial year, the Health sector is beginning to absorb these employees into its staff table, paying their wages with internal funds (thus these are not "new" staff – their position has merely been regularised into the table of human resources in the sector). However, the PROSAUDE funds are still contributing about 769,095 MT to pay for staff (mostly specialists and foreigners) who are still outside the staff table.

- **Increase in expenditure on goods and services in the Ministry of Health (MISAU)**. The graph below shows that this expenditure underwent a growth of 36% between 2011 and 2012. In 2012, almost 80% of this expenditure will be spent on acquiring and distributing medicines.

- **The sector will spend about 57 million MT on promotions** (which were halted for many years). Although all these promotions are registered in MISAU, their benefit goes beyond the Ministry (e.g. doctors who work in the provinces). It should be noted that the payment for the promotions is equivalent to the combined total payment for admission of staff outside the staff table in Niassa, Cabo Delgado, Nampula, Zambézia and Tete provinces (58 million MT).

**Graph 4: Expenditure on Staff and on Goods and Services in the Health sector (2011-12)**



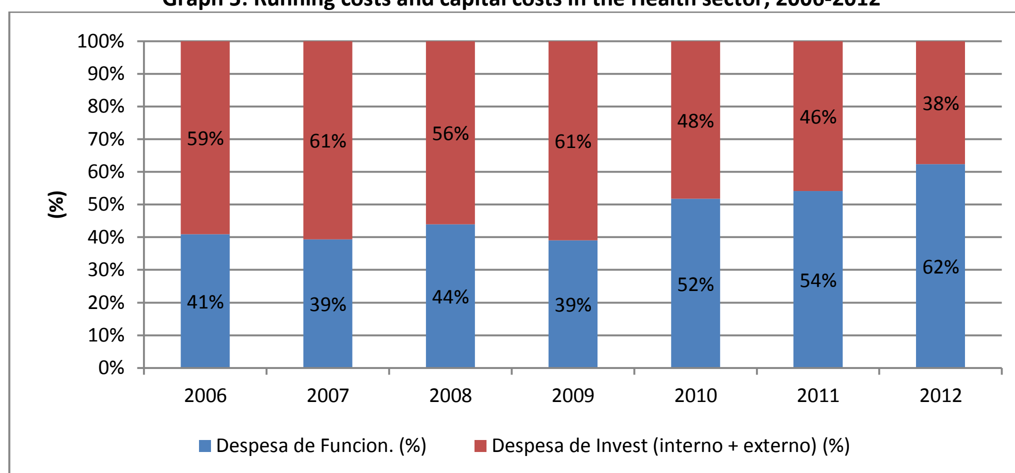

Source: LOE 2011 and 2012

## 5. Capital expenditure

Apart from the nominal increase in the budget for running costs, there has also been an increase in this expenditure in relative terms, rising from 41% in 2006 to 62% in 2012. Unlike the growth in the running costs, capital expenditure is tending to decline proportionately, from 59% to 38% in the same period (Graph 5).

On the other hand, in nominal terms, capital expenditure does not oscillate much, keeping to an annual average of 4,108 million MT (US$ 152 million). The government has considerably increased its internal contribution to capital expenditure in this sector. But, if looked at in percentage terms, the internal component of investment reaches just 17% of total capital costs in 2012.

