
Commentary on the Health Sector Budget for 2006/7¹

Introduction

The health sector budget comprises elements from various parts of the Budget Books. There are four broad entities receiving resources for Health:

- Ministry of Health and Social Welfare
- PMO-RALG (Central)
- Regions (this represents Regional Administrations' budgets for Health, including Regional Hospitals)
- Local Government Authorities

In each case, budgets are divided up into Recurrent (entirely funded from domestic sources) and Development (funded from domestic sources and foreign funds)².

Foreign funds under the Development budget should capture the Health Basket funds as well as other project funds. However, it is clear that these figures are subject to inaccuracies and omissions. The figures for the foreign element of the Development budgets should therefore be treated with caution.

In addition to these, Ministry of Finance now includes as "health expenditure" (for the purpose of the Public Expenditure Review) the government's contribution to the National Health Insurance Scheme. For 2006/7, this is shown in the budget³ for 2006/7 as 29.550 billion – up substantially from 20.463 billion the year before. However, the amount that actually reaches the health sector depends upon actual payments from the NHIF to health providers.

There are two further elements that do not appear in the budget books, but that do represent a significant additional resource for health, namely:

- Anticipated expenditure arising from user fees and Community Health Fund
- Anticipated expenditures from donor health projects that have not been captured in the budget books

The discussion below excludes these latter two sources of funds because no reliable figures are available at the time of writing.

The next section provides an overview of the whole health sector, highlighting shifts in the composition between the four entities mentioned above. The following sections go on to examine each of the elements in greater detail, with an emphasis on the budget for the Ministry of Health and Social Welfare (about 60% of the total).

The principal sources for this analysis are the budget books as presented to the National Assembly (Vols 2-4), the MOHSW budget memorandum, the MOHSW MTEF activity costing tables, the Draft PER for the Health Sector, and the MOF's Budget Digest.

¹ This Commentary on the Health Sector Budget for 2006/07 is provided by the Health Equity Group. Members include Tanzania Gender Networking Programme, Youth Action Volunteers, Women's Dignity Project, CARE and Save the Children.

² Although the district health basket for LGAs belongs in the Development Budget, it has been reclassified in Table 1 as recurrent expenditure since its main purpose is to supplement local resources for service delivery.

³ Under the vote of the Accountant General's Office

Overview of Health Sector Funding 2006/7

The table below presents an overview of the health sector budget. As mentioned above, off-budget items are excluded.

Table 1: Health Sector Funding 2006/7 vs 2005/6 (T.Shs millions)

| Recurrent | 2005/06 Budget | 2006/07 Budget | Increase / Decrease | % Change |
|----------------------------------|-----------------------|-----------------------|----------------------------|-----------------|
| Accountant General (NHIF) | 20,457 | 29,550 | 9,093 | 44% |
| Ministry of Health (Govt.) | 180,306 | 195,981 | 15,675 | 9% |
| <i>of which PE</i> | 6,407 | 17,473 | 11,066 | 173% |
| <i>of which OC</i> | 173,899 | 178,509 | 4,610 | 3% |
| Regional Administration (Govt.) | 11,532 | 18,978 | 7,446 | 65% |
| Local Government Authorities | 95,389 | 135,622 | 40,233 | 42% |
| Government funds | 75,314 | 112,528 | 37,214 | 49% |
| Donor basket fund | 20,075 | 23,094 | 3,019 | 15% |
| Total Recurrent | 307,684 | 380,131 | 72,447 | 24% |
| <i>Total Recurrent excl NHIF</i> | <i>287,227</i> | <i>350,581</i> | <i>63,354</i> | <i>22%</i> |

| Development | 2005/06 Budget | 2006/07 Budget | Increase / Decrease | % Change |
|------------------------------|-----------------------|-----------------------|----------------------------|-----------------|
| Ministry of Health | 90,863 | 90,859 | - 4 | 0% |
| Government funds | 5,000 | 7,123 | 2,123 | 42% |
| Donor basket fund | 28,486 | 20,400 | - 8,086 | -28% |
| Foreign (non-basket) | 57,377 | 63,336 | 5,959 | 10% |
| <i>Foreign Total</i> | <i>85,863</i> | <i>83,736</i> | <i>- 2,127</i> | <i>-2%</i> |
| PORALG | 19,838 | 22,436 | 2,598 | 13% |
| Government funds | 100 | 70 | - 30 | -30% |
| Donor basket fund | 19,738 | 12,990 | - 6,748 | -34% |
| Foreign (non-basket) | - | 9,376 | 9,376 | |
| Regions | 5,049 | 4,871 | -178 | -4% |
| Government funds | 1,169 | 2,277 | 1,108 | 95% |
| Foreign (non-basket) | 3,880 | 2,594 | - 1,286 | -33% |
| Local Government Authorities | | | | |
| Government funds | 2,579 | 2,500 ⁴ | - 79 | -3% |
| Total development | 118,329 | 120,666 | 2,336 | 2% |

| | | | | |
|--------------------------------|----------------|----------------|---------------|------------|
| Total Health incl. NHIF | 426,013 | 500,796 | 74,784 | 18% |
|--------------------------------|----------------|----------------|---------------|------------|

Sources: 2005/6 Estimates from PER 2006 (draft); 2006/7 Estimates from Budget Books vol 2,3,4 as presented to National Assembly

Notes:

1. MOHSW total for 2005/6 in the budget books has a typographical error. This comes from a typo in the Curative Services sub-vote, shown as 199 billion instead of 99.5 billion. The figure here has been checked against the actual budget passed last year by the National Assembly
2. The basket funds figures for Local Government, MOHSW and PORALG are provisional figures as provided by at the Joint Annual Health Sector Review. The "non-basket foreign" element of the development budget has been calculated as a residual (total foreign less basket fund estimate)
3. LGA development budget 2006/7 is approximate figure, extrapolated from previous year.

