

Health Budget Brief for 2016-17

Primary and Secondary Health Care Department, Government of Punjab

KEY MESSAGES

- In FY 2016-17, primary and secondary health care sector has been allocated PKR 66.893 (bn) which represents an increase of 21% over previous year.
- PKR 7.5 (bn) has been allocated to procure medicines, posting an increase of 29% in comparison to last year.
- Development budget has grown by 74% over last year.
- More resources in the development budget have been allocated for funding projects related to secondary health services.
- Districts in North of the Province have the highest allocation in the development budget.
- Provincially controlled resources have increased more than 8 times in comparison to resources controlled by the districts.
- No evidence was available to suggest deconcentration from province to district, in-fact, the evidence is contrary.

Introduction

This brief paper presents an analysis of budget allocations made to the Primary and Secondary Health Care Department (P&SHD) during the Fiscal Year (FY) 2016-17 and compares it with FY 2015-16. It is of importance to mention here that this is the first FY in which P&SHD has been given its own allocation. During the last FY the combined health department was bifurcated into two department namely (i) Specialised health care and medical education and; (ii) Primary and secondary health care department.

1. What constitutes a primary and secondary health care sector?

For the purpose of this analysis we define the primary and secondary health care sector as comprising of (i) Basic Health Units, (ii) Rural Health Centres, (iii) Tehsil Headquarter Hospitals, (iv) District Headquarter Hospitals, and (v) the preventive programmes.

2. How is the primary and secondary health sector funded in Punjab?

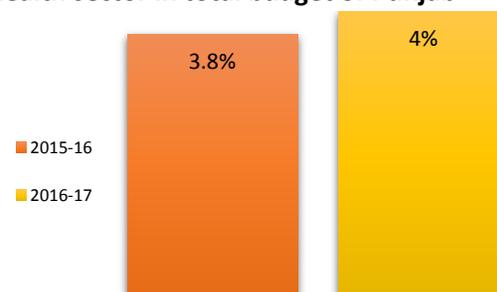
The budget for the primary and secondary health sector can be divided into three streams. These streams are explained in the table below.

Stream 1 – Provincial current budget	This stream relates to funding provincial level functions e.g. the drug laboratories, office of Director General Health Services, medical equipment repair workshops and can include funds made available to the provincial health department mainly for meeting its administrative expenses and so forth.
Stream 2 – District current budget	This stream relates to funding district level health facilities i.e. the basic health units, rural health centres, tehsil headquarter hospitals and district head quarter hospitals. This also includes administration costs such as running the office of the Executive District Officer and so forth.
Stream 3 – Provincial development budget	This stream relates to funding development programmes which can be executed at central level, district specific or province wide. Budget under this can be used for building, renovation, upgradation of facilities, buying machinery and equipment. Most of the preventive programmes are also funded through this stream of budget.

3. How does the overall budget look this year?

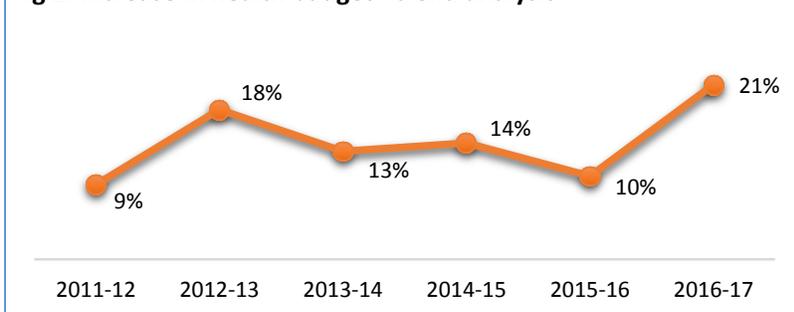
Share of primary and secondary health care sector has increased by 0.2% (FY 2016-17) in the overall budget of the Punjab Government in comparison to FY 2015-16. The total budget of the Punjab Government for FY 2016-17 is PKR 1,681.4 billion (bn)¹. The share of primary and secondary health sector in the current FY is recorded at 4% when compared with the total budget (i.e. all sectors combined) of the Punjab budget.

