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ZIMBABWE



2020 Health Budget Brief

2020 HEALTH SECTOR BUDGET BRIEF¹

Key Messages and Recommendations

- ❖ The MoHCC is crafting the next National Health Strategy. The strategy needs to focus on addressing existing gaps, speak to emerging challenges and most importantly seek to sustain the gains achieved thus far, with respect to health systems strengthening and delivery of quality healthcare services.
- ❖ Health outcomes are improving, and efforts need to be made to safeguard these gains. Overall, the percentage of children that received vaccinations increased from 69.2% in 2014 to 76% in 2019. Maternal mortality rates have dropped significantly from 614 deaths per 100,000 live births in 2014 to 462 in 2019.
- ❖ The 2020 health budget still falls short of the 15% Abuja Declaration Target. Though there was a slight improvement from 7% in 2019 to 10% in 2020, more needs to be done.
- ❖ Per capita spending in health care is below the WHO recommended threshold of US\$86. However, Zimbabwe's per capita allocation, which had improved to US\$57 in 2017, is estimated to have sharply declined to US\$21 in 2020 which puts at risk gains made over the years.
- ❖ The expenditure mix has significantly improved. As a share of the total budget, capital expenditure allocation was doubled from 15% in 2019 to 32% in 2020. Though this is a welcome development, the fiscal consolidation and expenditure reorientation process should be gradual, as there is risk of disruption of service delivery as massive cuts in employment costs can result in disgruntlement due to wage erosion.
- ❖ Rural Health Centres were only allocated US\$16 million, which is 6% of the PHCHC budget or 5% of the total health budget. There is need to boost government spending on rural health centres to avoid dependence on donor financing to be able to better cater for over 70% of Zimbabwe's population that lives in the rural areas.
- ❖ Budget execution is weak as evidenced by the huge deviations of actual expenditure from the approved budget. Overall, the 2019, budget underperformed by 6% compared to over expenditure of 20% in 2018. In 2019, the capital budget performance worsened, underperforming by 86%.
- ❖ Health sector financing has dropped significantly from an average of US\$745 million over the period 2016 – 2018, to below US\$500 million in 2020. Innovative financing is needed to quicken the pace of health care progress and achieve equity.

¹ Adjustment of figures into US\$ for comparability was done using the IMF Article iv Report Exchange rates of ZWL\$1.3 for 2017, ZWL\$2 for 2018, ZWL\$8.5 for 2019 and for ZWL\$21.5 2020 per USD

1. INTRODUCTION

This Health Budget Brief explores the extent to which the approved 2020 budget allocation meets the health requirements of Zimbabwe. It provides a summary of the size and composition of the health budget, primarily focussing on adequacy, allocative efficiency, effectiveness and equity of the current and past health spending. The Budget Brief also looks at the sources of health sector financing, mainly focussing on sustainability. This Budget Brief suggest some recommendations on ways to improve health public spending, which is meant to inform future decision-making regarding budget formulation, execution, monitoring and evaluation. and budget formulation and implementation process.

2. BACKGROUND AND SITUATIONAL ANALYSIS

The National Health Strategy (NHS) (2016-2020) gives strategic direction for the provision of healthcare services in Zimbabwe. The strategy is aligned to the Sustainable Development Goals (SDGs), particularly Goal 3 which aims at providing equitable quality health care services to all Zimbabweans, with a focus on promoting primary health care. The key priorities are to reduce morbidity and mortality due to such diseases as HIV, TB, Malaria and NCDs. The National Health Strategy is in its last year of implementation, and the Ministry of Health and Child Care is in the process of developing its successor for the period 2021 -2025. The upcoming strategy, building on the gains made already, seeks to address existing gaps, speak to emerging challenges and most importantly seek to sustain the

gains achieved thus far with respect to strengthening the health system and delivery quality healthcare services.

Health outcomes are improving, and the country has managed to post positive results on most of healthcare indicators over the past 5 years. However, there are some arears which are lagging that require extra effort to yield positive results. Box 1 below gives a snapshot of the sector performance for selected indicators. Overall, the percentage of children that received vaccinations increased from 69.2 percent in 2014 to 76% in 2019. Maternal mortality rate dropped significantly from 614 deaths per 100,000 live births in 2014 to 462 in 2019. All Early Childhood mortality rate improved over the same period, except for neonatal, which increased from 29 deaths per 1,000 live births to 32 in 2019 (Figure 1). The number of births attended by a skilled professional also increased from 78% in 2014 to 86% in 2019 (MICS 2019).