**Graph 5: Running costs and capital costs in the Health sector, 2006-2012**



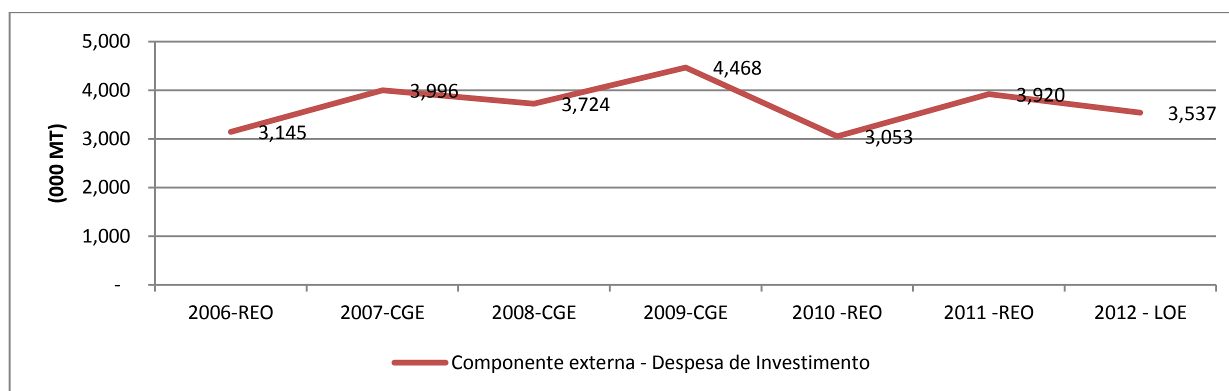

Source: 2006, 2010, 2011 REO; 2007-09 CGE; LOE 2012

## 6. External resources

In the 2012 State Budget, about 31% of the *total budget* of the sector comes from aid (3,537 billion MT). The external resources are registered under capital costs and account for about 83% of this expenditure.

In 2009, there was a sharper decline in external funds for the sector, falling from 4,468 billion MT to 3,053 billion MT in 2010. This reduction was related to a review of projects wrongly registered in the State Budget in 2010 and with the Global Fund leaving PROSAUDE. When these two factors are taken into consideration, the external component remains somewhat constant over the years.

**Graph 6 Evolution of the external component of capital expenditure in the health sector, 2006-12**




Source: 2006,2010, 2011 REO; 2007-09 CGE; LOE 2012

In 2012, the Sector Common Fund (PROSAUDE) is estimated at 2,384 billion MT (US$ 88 million) which is a reduction of 19% compared with 2011, when PROSAUDE spent 2,949 billion MT.

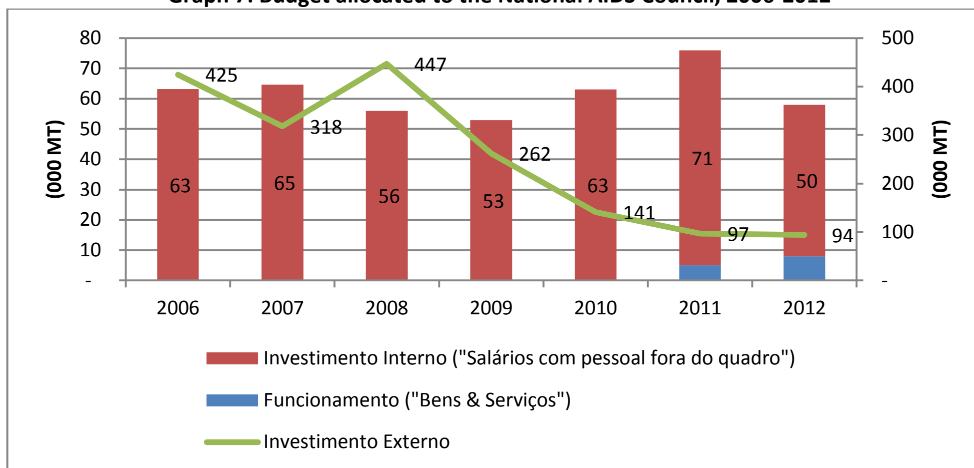
The phenomenon of *off-budget funds* (foreign funds that do not go through the State Budget) is still prevalent in the Health sector. A conservative projection of support from the USA (USAID and CDC – American development agencies) for the Health sector in 2012 is US$ 112 million[4] (3,303 billion MT), almost equivalent to entire budget of PROSAUDE. If this sum were registered in the Budget the weight of the sector would increase from 7.2% to 9% of the total budget envelope in 2012.

[4] Information for NATIONAL HEALTH ACCOUNTS (PARTIAL) & MID-TERM EXPENDITURE AND FINANCING SCENARIO of MISAU 2011.