Fig 1: Share of primary and secondary health sector in total budget of Punjab



Per-capita allocation has increased from PKR 559 (\$5.3) in FY 2015-16 to PKR 665 (\$6.4) in FY 2016-17.

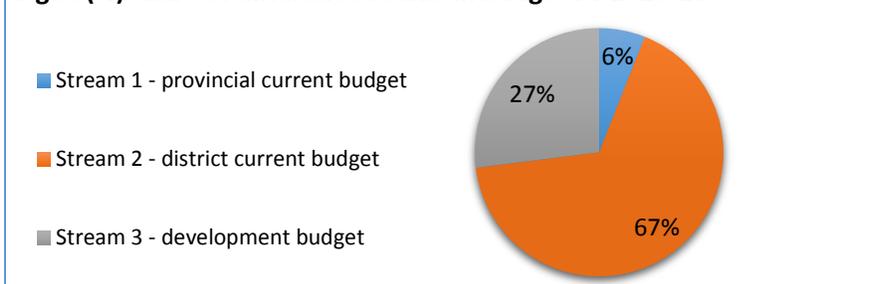
¹ Data from Punjab Citizens Budget, 2015 and 2016, Government of Punjab.

Fig 2: Increase in health budget - trend analysis

The budget for the primary and secondary health sector has increased by 21% in fiscal year 2016-17 in comparison to the previous year. Allocation for the primary and secondary health sector for the FY 2016-17 is PKR 66.89 bn.

The increase in budget is highest when compared to the last five years (figure 2)². The increase in current years' allocation is also 8% more in comparison to the average growth rate of the health sector allocation (13%)³ during last five years.

Combining the allocations under all the three streams the biggest chunk of money is allocated for stream 2, i.e. providing district health services followed, by the stream 3 and stream 1 (figure 3 and table 1).

Fig 3: (%) share of different streams in budget FY 2016-17**Table 1: Budget allocation by streams– PKR (bn)**

Stream	FY 2016-17
Provincial current budget	4.320
District current budget	44.573
Development budget	18.000
Total	66.893

² Please note that for the purpose of this comparison percentage increase in current FY is compared to the increase with previous years i.e. the combined department.

³ Data from budget and expenditure analysis of health department for FY 2014-16, FMC and TRF+.

In FY 2016-17, 74% more resources have been made available for implementing the development programmes in comparison to the last year. A major part of the overall budget (73%) is kept for meeting the current budget requirements i.e. to run the day to day affairs of the primary and secondary health care sector, while the remaining will be used for funding the development programmes. The increase in the current budget is 9% in comparison with FY 2015-16

Table 2: Current and development budget – PKR (bn)

Budget - type	FY 2015-16	FY 2016-17
Current	45.01	48.89
Development	10.35	18.00
Total	55.36	66.89

51% of the allocation in the consolidated budget (i.e. all three streams combined) for the primary and secondary health sector is for paying salaries, followed by operating expenses (22%). Budget for procuring physical assets increased by a whopping 146% from last year.

Table 3: Consolidated allocations by major line items – PKR (bn)

Major line items	FY 2015-16	FY 2016-17
Employee related expenses	32.03	34.35
Project Pre-Investment expenses	0.01	0.01
Operating expenses	11.03	14.66
Employee retirement benefits	0.43	0.43
Grants	1.50	1.69
Transfers	2.29	2.37
Physical assets	3.89	9.58
Civil works	3.67	3.22
Repairs and maintenance	0.51	0.57
Total	55.36	66.89

Allocation for drugs and medicines increased by 29% in FY 2016-17 when compared with allocations made during last year. The allocation for purchasing drugs and medicines in FY 2016-17 is PKR 7.5 bn (PKR 5.8 bn in FY 2015-16) and account for 11% of the total budget and 23% of the non-salary budget.