The key messages are as follows:

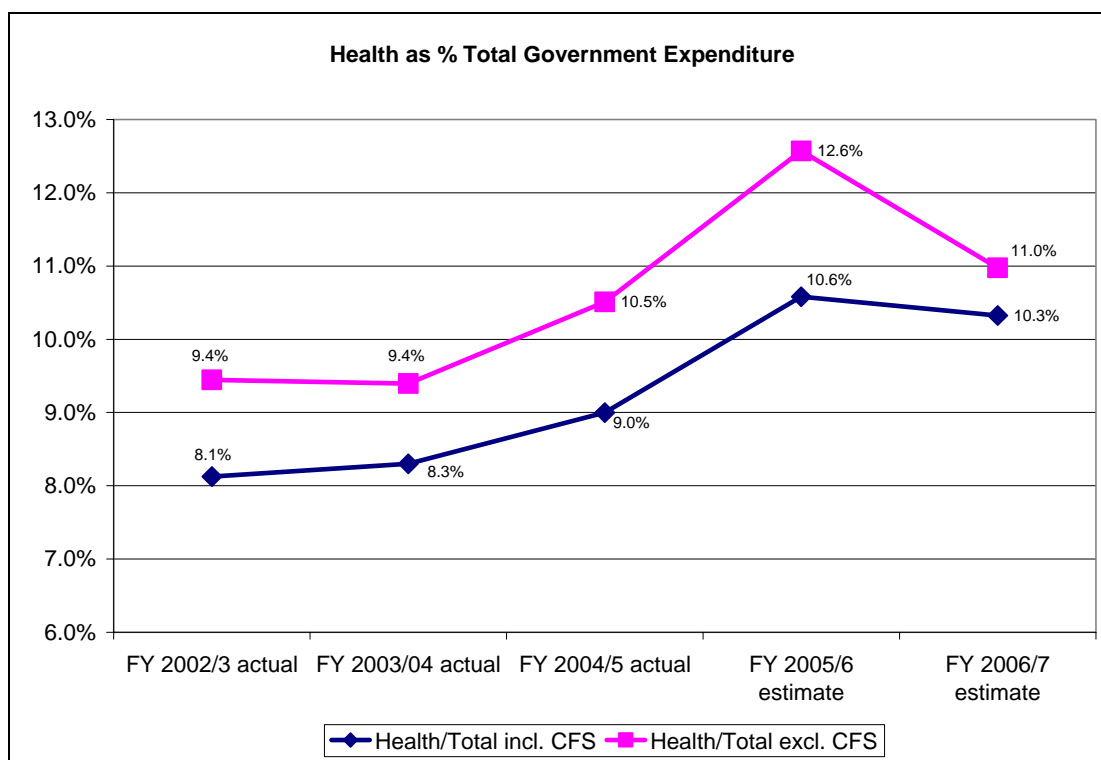
Recurrent

- Overall recurrent funds for Health have increased 22% over the previous year in nominal terms (ie before taking inflation into account)
- Most of this increase is found at the local council level because of a sharp increase (49%) in the government block grant for health. A significant portion of this increase will be absorbed by the increase in health sector salaries.
- At the Regional Level there has also been a substantial increase. Most of this is thought to be for increased salaries for the Regional Hospitals
- The Central MOHSW recurrent budget shows an increase of just 9%.
- Most of this is due to a sharp increase in the total wage bill – up 173% compared to the previous year.
- “Other Costs” for the MOHSW have increased by just 3% - a reduction in real terms
- The net result is a shift of recurrent resources from the Central government level to the Local Government level

Development

- Overall, the development budget shows little change compared to last year. The change in the overall position is only an estimate because the development element of the Local Government health expenditure was not available at the time of writing. The guesstimate provided here (2.5bn) is an extrapolation from the previous year.
- The MOHSW development budget (local and foreign elements combined) shows no change. This is because the increase in local funds has been off-set by a reduction in foreign funds
- The PORALG development budget shows an increase over the previous year. This is only an *apparent* increase because of the inclusion this year of HIV/AIDS funds from the Global Fund. These were present last year but not reflected in the budget.
- The Regional Level shows little change compared to last year because an increase in local funds is off-set by a decrease in foreign funds
- There is a high degree of uncertainty over the accuracy of the foreign element in the development budgets. It looks as though more than 100 billion of foreign aid for health (including US support for Aids and Malaria) are not reflected in the budget books.

Overall Health Sector Allocation ("on-budget")



- Compared to total Government Expenditure (budget), Health's share of the total has declined from 10.6% last year to 10.3% in 2006/7.
- If Consolidated Fund Services (CFS) is excluded, Health's share of the total has declined even more: from 12.6% to 11.0%.
- This implies that the Health Sector has not gained as much as other sectors from the resources freed up from the big drop in debt servicing.
- However, this decline comes after a four-year high in Health's share of total government budget last year (2005/6).

