

# Health Budget Brief for 2016-17

## Specialised Health Care and Medical Education

### KEY MESSAGES

- In FY 2016-17, specialised health care and medical education has been allocated PKR 91.25 (bn) which represents an increase of 26% over the previous year.
- Per-capita allocation has increased from PKR 730 (\$7) to PKR 907 (\$9).
- PKR 12.59 (bn) has been allocated to procure medicines, posting an increase of 24% in comparison to last year.
- An additional PKR 8.59 (bn) has been provided to fund the development programme which is 54% more in comparison to last year.
- Growth rate of development budget was 3 times more in comparison to the growth rate of current budget.
- Allocation of development funds for district in North is 54%, while the remaining is shared between districts of South and Centre.

## Introduction

This brief paper presents an analysis of budget allocations made to Punjab's Specialised Health Care and Medical Education Department (SH&ME) for 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 SH&ME has been given separate 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 is covered under the SH&ME?

SH&ME department comprises of tertiary care hospitals and medical education related institutes. It also includes some other allied services which are of benefit to both the departments e.g. blood transfusion authority, directorate of nursing services etc.

### 2. How is the SH&ME funded in Punjab?

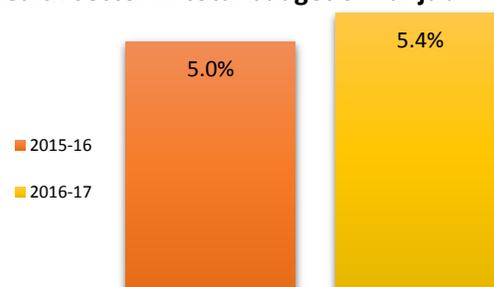
The budget for the SH&ME can be divided into two streams. These streams are explained in the table below.

<b>Stream 1 – Current budget</b>	This stream relates to funding the day to day affairs of tertiary care hospitals, medical education services and other functions such as internal audit cell, blood transfusion services and so forth.
<b>Stream 2 – Development budget</b>	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.

### 3. How does the overall budget look this year?

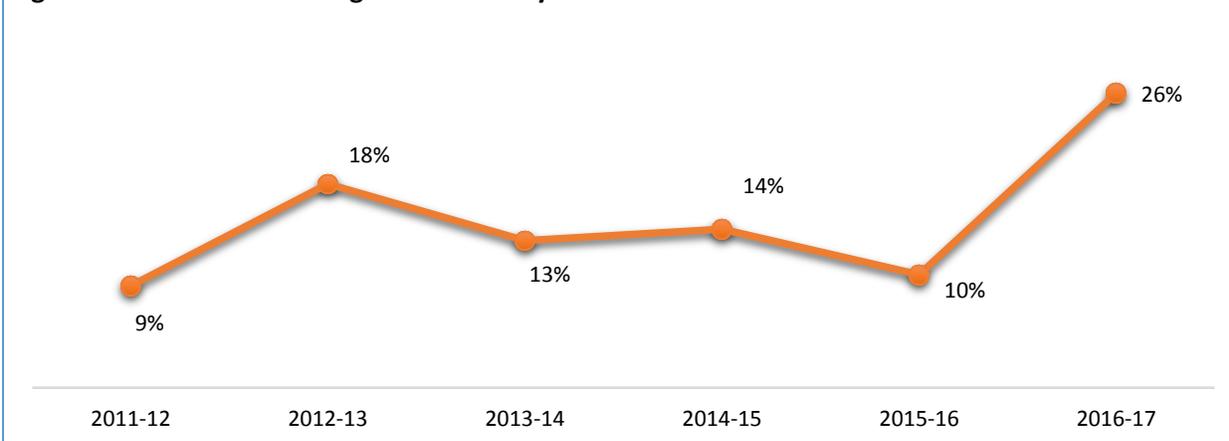
Share of SH&ME has increased by 0.4% (in FY 2016-17) in the overall budget of the Punjab Government when compared with FY 2015-16. The total budget of the Punjab Government for FY 2016-17 is PKR 1,681.4 billion (bn)<sup>1</sup>. The share of SH&ME for the current fiscal year is recorded at 5.4% of the total Punjab's budget (figure 1).