BOX 1: Highlights of the overall health sector performance

Figure 1: Early Childhood Mortality Rates

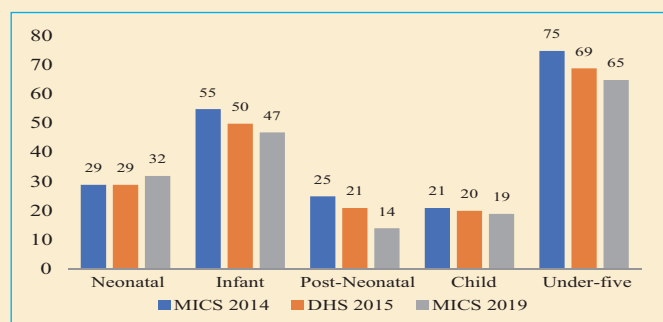


Figure 2: Vaccinations

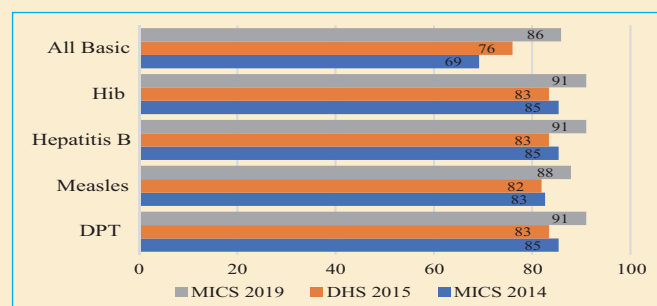


Figure 3: Reproductive Health

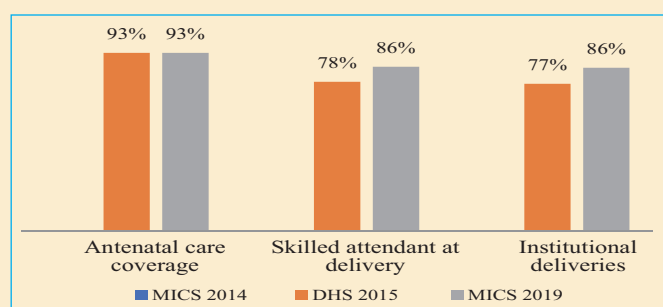
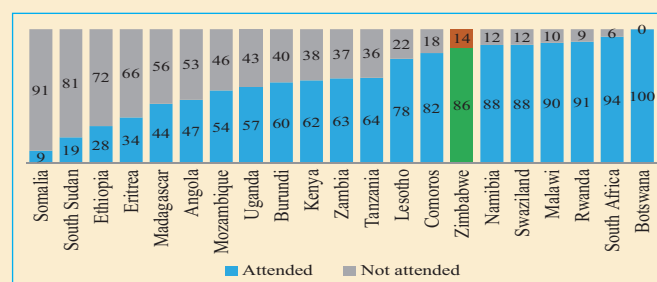


Figure 4: Birth attended by skilled Health Personnel in Select Countries (latest data %)



Source: Various Budget Statements and Author Calculations

Despite the positive gains indicated above, the sector is facing significant challenges which are negatively impacting the achievements of the targets in the National Health Strategy. These challenges which range from inadequate funding, shortage of foreign currency to import essential drugs and equipment, power outages and intermittent fuel supply, which has significantly impacted on the operations of health care centres, depreciating local currency and increasing inflation, which has eroded the health budget, among others. In the outlook, these downside risks will continue to hamper performance of the sector as the macroeconomic environment continue to be in distress. Addressing these macro-challenges will be critical for enhancing health results.



Key Takeaways

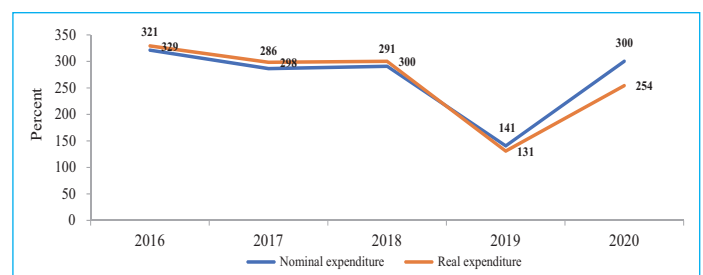
- **The MoHCC is crafting the next National Health Strategy. The strategy needs to focus on addressing existing gaps, speak to emerging challenges and most importantly seek to sustain the gains achieved thus far, with respect to strengthening the health system and delivery quality healthcare services.**
- **Health outcomes are improving. Overall, the percentage of children that received vaccinations increased from 69.2 percent in 2014 to 76% in 2019. Maternal mortality rates have dropped significantly from 614 deaths per 100,000 live births in 2014 to 462 in 2019. All Early Childhood mortality rates have improved except for neonatal, which increased from 29 deaths per 1,000 live births to 32 in 2019.**
- **Government needs to continue to strengthen the public health system by improving institutions (governance), enhancing human resource capacity (especially community-based health workers) and addressing infrastructure deficits.**