Table 2: Total Health as share of Total Government Expenditure 2002/03 -2006/07

T.Shs Billions

| | 2002/3 Actual | 2003/4 Actual | 2004/5 Actual | 2005/6 Estimate | 2006/7 Estimate |
|--|------------------|------------------|------------------|--------------------|--------------------|
| Total Health "on-budget" | 176.36 | 220.10 | 301.23 | 426.01 | 500.80 |
| Total Govt. Expenditure (with CFS) | 2,170.51 | 2,651.68 | 3,347.54 | 4,025.67 | 4,850.59 |
| Total Govt. Expenditure (without CFS) | 1,866.83 | 2,342.34 | 2,866.36 | 3,388.70 | 4,562.80 |
| CFS | 303.68 | 309.33 | 481.18 | 636.97 | 287.79 |
| Health/Total incl. CFS | 8.1% | 8.3% | 9.0% | 10.6% | 10.3% |
| Health/Total excl. CFS | 9.4% | 9.4% | 10.5% | 12.6% | 11.0% |

Source: Total Health on Budget: 2002/3 – 2005/6 from PER. 2006/7 from Estimates.

Total Govt. Expenditure from MOF Budget Digest, May 2006

Note 1: Total Health = Recurrent & Development (local & foreign) from Table 1. Includes govt. contribution to NHIF under Accountant General's Vote. Excludes all "off-budget" items.

Note 2: This series differs from that shown in PER 2005 because it uses the Total Govt Expenditure figures from the Ministry of Finance Budget Digest.

Note 3: CFS = Consolidated Fund Services (State House + Public Debt Servicing, Votes 20, 22)

Note 4: Total govt expenditure figure for 2005/6 is "outturn" rather than budget

Ministry of Health and Social Welfare - Recurrent

Overview

The MOHSW budget for 2006/7 has increased at a smaller rate than the overall increase for all Central Ministries. Including CFS⁵, the Health Sector's share of total Central Government Recurrent Budget stays constant at 8.5%.

However, if we take MOHSW as a share of all Ministries' recurrent budget excluding CFS, we find that the share has declined from 11.3% to 9.7%.

Table3: MOHSW Recurrent as % Total Central Government Recurrent ('000s)

| Vote 52 MOHSW | | MOHSW Recurrent as % Central Govt.Recurrent |
|------------------------------------|---------------|---|
| 05/6 | 180,305,854 | |
| 06/7 | 195,981,343 | |
| All Central Govt. incl. CFS | | |
| 05/6 | 2,124,985,971 | 8.5% |
| 06/7 | 2,316,752,572 | 8.5% |
| Consolidated Fund Services (CFS) | | |
| 05/6 | 528,034,662 | |
| 06/7 | 287,786,094 | |
| All Central Ministries (excl. CFS) | | |
| 05/6 | 1,596,951,309 | 11.3% |
| 06/7 | 2,028,966,478 | 9.7% |

Source: Vol 2 Summary of Consolidated Funder Services & Supply votes, ppxi, xiii

Note: Vol 2 contains typographical error for Vote 52 2005/6. The health total and government totals have been adjusted accordingly.

Detailed Analysis of Recurrent Budget, MOHSW

Analysed by item of expenditure, around 85% of the MOHSW recurrent budget is accounted for by just 6 major areas, highlighted in the table below. Prior year (budget) figures are provided for comparison.

Table 4: Item-wise analysis of MOHSW Recurrent Budget (millions)

| | 2005/6 budget | % of total | 2006/7 proposed | % of total |
|--|----------------|------------|-----------------|------------|
| Basic Salaries incl. adjustment | 6,405 | 4% | 17,365 | 9% |
| Employment Allowances | 13,056 | 7% | 14,615 | 7% |
| Subventions to National & Referral Hospitals | 19,142 | 11% | 21,333 | 11% |
| Subventions to Non-Govt. Hospitals | 15,871 | 9% | 23,790 | 12% |
| Subvention to NIMR & TFNC | 7,182 | 4% | 8,540 | 4% |
| Drugs & Medical Supplies | 93,862 | 52% | 77,532 | 40% |
| ...of which HIV/AIDS | 24,292 | 13% | 24,114 | 12% |
| Residual: all other expenses (OC) | 24,788 | 14% | 32,806 | 16% |
| Total Recurrent Budget MOHSW | 180,306 | 100% | 195,981 | 100% |

Sources: Vol 2 Estimates, Vote 52 and Budget Memorandum for Vote 52

⁵ Consolidated Fund Services. This comprises expenditure for State House plus Debt Servicing

As is immediately apparent from the table, the major areas of increase in the recurrent budget are as follows:

| | |
|--|----------------------|
| Basic salaries: | up by 10,960 million |
| Employment Allowances: | up by 1,559 million |
| OC subvention to national & referral hospitals | up by 2,191 million |
| Subvention to non-governmental hospitals | up by 7,919 million |
| Subventions to NIMR and TFNC ⁶ | up by 1,358 million |

In contrast, the provision for drugs and medical supplies has decreased sharply:

| | |
|---|------------------------|
| Drugs and medical supplies ⁷ | down by 16,330 million |
|---|------------------------|

The residual amount, distributed across various smaller items and across departments amounts to 32.8 billion in 2006/7, up from 24.8 billion in 2005/6.