## 7. Prevention and Combat against HIV/AIDS

The National AIDS Council (CNCS) has a budget of **153 million MT** (about US$ 6 million) for 2012 (Graph 7). Over the years, the role of the CNCS has changed. It has become a coordinating institution and not an implementing agency. Aid has, on average, paid about 80% of the CNCS budget since 2006. Because this institution has not been regularised in the public sector, the wages of its staff are paid with (internal) capital expenditure, and the running costs budget covers costs of goods and services.

**Graph 7: Budget allocated to the National AIDS Council, 2006-2012**



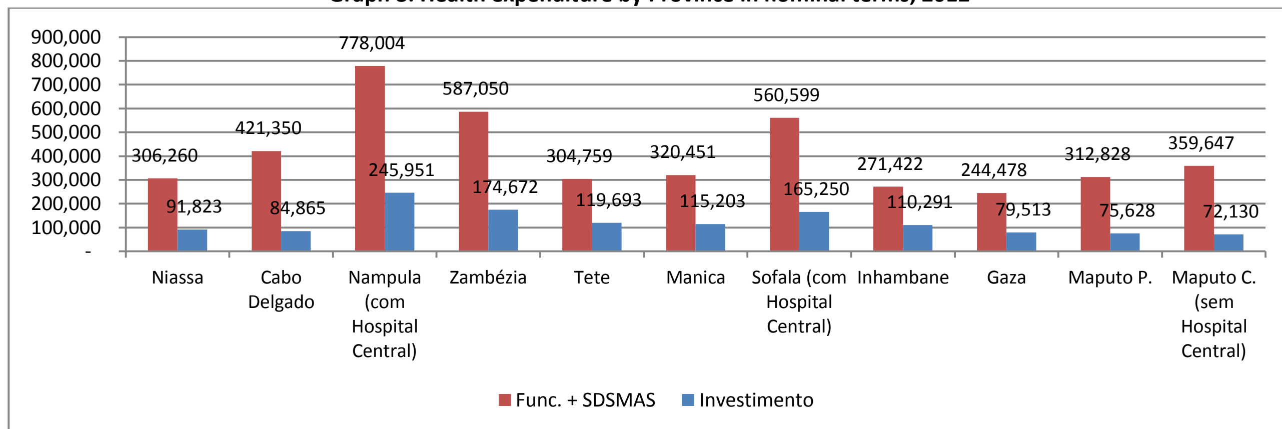

Source: 2006,2010 REO; 2007-09 CGE; LOE 2011 and 2012

## 8. Decentralisation

The Health sector does not have a decentralisation plan, but it is possible to see some trends of fiscal deconcentration, particularly the increase in running costs in the District, Health, Women's Affairs and Social Welfare Services (SDSMAS) since 2010, as seen earlier.

Graph 8 shows the allocation of 2012 sector expenditure in the provinces and districts in nominal terms. However, Maputo Central Hospital does not appear in the table below, because its expenditure is classified at central level. In contrast, the Beira and Nampula Central Hospitals are included in the expenditure of their respective provinces (and in the graph below), through their beneficiaries go beyond the limits of these provinces.

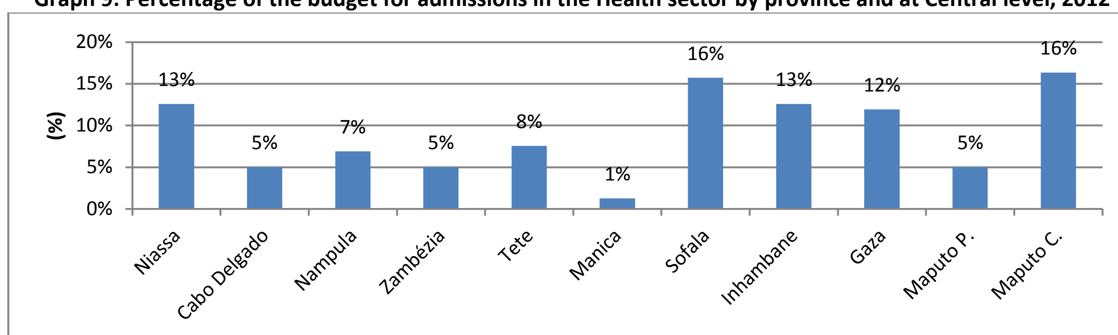
**Graph 8: Health expenditure by Province in nominal terms, 2012**