3. HEALTH SPENDING TRENDS

The health sector was allocated US\$300 million in 2019 representing a 13% increase from the 5-year average of US\$264 million, recorded over the period 2015-2019. Compared to 2019 the health budget has increased by 139%. However, the increase has only brought the health budget to the pre-2019 levels, as the budget had dropped significantly in 2019 to US\$126 million.

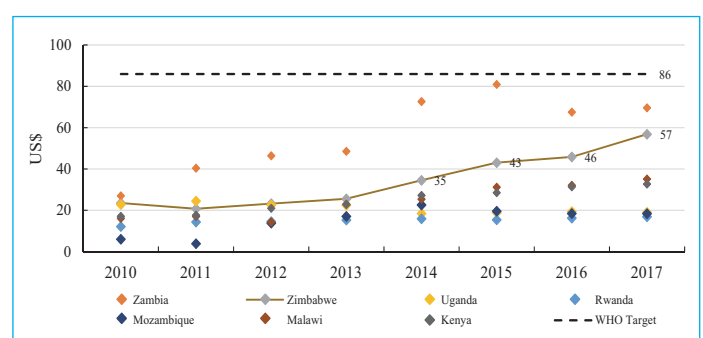
In nominal terms the health budget amounts to US\$300 million compared to US\$141 million in 2019. In real terms this is equivalent to US\$254 million in 2020 compared to US\$131 million in 2019. As shown in Figure 5, Government health spending has been declining indicating the mounting fiscal pressures. However, the rebound in 2020 is dependent upon the ZWL\$ being able to maintain its value. With the continued exchange rate depreciation and inflation increasing, in real terms the 2020 budget could be reduced. Since late 2018, the real health budget is being severely eroded by the combined effect of exchange rate depreciation and increasing inflation.

Figure 5: Nominal and Real Expenditure Trends



Zimbabwe's per capita spending in health care is below the WHO recommended threshold of US\$86 (Figure 6). However, Zimbabwe's per capita allocation has improved significantly to US\$57.00 in 2017. This, therefore, suggest the need for the Government to increase its level of funding to achieve better health outcomes and make progress towards the SDGs.

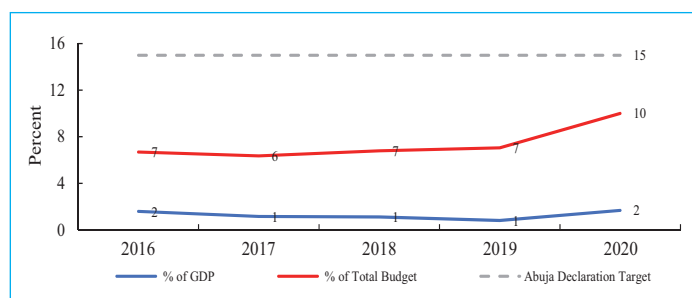
Figure 6: Per Capita Health Expenditure for selected countries



Source: WHO Global Health Expenditure database / Various Budget Statements

The Government budget allocation on health care accounts for 10 percent of the national budget, an improvement from an average of 7% over the past years. As a share of the total budget the health budget is 10% compared to 7% in 2019 and 1.7% of GDP compared to 0.8% in 2019 (Figure 7).

Figure 7: Health sector spending trends against international targets



Source: WHO Global Health Expenditure database / Various Budget Statements

The total Government health spending as a percentage of total Government expenditure falls short of the recommended 15% Abuja Declaration Target. Although the health budget still falls short of the 15% Abuja Declaration Target, there is a remarkable effort by Zimbabwe to meet its international commitment. As shown in Figure 7, health sector spending as a share of the total budget increased from 7% in 2019 to at 10% in 2020. For the period 2016 – 2019, health spending has been averaging 7% as a share of the total budget. Similarly, as a share of GDP, health care spending has slightly increased from 1% in 2019 to 2% in 2020. The improved budget allocation will go a long way to enhance health outcomes, and the country is encouraged to continue gradually increasing health spending budget to achieve recommended international thresholds.