Commentary

Basic Salaries (including adjustment) – 9% of total

The wage bill of the MOHSW (which includes salaries of staff at the National and Referral Hospitals) has gone up very substantially. This is primarily due to the revision of health sector salaries agreed by Cabinet last year. This revision alone took the MOHSW wage bill from 7.567 billion to 14.061 billion - an increase of 86%. The addition of the Social Welfare Department (salaries total 1,123 million for 2006/7) was partially offset by the move of the Government Chemist Laboratory off the wage bill and onto subvention status (salaries total 778 million for 2006/7, now reflected as subvention from OC costs of Office of CMO).

On top of the salary revision, a provision of 3.412 billion has been made for salary increases in 2006/7 (ie a further increase of 20% over the revised level). It should be noted that a very substantial proportion of this wage bill is for staff working outside the MOHSW proper. These include staff of the national and referral hospitals, and the staff of training institutions. Without further analysis of the wage bill, it is not possible to offer precise figures on the amount for these institutions.

It may be that a part of the MOHSW wage bill increase represents central payment of new health workers to be posted to health facilities (as was mentioned at the Annual Review). However, no mention of this is made in the Budget Memorandum.

Employment Allowances – 7% of total

About three quarters of this total is made up of per diems (domestic). The remainder comprises a wide range of statutory allowances⁸. Like the wage bill, the allowances figure covers the national and referral hospitals, the training institutions, and other staff benefiting from centrally-funded workshops etc.

The total figure across all departments of MOHSW has gone up by 12% compared to 2005/6. Unlike the previous year, when total allowances exceeded the total wage bill more than two-fold, the total employment allowances are now equivalent to 84% of the (much increased) total wage bill.

⁶ All of this increase is in fact attributable to NIMR. The subvention for TFNC has actually declined from 2,466 million to 2,377 million. NIMR's provision has gone up from 4,716 million to 6,163 million.

⁷ Out of this total, 24.1 billion is for HIV-related medicines – mainly ARVs. This is a similar amount to the previous year 24.3 billion.

⁸ Examples are: leave travel, moving expenses, housing, per diems (domestic, foreign), internship, extra duty, uniforms, outfit (clothing), sitting, acting, professional, medical practitioners (Chinese & Cuban doctors), training fees (domestic, foreign), utilities (senior staff), part-time teaching etc.

It should be noted that Honoraria (up from 167million to 277 million, or a 66% increase) are not included under employment allowances but instead fall under the general heading "Other goods and services not classified above".

Similarly, official Entertainment and Food and Refreshments falls under a separate heading of "Hospitality". The hospitality total has more than doubled – from 837 million in 2005/6 to 1,729 million in 2006/7.

Transfers and Subsidies: National, Specialist & Referral Hospitals (11%)

The next large chunk of the MOHSW budget comprises transfers to Hospitals and other institutions. The national and referral hospitals will receive a total subsidy (for OC costs) of 21.3 billion – up 11% from last year. The more detailed analysis of these transfers is shown in the table below. The biggest beneficiaries in the proposed budget are Mbeya, MOI and Ocean Rd Hospitals.

Table 5: Subventions to Government Hospitals (millions)

| Curative Services Dept. | 2005/6 | 2006/7 | % change |
|--|---------------|---------------|-----------------|
| <i>Transfer & Subsidy (Departmental Enterprises)</i> | 2,050 | 2,362 | 15% |
| Mbeya | 845 | 1,100 | 30% |
| Mirembe & Isanga | 688 | 700 | 2% |
| Kibong'oto | 517 | 562 | 9% |
| <i>Transfer & Subsidies (same level of govt.)</i> | 17,092 | 18,971 | 11% |
| Muhimbili | 12,426 | 13,099 | 5% |
| MOI | 3,369 | 4,216 | 25% |
| Ocean Rd | 1,297 | 1,656 | 28% |
| Total | 19,142 | 21,333 | 11% |

Source: Budget Memorandum for Vote 52, 2006/7

Transfers and Subsidies: Non-Government Hospitals (12% of total)

Similar transfers and subsidies are made to non-governmental hospitals. KCMC and Bugando receive a dedicated subsidy, while the budget indicates a lump sum subsidy to cover all of the Voluntary Agency (VA) hospitals as well as the Designated District Hospitals (DDH).

In light of the very substantial increases in MOHSW salary levels (both the revision and the provision for increase), it is surprising that the subventions to these non-governmental hospitals have not gone up by a similar amount. This suggests that the funds might not be sufficient to allow the non-governmental hospitals to raise health worker salaries in line with the MOHSW.

Table 6: Transfers to Non-Govt. Hospitals (millions)

| Curative Services Dept | 2005/6 | 2006/7 | % change |
|---------------------------------------|---------------|---------------|-----------------|
| <i>Transfers & Subsidies, NGO</i> | | | |
| KCMC | 3,055 | 4,173 | 37% |
| VA | 4,403 | 6,649 | 51% |
| DDH | 5,802 | 8,676 | 50% |
| Bugando | 2,611 | 4,116 | 58% |
| Miscellaneous | - | 176 | - |
| Grand Total | 15,871 | 23,790 | 50% |

Source: Budget Memorandum for Vote 52, 2006/7

Preventive Services Dept Transfers & Subsidies

Under the preventive services sub-vote, transfers comprises subsidies for the National Institute of Medical Research (up 31%), the Tanzania Food and Nutrition Centre (down 4%), and the Ifakara Health Research and Development Centre (up 75%). The overall result is an increase of 20%. It is difficult to see why the respective increases for these institutions should differ so widely.