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



**Per-capita allocation increased from PKR 730 (FY 2015-16) to PKR 907 (FY 2016-17).**

**Fig 2: Increase in health budget - trend analysis**



**The budget for the SH&ME has increased by 26% in fiscal year 2016-17 in comparison to the previous FY 2015-16. Allocation for the SH&ME in FY 2016-17 is PKR 91.25 bn.**

<sup>1</sup> Data from Punjab Citizens Budget, 2015 and 2016, Government of Punjab.

The increase in budget is highest when compared to the last five years (figure 2)<sup>2</sup>. The increase in current years' allocation is also 13% more in comparison to the average growth rate of the health sector allocation (13%)<sup>3</sup> during last five years. This percentage increase is also higher when compared with the increase of primary and secondary health care allocations for FY 2016-17.

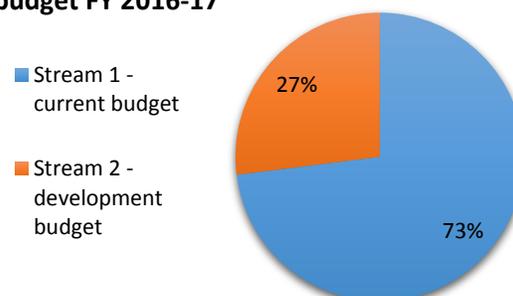
Combining the allocations under the two streams the largest proportion is allocated for stream 1, i.e. running day to day operations of the SH&ME (table 1 and figure 3).

Table 1: Current and development budget – PKR (bn)

Budget - type	FY 2015-16	FY 2016-17
Current	56.35	66.75
Development	15.91	24.50
<b>Total</b>	<b>72.27</b>	<b>91.25</b>

**In FY 2016-17, 54% more resources have been made available for implementing the development programmes in comparison to last year.** A major part of the overall budget (73%) is kept for meeting the current budget requirements i.e. to perform the day to day functions of the SH&ME department, while the remaining will be used for funding the development programmes (see figure 3). The increase in the current budget is 18%.

Fig 3: (%) share of different streams in budget FY 2016-17



**42% of the allocation in the consolidated budget (i.e. two streams combined) for the SH&ME is for paying salaries, followed by operating expenses (20%) (table 2).** Budget for procuring physical assets increased by a whopping 135% from last year. These funds will be used to procure vehicles, computer equipment, plant and machinery, furniture and other stores.

<sup>2</sup> 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.

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

Table 2: Consolidated allocations by major line items – PKR (bn)

Major line items	FY 2015-16	FY 2016-17
Employee related expenses	32.79	38.62
Project Pre-Investment expenses	0.002	0.003
Operating expenses	15.67	19.19
Employee retirement benefits	0.16	0.34
Grants	11.23	10.94
Transfers	3.48	4.32
Physical assets	3.68	8.63
Civil works	4.52	8.38
Repairs and maintenance	0.74	0.83
<b>Total</b>	<b>72.27</b>	<b>91.25</b>

**Allocation for drugs and medicines in FY 2016-17 increased by 24% in comparison to the previous year.** The allocation for purchasing drugs and medicines in FY 2016-17 is PKR 12.59 bn (PKR 10.16 bn in FY 2015-16) and account for 14% of the total budget and 24% of the non-salary budget.

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

**The current budget in FY 2016-17 has grown by 18% when compared with FY 2015-16 (figure 4).** 58% of the current budget has been allocated for payment of salaries followed by paying operating expenses (28%). **These two allocations consume the lion's share of the budget (86%).**

**Allocation for medicine increased by 24% in the FY 2016-17 in comparison to FY 2015-16 at the provincial level (table 3).** The allocation for procuring medicine increased from PKR 10.16 bn (FY 2015-16) to 12.59 bn in the current year's budget.