Key Takeaways

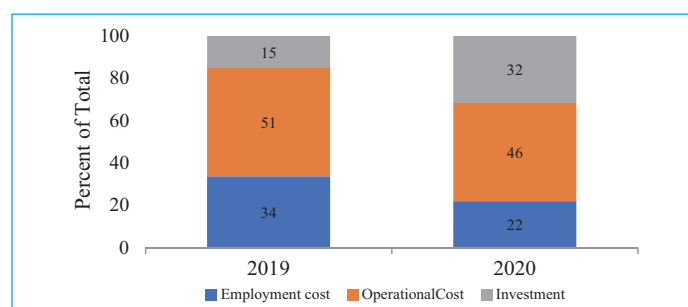
- **The health budget allocation increased from an average of 7% in the past five years to 10% in 2020. Without compromising fiscal sustainability, Zimbabwe should continue to gradually increase health spending to ensure sustainability of existing achievements.**
- **Health as a share of government spending has remained below the Abuja Declaration commitment for domestic spending. Improving fiscal space through innovative domestic financing is critical to boost health spending. Zimbabwe is a highly informalized economy and clear strategies to harness resources from the sector will be critical in enhancing fiscal space to allow for more resource allocations to all social sectors.**
- **Per capita spending on health care is below the WHO recommended threshold of US\$86. However, Zimbabwe's per capita allocation, which had improved to US\$57 in 2017, is projected to have slipped to US\$21 in 2020.**

4. COMPOSITION OF HEALTH SPENDING

Composition by Economic Classification

Total recurrent expenditures have been cut from 85% in 2019 to 68% in 2020. There is significant re-orientation of the budget mix in favour of investment projects. As a share of the total, in 2020 the capital budget was allocated 32% (US\$96.61 million) compared to 15% (US\$22.7 million) in 2019 (Figure 8). This is mainly because of the significant cut of the wage bill from 34% in 2019 to 22% in 2020. Furthermore, the operational budget was also cut to 46% of the total budget compared to 51% in 2019.

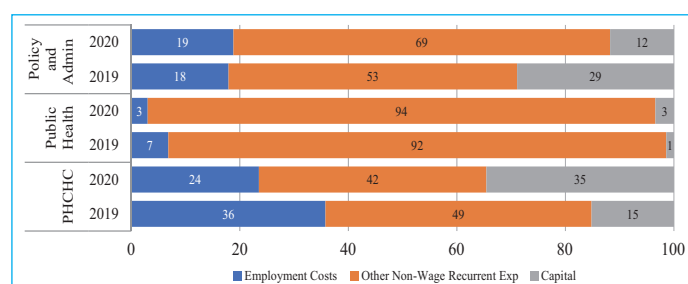
Figure 8: Composition of Health Budget by Economic Classification



Source: 2019/2020 Budget Statement

The expenditure mix rebalancing in favour of the development budget is a welcome development. Though this massive fiscal consolidation by government, which seeks to rebalance expenditure in favour of the development budget, is a welcome development. There is need to strike a balance between expenditure reprioritization and maintaining a certain level that guarantees a decent welfare of health sector personnel, to avoid service delivery interruptions from industrial action as was witnessed in the last quarter of 2019. At 22% of total, the employment cost budget is now low and could threaten service delivery. Figure 9 shows this change, per programme, which shows a rapid expansion of the capital budget for Primary Health and Hospital care and Public Health Programmes.