4. How has the current budget grown in comparison to previous year?

The overall current budget in FY 2016-17 (province and district combined) has grown by a marginal 9% in comparison to last year (figure 4). Whereas the provincial current budget increased by 14% and the district current budget grew by only 8%⁴.

In FY 2016-17 funds allocated to procure medicines in the consolidated current budget (i.e. province and districts combined) were 18% more in comparison to FY 2015-16 (figure 5). This means that in relative terms, the increase in medicines budget in FY 2016-17 was double than the increase in current budget when compared to FY 2015-16.

At the provincial level allocation for purchasing medicines more than doubled in FY 2016-17 in comparison to FY 2015-16.

The allocation for procuring medicine increased from PKR 0.67 bn to 1.02 billion in the current year's budget. This budget will be used to procure medicine for district and tehsil headquarter hospitals at the provincial level.

50% of the current budget at the provincial level has been kept to meet provincial operating expenses followed by payment for salaries (25%).

Lion's share (71%) of the district current budget is allocated in the FY 2016-17 budget for paying salaries, followed by making payments for operating expenses (20%). Major increase in allocation was witnessed under the head of grants, which was 28% more in comparison to FY 2015-16 (table 4). In the district health budgets, the 'grants' line-item is usually used to make payments to the families of the deceased employees as 'financial assistance'.

Fig 4: Current budget - PKR (bn)

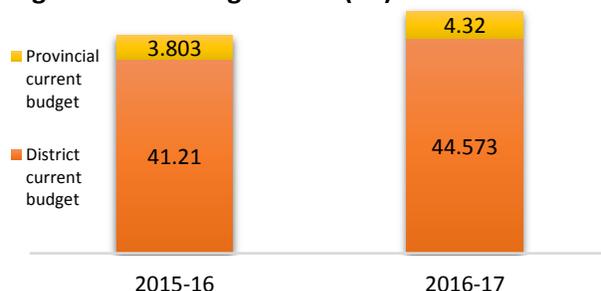
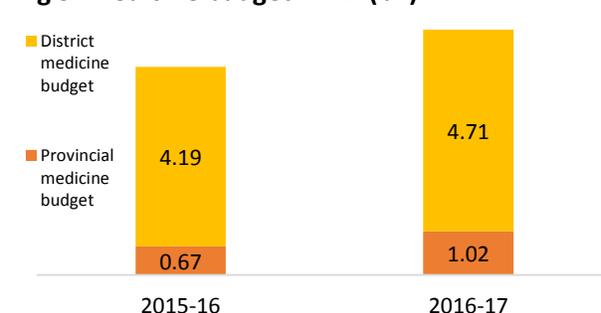


Fig 5: Medicine budget - PKR (bn)



⁴ Note: while this report was being prepared the district allocations were still being updated, however, it is anticipated that the changes in the budget will not be significant to change the findings of this analysis.

Table 4: District allocations by major line items – PKR (bn)

Major line items	FY 2015-16	FY 2016-17
Employee related expenses	30.09	31.59
Operating expenses	7.40	9.11
Employee retirement benefits	0.42	0.42
Grants	0.51	0.66
Transfers	1.94	1.94
Physical assets	0.41	0.41
Repairs and maintenance	0.44	0.44
Total	41.21	44.57

At district level the budget for purchasing medicines increased only by a marginal 12% and constituted 11% of the total district budget (figure 5). This increase is many folds less compared to the increase at the provincial level. These are some early signs of concentration of budget at provincial level (this is further discussed in section 6).

Twenty-three districts posted an increase on their budget of 10% or less, in other words increase of health budget in FY 2016-17 was equal to or less than 10% in 64% of the districts of Punjab. Only five districts posted an increase on their respective health budget of more than 25% when compared with the previous year (table 5)⁵. This puts the district health system and the existing process of devolution in a worry-some position. This is reflective of two issues, (i) as discussed previously, these are early signs of concentration of budget and powers at provincial level and (ii) apparent lack of a central guiding policy that can assist budget allocation decisions.