Table 7: Transfers under preventive services sub-vote (millions)

| Preventive Services | 2005/6 | 2006/7 | % change |
|--|--------------|--------------|------------|
| <i>Tsfr & Subs Same level govt</i> | | | |
| NIMR | 4,716 | 6,163 | 31% |
| TFNC | 2,466 | 2,377 | -4% |
| Sub-Total | 7,182 | 8,540 | 19% |
| <i>Tsfr & Subs NGO</i> | | | |
| Ifakara (IHRDC) | 187 | 327 | 75% |
| Grand Total | 7,369 | 8,867 | 20% |

Source: Budget Memorandum for Vote 52, 2006/7

Medical Supplies and Services – 40% of total

This significant section of the MOHSW budget has suffered a major decrease in the estimates proposed for 2006/7. The Budget Memorandum⁹ offers no explanation of this reduction in a critical area of the health sector's operational costs.

The analysis of the Drugs and Medical Supplies budget is shown in more detail below. Note that it is not possible (beyond the analysis presented here) to ascertain what sorts of drugs are being purchased, for what area of health care, or for which health institutions¹⁰. This information can only be obtained from analysis of the drugs and medical supplies allocations determined by the office of the Chief Pharmacist.

Table 8: Analysis of Medical Supplies and Services (millions)

| | 2005/6 | 2006/7 | % change |
|---------------------------------------|---------------|---------------|-------------|
| Curative Services Department | | | |
| Drugs & Medicines | 45,114 | 35,744 | -21% |
| Dental supplies | 1,477 | 811 | -45% |
| Hospital supplies | 3,567 | 1,859 | -48% |
| Laboratory supplies | 2,737 | 1,545 | -44% |
| Specialised supplies | 500 | 150 | -70% |
| HIV/AIDS | - | 560 | |
| Sub-Total | 53,395 | 40,669 | -24% |
| Preventive Services Department | | | |
| Vaccines | 6,244 | 3,329 | -47% |
| Drugs & Medicines | 85 | 1,877 | 2108% |
| Hospital supplies | 27 | 110 | 307% |
| Laboratory supplies | 5 | 1 | -80% |
| Specialised supplies | 7,599 | 5,172 | -32% |
| HIV/AIDS | 24,292 | 24,114 | -1% |
| TB/Leprosy | 2,100 | 2,110 | 0% |
| Sub-Total | 40,354 | 36,712 | -9% |

⁹ Vote 52: Maelezo (memorandum) kuhusu makadario ya mapato, matumizi ya kawaida na miradi ya maendeleo kwa mwaka 2006/7. May 2006.

¹⁰ A certain amount of analysis can be obtained from the MTEF activity costing tables. But the amounts seem to differ from those shown in the budget books.

| Other Departments of MOHSW | | | |
|-----------------------------------|------------------|---------------|-------------|
| TFDA | 71 | 104 | 46% |
| Human Resources | 17 | 17 | 20% |
| Social Welfare | 25 ¹¹ | 30 | 0% |
| Grand Total | 93,862 | 77,532 | -17% |

Note: all figures rounded to nearest million shillings

Apart from the large reduction in drugs and other medical supplies across the board, the other noteworthy change is the inclusion of 1.877 billion for drugs & medicines under Preventive Services Department. This represents the 1.8 billion required to cover the shortfall in new malaria medication, mentioned at the Joint Annual Health Sector Review.

If the previous year's figure is anything to go by, it looks as if there will be a shortfall in drugs and medical supplies in the order of 16.3 billion shillings.

Vehicles

Paradoxically, procurement of vehicles and other capital items such as ICT equipment, plant and machinery, are included in the Recurrent Budget rather than the Development Budget. For the most part these expenditures are relatively small and are dispersed across different MOHSW departments and budget lines.

It is worth noting, though, that the total provision for "vehicles and self-propelled equipments" has risen from 316 million to 2,018 million.

About half of this is found under the Preventive Services Department, and the budget memorandum explains that 780 million will be spent on 4-Wheel Drives, 12 million on motorcycles and 120 million on boats – all to support supervision of health service delivery in the districts.

The vehicles in the budget seem to have been costed at between 60 and 70 million each – suggesting quite a high specification of vehicle. The new figure suggests that around 30 new vehicles are to be purchased next year under the recurrent budget.

Remaining Items

Out of the remaining 32.8 billion in the 2006/7 proposed budget, a few of the larger elements (collectively comprising 16.883 billion) are as follows:

- 5.1 billion for the Philips maintenance contract for hospital equipment. The memorandum explains that for subsequent years the maintenance will be carried out directly by government.
- 2.236 billion subvention to the Government Chemist Labs Agency (formerly under the sub-vote of the Office of the Chief Medical Officer)
- 1.5 billion for MSD clearing and forwarding charges
- 1.15 billion for treatment abroad (a fraction of one percent of the whole budget)
- 1.729 billion for hospitality, up from 837 million in the previous year
- 990 million for specialised equipment required for EPI (down from 1.764 bn)
- 850 million for students' meals at health training institutions
- 675 subvention for non-governmental health training institutions
- 574 million for contract payments for ancillary services (cleaning, security and catering) that are now contracted out

The remaining 16 billion (8% of the total MOHSW recurrent budget) is made up of smaller items spread across the various MOHSW departments.