Figure 9: Composition of Programme budget by Economic Classification

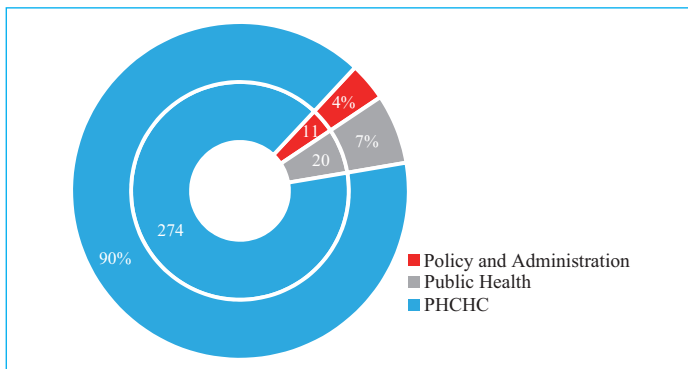


Source: WHO Global Health Expenditure database / Various Budget Statements

Composition by Programme

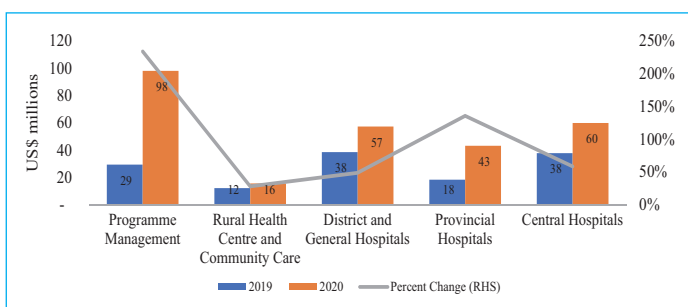
Primary Health and Hospital Care (PHCHC) accounts for 90% (US\$274 million) of the allocated US\$300 million to total health budget (Figure 10). This represents 101% increase from the 2019 budget of US\$136 million. Compared to 2019, all PHCHC subprogrammes budgets were increased, with the highest upward review for programme management. Of this amount, 38% is earmarked for programme management. Compared to 2019, programme management budget has increased by 234% (Figure 11). Central Hospitals were allocated US\$60 million, Provincial hospitals US\$43 million, and district hospitals US\$57 million. Rural health centres, which have traditionally relied on donor financing, were allocated only 6% of the PHCHC budget (US\$16 million) which appear inadequate relative to the needs as 70% of the total population of Zimbabwe resides in rural areas.

Figure 10: Composition of 2020 Health Budget by Programme (in US\$ millions and Percent of Total)



Source: 2019/2020 Budget Statements

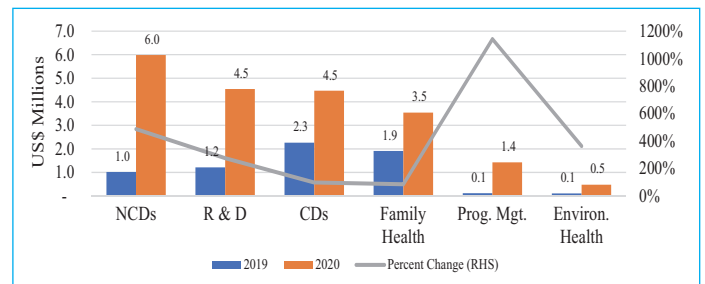
Figure 11: Primary Health Care and Hospital Care



Source: 2019/2020 Budget Statements

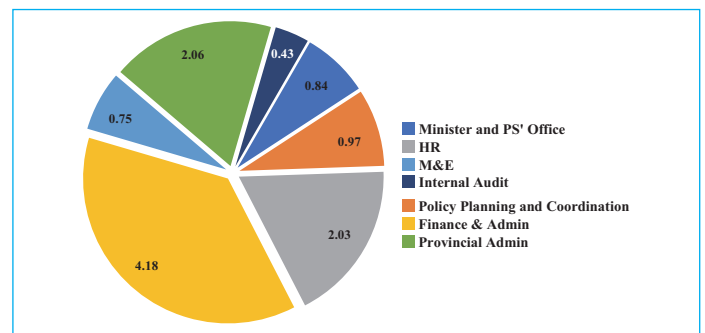
Public Health was allocated US\$20.4 million up from US\$6 million in 2019. The Public Health budget constitute 7% of the total planned Ministry of Health and Child Care spending. All subprogramme budget under Public Health were increased compared to 2019. Non-Communicable Diseases (NCDs) received the largest share of US\$6 million (29%), Communicable Diseases (CDs) and Research & Development (R&D) were allocated US\$4.5 million (21%) each. Family Health received US\$3.5 million, programme management US\$1.4 million and Environmental health US\$0.5 million (Figure 12).

Figure 12: Composition of Public Health Budget



Policy and Administration received 4% (US\$11 million) of the total health budget. The Policy and Administration budget is earmarked for policy planning, formulation and direction. It also covers issues to do with quality assurance and coordination of the Ministry's service delivery at provincial level. As shown in Figure 13, Finance and Administration accounts for the largest share and was allocated US\$4.2 million, which is 37% of the Policy and Administration budget. Human resources which is meant for training, development and retention of staff received US\$2 million (18%). Similarly US\$2 million was set aside for provincial coordination and Administration. Unlike in the 2019 budget where no resources were set aside for internal audit, the 2020 budget allocated US\$0.4 million for the provision of objective assurance and internal controls.