Table 5: Classification of districts by range of increase in health budget

Increase more than 25%	Increase more less than 25% and more than 10%	Increase less than 10%
Lodhran, R. Y. Khan, Okara, Rawalpindi, Chakwal	Gujranwala, Sargodha, Narowal, D. G. Khan, M. B. Din, Khushab, Attock, Bahawalpur	Hafizabad, Lahore, Pakpattan, Vehari, Jhelum, Chiniot, Rajanpur, Muzaffargarh, Mianwali, Sialkot, Jhang, Bahawalnagar, Bhakkar, Faisalabad, Gujrat, Kasur, Khanewal, Layyah, Multan, Nankana Sahib, Sahiwal, Sheikhupura, T. T. Singh

⁵ Please see note 4.

This also means these twenty-three districts will hardly be able to meet their requirements as the growth in budget will be eaten up by the salary increment, in some cases even the salary cost will be met by reducing the non-salary part of the allocations.

5. How has the development budget grown in comparison to previous year and what is contained in this year's annual development programme?

The size of the development budget has grown many folds when FY 2015-16 is compared with FY 2016-17. This increase represents an additional PKR 7.6 billion in comparison to the previous year. In relative terms the increase is 74% in comparison to last year. This funding stream has recorded the highest growth during this year.

Allocation for purchasing physical assets has grown by 166%, highest growth rate attained in comparison to other category of expenditures for FY 2016-17 (table 6). Second highest increase was recorded in allocations of repair and maintenance showing an increase of 100% from previous year. Allocation for civil works posted a decrease by 12% from previous year.

Table 6: Development allocations by major line items – PKR (bn)

Major line items	FY 2015-16	FY 2016-17
Employee related expenses	1.00	1.66
Operating expenses	1.87	3.39
Grants	-	0.20
Transfers	0.35	0.35
Physical assets	3.41	9.08
Civil works	3.67	3.22
Repairs and maintenance	0.04	0.09
Total	10.35	18.00

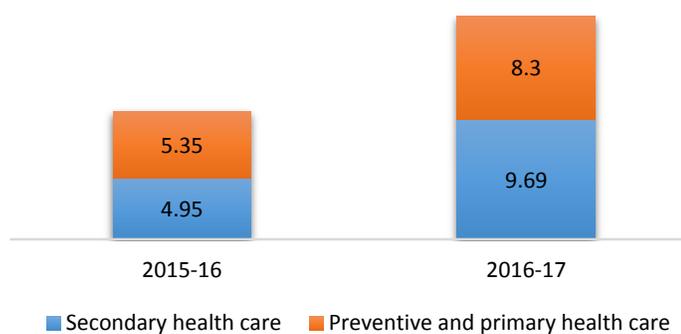
It is encouraging to note the substantial increase in development budget and that too targeted for primary and secondary health care sectors, however, these investments will have a significant impact on recurrent operational costs to sustain these investments on a longer-term horizon. A simplistic assessment suggests that this can result in a requirement of additional funding of approximately PKR 3.6 billion per annum, representing 8% of the existing current budget. The increase in this year's district's current budget will not be able to absorb these costs. If not met, the investment made will be at risk of being lost.

Tremendous increase is also seen in the allocation for procuring medicines under the development budget, which registered an increase of 89% in comparison to FY 2015-16.

The share of medicines in the total development budget was 9% in FY 2015-16 which increased to 10% in FY 2016-17.

Allocation for preventive and primary health care increased by PKR 2.95 bn in comparison to an increase of PKR 4.75 bn for secondary health care services when FY 2016-17 is compared with FY 2015-16 (figure 6). This represents an increase of 55% for providing preventive and primary health care services and an increase of 96% for providing secondary health care services over the same period.