¹¹ Previously under a different Ministry

MOHSW Development Budget 2006/7

Government funding for the MOHSW development budget has increased from 5 billion in 2005/6 to 7.1 billion proposed for 2006/7. The largest portion of this is represented by an allocation of 4.5 billion for the strengthening of referral hospitals.

The foreign-funded element of the MOHSW development budget shows a slight decrease – from 85.9 billion in 2005/6 to 83.7 billion in the 2006/7 budget. These figures should be treated with caution, as significant parts of foreign assistance to MOHSW have clearly not been captured in the budget books.

The portion of foreign funding represented by the Central Health Basket seems to have been over-represented in the budget books as presented to the National Assembly. According to the provisional figures presented at the Joint Annual Health Sector Review, the central basket was expected to amount to 20.4 billion, rather than the 73.1 billion shown in the budget books (Volume 4).

The overall result is zero nominal increase in the total (local plus foreign) MOHSW development budget (steady at 90.9 billion in both budget years).

The major elements in the Development Budget are summarized in the table overleaf.

A few points are worth noting.

- According to these figures, the total central basket will be 20.4 billion shillings next year – substantially lower than the 28.5 billion figure from last year
- The largest element of local funds under the development budget (nearly 6 billion out of the 7.1 billion total) is for rehabilitation and construction at national, referral and specialist hospitals
- The vast majority of the Pool (basket funds) has also been allocated to capital items such as rehabilitation and construction (mainly national and referral hospitals) and the procurement of vehicles
- Only a very small amount of the Pool (under 2 billion) has been allocated for essential supplies – in this case, contraceptives. This is surprising given the severe cut-back on funding for medical supplies under the MOHSW recurrent budget
- The “other” column seems to omit some important areas of assistance, most notably the bulk of resources from the USA for PEPFAR and the Presidential Malaria Initiative
- Over 41 billion (45% of the development budget) is for HIV/AIDS. This is in addition to the 20+ billion allocated for HIV under the Recurrent Budget
- Over 17 billion (19% of the development budget) has been allocated to construction and rehabilitation at the tertiary and referral hospitals

Table 9: Summary of elements in the MOHSW Development Budget 2006/7

| | Local | Pool | Other | Total | % of total | Remarks |
|---------------------|--------------|---------------|---------------|---------------|-------------|--|
| P&P | 260 | 634 | - | 894 | 1% | 576m for 8 vehicles, 1 each dept |
| HSDP | | 650 | | 650 | 1% | Audit of basket funds central & local |
| HSDP | | | 6,569 | 6,569 | 7% | Danida district support - purpose? Which districts? |
| Curative | 5,970 | 4,354 | 7,000 | 17,324 | 19% | Rehab & construction, national, specialised & referral hospitals |
| CGCA | | 600 | | 600 | 1% | Rehab & equipment |
| <i>Preventive</i> | | | | - | 0% | |
| RCH | | 2,004 | | 2,004 | 2% | Contraceptive supplies plus 194m for 2 cars + minibus |
| Malaria | | | 8,537 | 8,537 | 9% | Project support for malaria. Excludes US PMI |
| HIV/AIDS | - | - | 41,241 | 41,241 | 45% | Project support for HIV/AIDS, includes CDC, excludes other PEPFAR |
| TB/Lep | - | - | - | - | 0% | No project support shown |
| TFNC | | 419 | - | 419 | 0% | Buildings |
| NIMR | 50 | 360 | - | 410 | 0% | Govt funds: research trust fund; Pool funds: buildings |
| HSDP | - | 517 | - | 517 | 1% | HSR advocacy, support, review |
| NHIF | | 320 | | 320 | 0% | Capital rehabilitation |
| CHF implementation | | 1,473 | | 1,473 | 2% | of which 880m matching grants |
| Co-ordination & Mgt | | 1,265 | | 1,265 | 1% | various, incl PER, Sector Evaluation, JAHSR |
| ZTC | | 2,731 | | 2,731 | 3% | mostly training |
| TFDA | 540 | 460 | | 1,000 | 1% | building |
| Social Welfare | 303 | 1,000 | | 1,303 | 1% | 303m emergency aid for destitute; 1000m building & library |
| HRD | | 3,601 | | 3,601 | 4% | rehab of training institutions & 17 vehicles for training institutions |
| TOTAL | 7,123 | 20,388 | 63,347 | 90,857 | 100% | |

Source: Vol 4, Vote 52 and MTEF Activity Costing Tables

Project support for HIV/AIDS

| | |
|--------------|---------------|
| Global Fund | 25,534 |
| TMAP/IDA | 2,000 |
| Japan | 2,013 |
| Norway | 2,695 |
| Sweden | 7,300 |
| USAID/CDC | 1,700 |
| Total | 41,241 |

Other Elements in the Health Budget for 2006/7

The remaining funds for the health sector next year are found under three sources in the budget books:

- PMO-RALG (Development only)
- Regions (Recurrent and Development)
- Local Government Authorities

Prime Minister's Office – Regional Administration and Local Government

There is no element within the Recurrent budget of PMO-RALG that is dedicated for health according to the budget classification.