Figure 13: Composition of Policy and Admin (US\$ million)



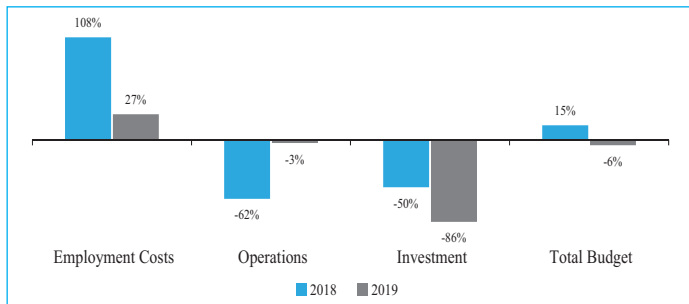
Key Takeaways

- **The expenditure mix has significantly improved. As a share of the total budget, capital expenditure allocation was doubled from 15% in 2019 to 32% in 2020. Compared to 2019, total recurrent costs have been reduced from 85% to 68% of the budget, mainly on account of employment costs which were cut from 34% in 2019 to 22% in 2020. Though this is a welcome development; the fiscal consolidation and expenditure re-orientation process should be gradual, as there is risk of disruption of service delivery as employees will be disgruntled with the wage cuts.**
- **Rural Health Centres were only allocated US\$16 million, which is 6% of the PHCHC budget or 5% of the total health budget. There is need to boost government spending on rural health centres to avoid dependence on donor financing. Over 70% of Zimbabwe's population lives in the rural areas, and that is where there is greatest need.**

5. BUDGET CREDIBILITY AND EXECUTION

Budget execution is weak as evidenced by the huge deviations of actual expenditure from the approved budget. Weak budget implementation is the major obstacle towards achieving better health outcomes. Overall, the 2019, budget underperformed by 6% compared to over expenditure of 15% in 2018. (Figure 14). In 2018, huge budget overrun was mainly on account employment costs that more than doubled compared to the approved budget.

Figure 14: Budget execution by economic classification, 2018 -19

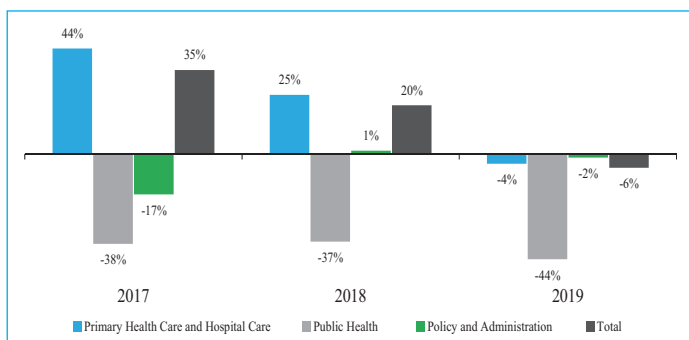


Source: Various Budget Statements and Author calculations

Capital budget expenditure is very weak and should be strengthened and be prioritised. In 2019, the investment budget performance worsened, underperforming by 86%. Out of the ZWL\$192 million (US\$22.7 million) allocated to the capital budget, only ZWL\$26 million (US\$3.1) was utilized. This is despite massive infrastructure gap and inadequate medical equipment, which is negatively impacting on health outcomes. Over-expenditure on employment costs declined significantly from 108% in 2018 to 27% in 2019 in line with the government thrust to contain the wage bill. Execution of other non-wage recurrent costs (operations budget) improved significantly and is almost in line with the approved budget at -3% deviation in 2019.

Execution of the Primary Health Care and Hospital Care (PHCHC) programme has significantly improved, underperforming by only 4% in 2019 compared to budget overrun of 25% in 2018 (Figure 15). Similarly, implementation of the Policy and Administration programme has also improved. Of concern is the Public Health programme which is perennially underperforming.

Figure 15: Budget Execution by Programme



The Public Health Programme supports communicable and non-communicable diseases, family and environmental health and research and development, all critical pillars of the health care system. Some of the challenges undermining budget execution include weak fiscal space, delays in disbursement of funds by Treasury and weak procurement capacity, among other constraints. As such, UNICEF needs to continue working with Treasury and line Ministries to strengthen budget execution capacity, particularly for capital projects.