Source: LOE 2012

The provinces in the south of the country will benefit more from the admission of staff who were outside the staff table and were being paid with PROSAUDE funds (Graph 9).

**Graph 9: Percentage of the budget for admissions in the Health sector by province and at Central level, 2012**



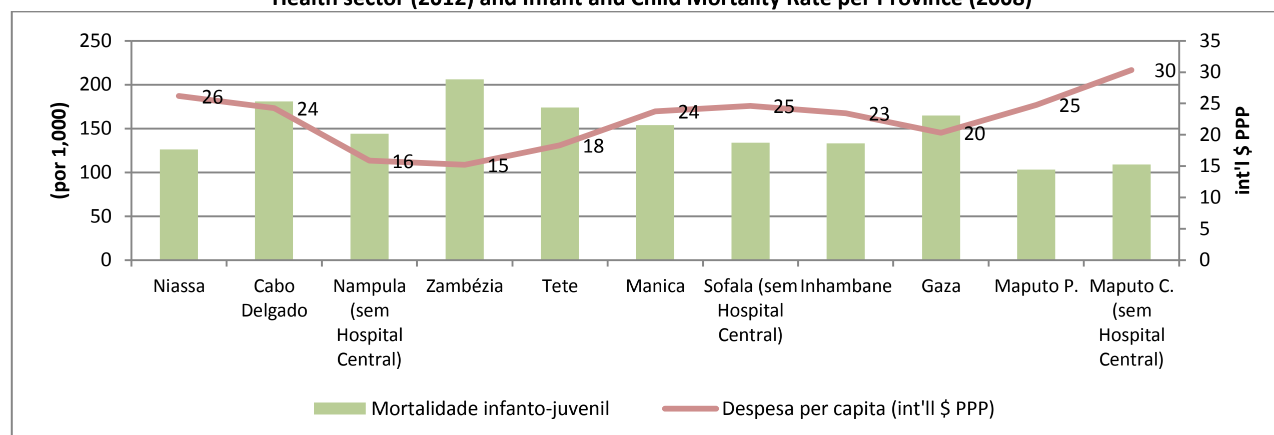

Source: LOE 2012

## 9. Equity

When we divide provincial expenditure (running costs, capital expenditure and SDSMAS) in the Health sector by the number of inhabitants per province, we obtain the per capita expenditure.

There is no clear criterion for per capita allocation in this sector (expressed in international dollars based on parity purchasing power). The per capita allocations end up benefitting the provinces in the south of the country, although they have lower infant and child mortality rates. For example: Zambézia Province has the highest infant and child mortality rates in the country, but the lowest per capita health budget (US$ 15 PPP) (Graph 10). On the other hand, per capita expenditure in Maputo City (US$ 30 PPP) is the highest in the country and the infant and child mortality rate is the lowest.

**Graph 10: Per capita provincial expenditure (running costs + capital expenditure + SDSMAS – without Central Hospitals) in the Health sector (2012) and Infant and Child Mortality Rate per Province (2008)**




Source: LOE 2012 (converted into PPP (US$) World Bank (2009 data was used to calculate the PPP of 2011 and 2012); MICS 2008


**Foundation for Community Development (FDC)**
Av. 25 de Setembro – Edifício Times Square
Bloco 2, 12504 – Maputo, Mozambique
Tel: +258-21-355-300
Website: www.fdc.org.mz

**United Nations Children's Fund (UNICEF)**
Av. Do Zimbabwe, 1440
Maputo, Mozambique
Tel: +258-21-481-100
Website: www.unicef.org/mozambique