Fig 4: Current budget - PKR (bn)



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

Major line items	FY 2015-16	FY 2016-17
Employee related expenses	32.71	38.53
Project Pre-Investment expenses	0.002	0.003
Operating expenses	15.60	19.01
Employee retirement benefits	0.16	0.34
Grants	3.42	3.48
Transfers	3.44	4.23
Physical assets	0.27	0.32
Civil works	0.03	0.04
Repairs and maintenance	0.73	0.80
<b>Total</b>	<b>56.35</b>	<b>66.75</b>

Per-capita allocation for medicine increased from PKR 103 (FY 2015-16) to PKR 125 (FY 2016-17), this is 2% lower when compared to the overall increase in the medicine budget (24%).

## 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 more than 1.5 times when FY 2015-16 is compared with FY 2016-17. This increase represents an additional PKR 8.59 billion in comparison to the previous year. In relative terms the increase is 54%. Growth rate of development budget was 3 times more than the growth rate of current budget. While, the increase is encouraging, this will require substantial increases in the current budget for the future years to cover up for the additional recurrent costs as a result of these investment decisions. If these recurrent costs are not provided for, the investments are likely to be lost. These recurrent costs can be for example, providing for maintenance contracts of the diagnostic equipment, purchasing reagents to conduct lab tests.

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

Major line items	FY 2015-16	FY 2016-17
Employee related expenses	0.08	0.10
Operating expenses	0.07	0.18
Grants	7.81	7.46

Major line items	FY 2015-16	FY 2016-17
Transfers	0.05	0.08
Physical assets	3.41	8.31
Civil works	4.49	8.34
Repairs and maintenance	0.01	0.03
<b>Total</b>	<b>15.91</b>	<b>24.50</b>

### Allocation for purchasing physical assets has grown by 144%.

Within the physical assets, the largest allocation has been made to procure medical laboratory equipment (68%) (figure 5). Growth in physical assets will have implications on the current budget in the future. These needs are sent by the respective spending units (in this case, the tertiary care hospitals), while for all logical reasons, before sending these proposals there should be good debate and exhaustive consultation on alternatives which may

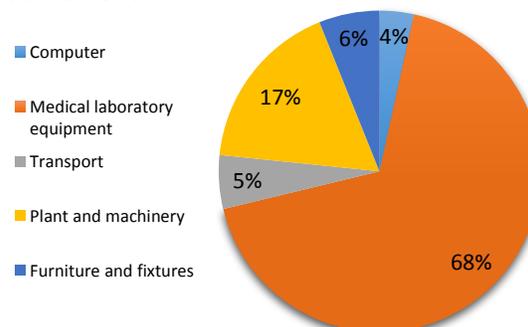
provide better value for money e.g. contracting the private sector to provide certain diagnostic services etc., unfortunately, this is rarely done. Second major increase was recorded in allocations of civil works showing an increase of 86% from previous year.

**If such decisions are not well thought-out and do not fit in a larger framework (i.e. a longer-term strategy), there is a potential risk of making decisions which can lead to allocative inefficiency, ultimately leading to sub-optimal results.**

**More than 80% of the ADP has been allocated to development projects that will be executed by the spending units in their respective districts.** The remaining 16% of the ADP will be managed centrally, this is encouraging and in line with granting more autonomy at the grass root level.

**Allocation for SH&ME spending units in North of the province is 54%, while the remaining 46% is allocated between South and Centre regions<sup>4</sup>.** Average allocation per district for North is PKR 1,545 million, for Centre is PKR 447.18 million and for South it is PKR 924.49 million.