Fig 6: Development budget bifurcation - PKR (bn)



While there is considerable increase in the preventive and primary health care allocations in comparison to previous year, the increase in secondary health care allocation is more than 1.5 times when compared with the increase in preventive and primary health care. This has shifted the balance of share between primary and preventive health care and secondary health care, from more than 50% allocation for preventive and primary health care (FY 2015-16) to more than 50% allocation for secondary health care services (FY 2016-17).

More than 70% of the ADP has been allocated to fund centrally run development programmes, such as (i) revamping of the district headquarter hospitals in Punjab, (ii) the integrated maternal, newborn, child health and nutrition programme, (iii) strengthening of the expanded programme for immunisation, (iv) establishing strategic units and so forth. The remaining 29% of the ADP can be allocated against districts as it contains district specific schemes amounting to PKR 5.25 bn. Lahore has the highest allocation amounting to PKR 0.92 bn.

Allocation for districts in North of the province is 1.2 times more in comparison to the combined allocation for districts in Centre and South⁶. Average allocation per district for North is PKR 202 million, for Centre is PKR 122 million and for South it is PKR 98 million.

⁶ Definition of Centre, South and North is taken based on divisions as defined by the government of Punjab. **South:** DG Khan, Multan Bahawalpur, **Central:** Sahiwal, Faisalabad, Sargodha, **North:** Lahore, Gujranwala, Rawalpindi

6. What are the allocations for maternal and child health including nutrition?

The way existing budgets are recorded it is very difficult to answer this question. Maternal and child health are being funded through all the budget streams, however, it is very difficult to track the exact allocations under the current budget. **Based on directly trackable budget data from district current budget an estimated PKR 784 million will be spent for providing mother and child health services during FY 2016-17. This accounts for 2% of the overall district health budget.** However, the actual spending from district current budget will more than this.

Approximately 25% of the ADP is allocated to improve maternal and child health services amounting to PKR 4.5 bn. These are the allocations which can be directly attributed to providing maternal and child health services. There are other schemes as well which will contribute to improving reproductive health services however attributing them is a complex and difficult process, e.g. upgradation of basic health units or secondary hospitals, implementing infection prevention programmes and so forth.

7. Is the budget evident of any de-concentration?

Punjab has held local government elections under the new local government system. Under the new system health continues to be a devolved subject. **This analysis was not able to find any evidence of de-concentration, in-fact, the evidence is contrary.** We analysed three factors to come to this conclusion which are explained below.

- a. **Increase in district controlled budget is far less in comparison to the provincial current and development budget.** The provincially controlled budget (current and development) grew by 58% in comparison to district controlled budget which grew only by 8%.
- b. **Increase in provincially controlled amount for procuring drugs increased by 74% in comparison to an increase of only 12% in the amounts for purchasing drugs at the district level.** In FY 2015-16 the provincially controlled budget for purchasing medicine was 28% of the total medicine allocation, which has increased to 37% in FY 2016-17.
- c. **Budget growth in twenty-three out of thirty-six districts was less than 10% when FY 2016-17 allocations were compared with FY 2015-16.** This effectively means that these districts will hardly be able to meet their increase in salaries and will require assistance from the province e.g. to procure medicines.

Conclusion

Over the past few years, the health sector in general has started to receive greater attention at political level, this has resulted in an increased share of health in the overall budget of the Punjab government. The existing allocations made to fund the health setup at district level (which are marginally higher in comparison to previous year) will hardly be able to meet the financial requirement of existing level of operations (in some cases that seems difficult as well). There is an encouraging increase in the development funds, however, this also means that considerable additional resources will need to be made available at the district level to sustain these investments in the near future, which apparently seems not to be on radar for the policy makers. The budget for FY 2016-17 presents a situation which can be defined as 'recentralisation of financing and control of health delivery at the provincial level', which is worrisome. Lastly, without compromising the importance of budgets, actual expenditures are at the end what translates into outcomes. In FY 2015-16, the P&SHD was only able to spend 85% of what was allocated to it, therefore a close monitoring of actual against budget will be of prime importance.