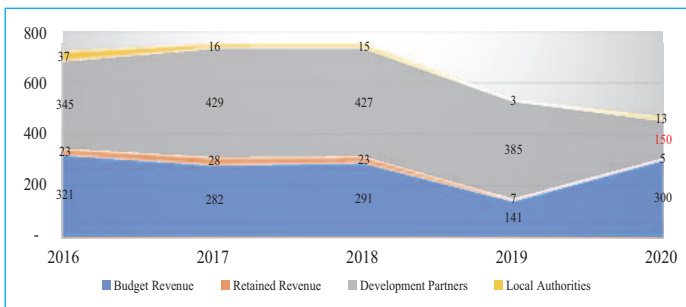
Key Takeaways

- **Budget execution is weak as evidenced by the huge deviations of actual expenditure from the approved budget. Overall, the 2019 health budget underperformed by 6% compared to over expenditure of 15% in 2018.**
- **Capital budget expenditure is very weak. In 2019, the performance worsened, underperforming by 86%. Similarly, the Public Health programme is perennially underperforming by huge margins, by 44% in 2019.**

6. FINANCING OF HEALTH SECTOR

Health sector financing has dropped significantly from an average of US\$745 million over the period 2016 – 2018, to below US\$500 million in 2019 (Figure 16). The decline can be attributed to impact of both increasing inflation and depreciating local currency, which has significantly eroded domestic financing. In 2019, financing from the Consolidated Revenue Fund amounted to US\$141 million (ZWL\$1.2 billion). This represented 19% of the total health financing. With the local currency depreciating significantly, the budget contributed 26% (US\$140.6 million) of the total health sector financing, compared to US\$385 million (72%) by development partners. The 2020 budget has set aside ZWL\$6.45 billion (US\$300.4 million), which is equivalent to 64% of the total health sector financing. Retained revenues (fees and levies) will contribute 1%, with the rest comprising of support from partners and local authorities.

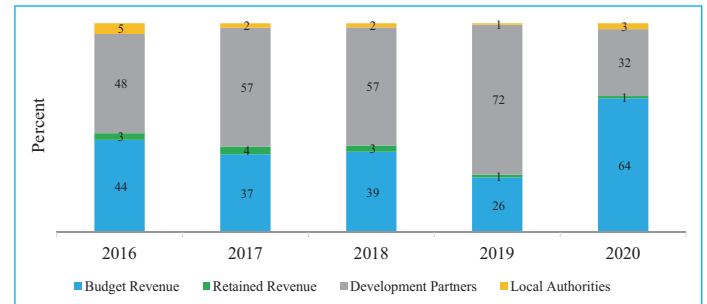
Figure 16: Trends in the Main Sources of Health Sector Finance (US\$ Millions)



Source: Various Budget Statements, MoHCC and CHAI 2019 Report

External financing contributes an unsustainably huge proportion of the health sector financing. Development Partners are expected to contribute US\$150 million in 2020, compared to US\$385 million (72%) in 2019. Figure 17 shows trends in the main sources of health financing. This situation demands that

Figure 17: Trends in the Main Sources of Health Sector Financing (%), 2016 -20



Source: Various Budget Statements, MoHCC and CHAI 2019 Report

sources for domestic resources be strengthened, focusing on non-traditional sources including the private sector. Considering the COVID-19 pandemic, external financing is likely to be reduced as all traditional external financiers are grappling with measures to contain the outbreak, which has overstretched resources globally. Innovative financing is needed to quicken the pace of health care progress and achieve equity.

The 2020 budget also set aside ZWL\$282 million (US\$13 million) for transfers to subnational governments, targeting interventions in the health sector. This is equivalent to 3% of the total health sector financing, with special focus on infrastructure. This resource if properly utilized will boost the health system at local levels. This policy measure provides an opportunity to address existing inequalities and enhance equity between rural and urban learners.

Key Takeaways

- **Health sector financing has dropped significantly from an average of US\$745 million over the period 2016 – 2018, to below US\$500 million in 2020. Innovative financing is needed to quicken the pace of health care progress and achieve equity.**





For further information, please contact:
Tawanda Chinembiri
Chief of Social Policy & Research
UNICEF Zimbabwe
Email: tchinembiri@unicef.org
Phone: +263 8677 020888

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