On the development budget, there is only a very small element (70 million) of government funds allocated for health. However, there are two quite substantial elements of foreign funding. One is the 13 billion of basket funds that is allocated for the rehabilitation of health infrastructure at the district level. The second is 9.376 billion shown as Global Fund support for HIV/AIDS. This represents an ongoing project rather than new funding for the sector.

Regions

Adding up the total of all Regional Development votes with specific allocations for health, we find a total amount of 4.871 billion. This is slightly down on the allocation for 2005/6 (5.049 billion). The allocation between foreign and local across regions is shown below (millions).

Table 10: Health Development Budgets for Regions, 2006/7 (millions)

| Vote | Region | Local | Foreign | Total | % |
|------|--------------|--------------|--------------|--------------|-------------|
| 70 | Arusha | - | - | - | 0% |
| 71 | Coast | 100 | 102 | 202 | 4% |
| 72 | Dodoma | - | - | - | 0% |
| 73 | Iringa | 38 | 316 | 354 | 7% |
| 74 | Kigoma | 60 | 449 | 509 | 10% |
| 75 | Kilimanjaro | 361 | - | 361 | 7% |
| 76 | Lindi | 70 | - | 70 | 1% |
| 77 | Mara | 850 | - | 850 | 17% |
| 78 | Mbeya | 156 | 265 | 421 | 9% |
| 79 | Morogoro | 75 | 574 | 649 | 13% |
| 80 | Mtwara | 126 | 53 | 179 | 4% |
| 81 | Mwanza | 22 | - | 22 | 0% |
| 82 | Ruvuma | - | 154 | 154 | 3% |
| 83 | Shinyanga | 20 | 72 | 92 | 2% |
| 84 | Singida | 100 | - | 100 | 2% |
| 85 | Tabora | 130 | - | 130 | 3% |
| 86 | Tanga | 44 | - | 44 | 1% |
| 87 | Kagera | - | 595 | 595 | 12% |
| 88 | DSM | - | 14 | 14 | 0% |
| 89 | Rukwa | 25 | - | 25 | 1% |
| 95 | Manyara | 100 | - | 100 | 2% |
| | TOTAL | 2,277 | 2,594 | 4,871 | 100% |

Source: Vol 4 of the Estimates 2006/7 as presented to National Assembly

As the figures show, development funds (particularly the foreign element) are extremely unevenly distributed across regions. Arusha and Dodoma regions indicate zero anticipated development expenditure, while Mara region anticipates 850 million. No further light can be shed on the rationale for the allocation observed or the purposes for which the funds have been allocated.

It should be noted that these regional budgets are for the regional level only – ie the Regional Administrative Secretariat (Health) and the Regional Hospitals.

Local Government Authorities

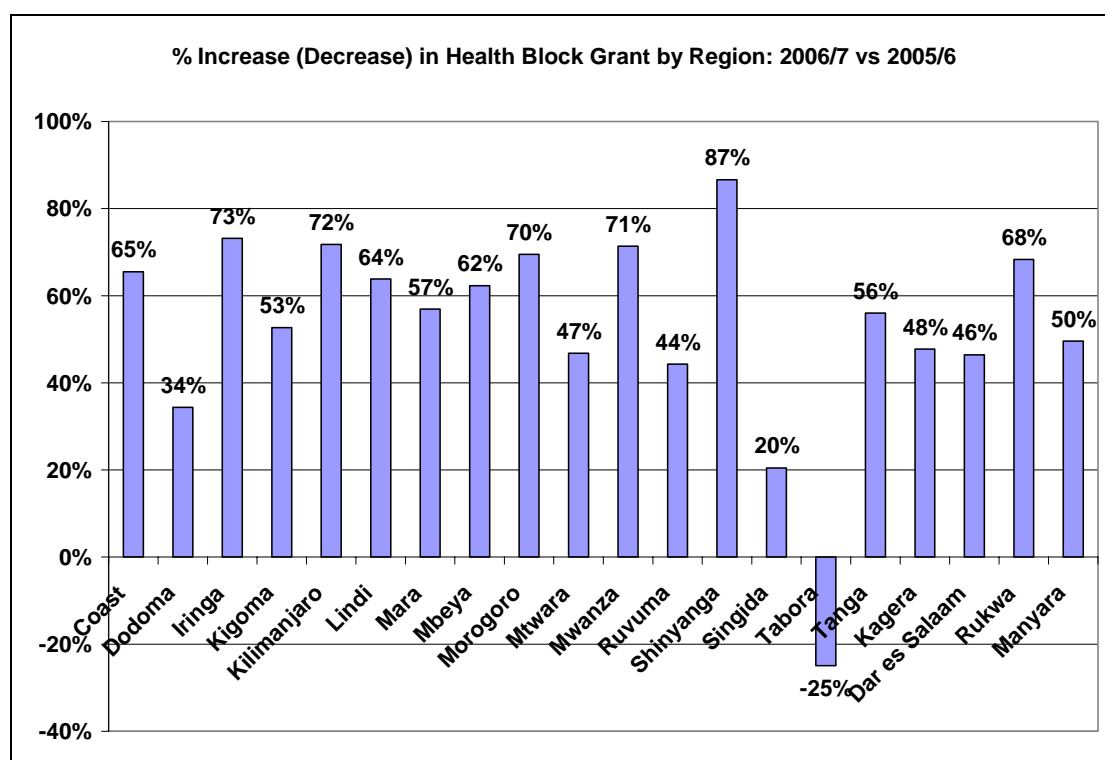
Recurrent (Block Grant)

It is on the recurrent budget (government block grant) for health that we see the most welcome change in the forthcoming budget. This is the principal element of the budget that pays for front line service delivery at the district level.

The total amount allocated for health block grants has risen by 49% in nominal terms from 75.3 billion to 112.5 billion shillings.

Note that this sum pays for salaries (PE) and for other costs (OC). The substantial revision of health sector salaries plus the anticipated increase in salaries across the board means that a substantial part of the overall amount will doubtless be absorbed by the (enlarged) wage bill. However, in the absence of a breakdown of this figure we cannot say precisely by how much the PE and OC elements have changed.

However, turning to the allocation of the block grant, the figures show some curious anomalies. The chart below shows the increase/decrease in health block grant by Region according to Volume 3 of the Budget Estimates.



Source: Vol 3 of the Estimates (www.parliament.go.tz). Figures for Arusha not available

It is not clear why the block grant increase (decrease) is so variable across Regions. If the allocation formula is followed, most regions should show a similar rate of increase, and none should show a decrease, compared to last year. Instead, Tabora Region shows a decrease of 25%; others have quite varied rates of increase; and five regions (Shinyanga, Iringa, Kilimanjaro, Mwanza, Morogoro) have an increase of 70% or more.

Recurrent (District Health Basket)

The total district health basket is estimated here at 23.094 billion. This is the figure that was presented as the Joint Annual Health Sector Review. It is based on a \$0.5 per capita allocation, adjusted upwards from last year in light of population growth and exchange rate depreciation.

Although the proposal to raise the district basket to \$1 per capita was aired at the Annual Review, this was not formally agreed and it is understood that the matter would be subject to further discussion with the Basket Partners.

The district health basket (like the block grant) is supposed to be allocated across districts according to the allocation formula. This is weighted primarily by population, with smaller weightings to take account of the burden of disease, poverty, and the (within-district) travel distance required for supervision and distribution of medical supplies. Figures were not available from the budget books on line to verify the actual distribution of basket funds across districts and regions.

Development Budget

No figure was available for councils (health) development budget at the time of writing. The figure provided in Table 1 (2.5 billion) is a rough estimate, based on last year's figure. This is an extrapolation rather than an actual estimate.

Programmatic allocation of LGA Funds

No analysis can be provided here on the allocation of LGA funds between levels of health care (district hospital, health centre, dispensary). This is because this level of detail is only available from the Appendices to Volume 3 of the estimates which were not available at the time of writing. Nor is it possible to estimate how much will be spent on different areas of health care (reproductive health, malaria, IMCI and so forth). To come up with a global figure would require the analysis and aggregation of all of the individual Council Comprehensive Health Plans.

Similarly, we cannot estimate the proportion of the budget that goes to "front line service delivery" without more detailed information on the local level expenditure, and without a detailed analysis of transfers in kind (particularly medical supplies).

Conclusions

The proposed budget for the Health Sector in the coming year shows an increase over 2005/6. However, compared to total proposed government expenditure, the share allocated to the Health Sector has slipped, particularly once debt service payments are excluded from the government total.

The Ministry of Health budget has suffered a squeeze. Though it has increased in nominal terms, its share of total central Ministries' recurrent budgets has slipped. Much of the increase observed will be consumed by the upward revision of salaries. The "Other Costs" portion of the budget will suffer a decrease in real terms compared to 2005/6. The greatest casualty is the budget for drugs and medical supplies, which will be cut by 17%. Subsidies for government

and non-government hospitals have largely been protected, though the rates of increase for individual hospitals are highly variable.

Given the increase in salaries, it is surprising that it has not been possible to achieve savings on employment allowances for MOHSW. It is also surprising that provision for vehicles, honoraria and entertainment have all experienced a significant increase.

Similarly, in spite of the squeeze on MOHSW's "Other Costs", much of the health basket at central level seems to have been allocated for capital items (primarily rehabilitation works at tertiary hospitals and training institutions). A very small amount of these discretionary funds has been used to supplement the (much reduced) recurrent budget for drugs and medical supplies. The locally funded portion of the MOHSW development budget has almost entirely been allocated to the rehabilitation of tertiary hospitals.

HIV/AIDS – most particularly anti-retroviral treatment – continues to make very significant demands on the budget of the MOHSW. At 24 billion, supplies related to HIV comprise nearly a third of the total (MOHSW recurrent) budget for drugs and medical supplies. A further 41 billion of foreign assistance for HIV/AIDS appears in the Development Budget. Thus proposed spending on HIV/AIDS by the Ministry of Health and Social Welfare now stands at about 65 billion (23%) out of a total of 287 billion (recurrent plus development). This figure excludes substantial additional funding coming from the US PEPFAR.

Funding for the Regional Level has increased sharply. A large part of this increase will be absorbed by the upward revision salaries for health workers in the Regional Hospitals.

The best news is the sharp increase proposed for the district block grant for health. This should channel resources directly towards front-line service delivery. A large proportion of this will doubtless be absorbed by the increase in health worker salaries. It is not clear whether this provision will cater for any significant new hiring of front-line health workers. Nor is it clear what amount will remain for "other costs". The allocation of the block grant across Regions shows some curious anomalies that suggest a departure from the allocation formula for the Health Block Grant.