**Fig 5: break-up of physical asset procurement**

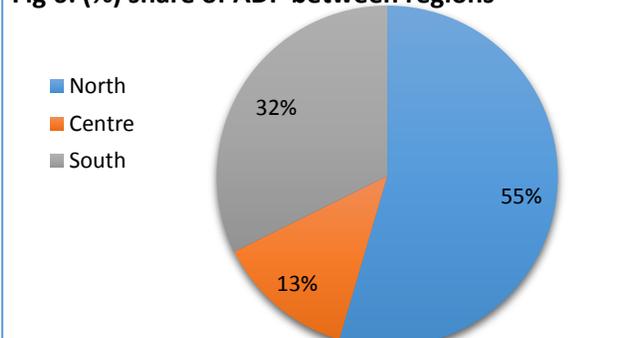


<sup>4</sup> Definition of Centre, South and North is taken based on divisions as defined by the government of Punjab. South: DG Khan, Multan Bahawalpur, Central: Sahiwal, Faisalabad, Sargodha, North: Lahore, Gujranwala, Rawalpindi

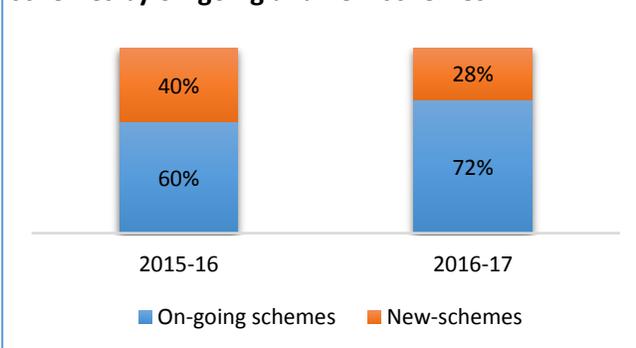
**Split between new and on-going schemes changed in FY 2016-17 in comparison to the previous year.** More funds have been allocated to fund on-going schemes in FY 2016-17 (figure 7). This will allow completion of schemes timely, with lesser cost over-runs and also reduce the throw-forward of the department.

**79% of the development budget was allocated for providing tertiary care services in hospitals.** A total of PKR 13.4 (bn) has been allocated during this financial year, posting an increase of 136% in comparison to last year. It is quite clear from the figure 8 below, that SH&ME department's development programme is focused on improving the tertiary care services in FY 2016-17. This is also a slight shift from previous year's development programme priorities, where medical education has lost 5% of its share to tertiary care services.

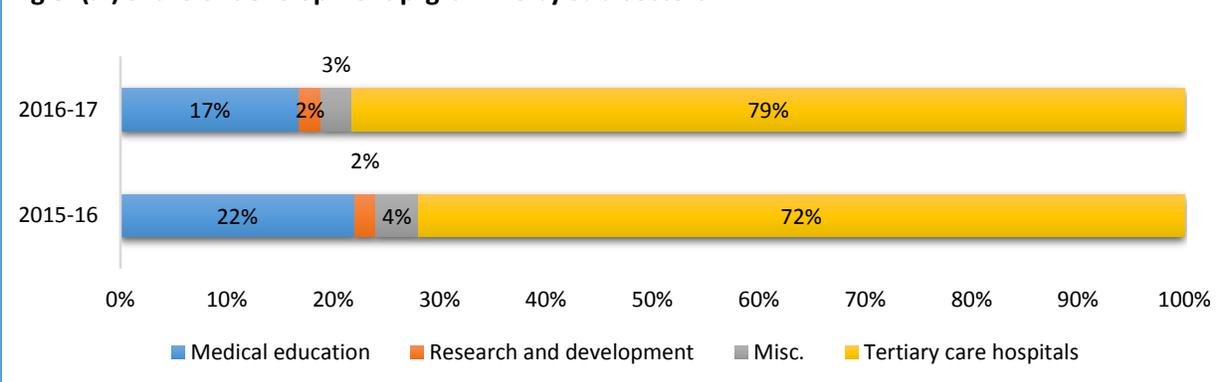
**Fig 6: (%) share of ADP between regions**



**Fig 7: Bifurcation of development schemes by on-going and new schemes**



**Fig 8: (%) share of development programme by sub-sectors**



## Conclusion

Allocations for the SH&ME have substantially increased in comparison to previous year and represent the highest growth rate in last five years. Growth rate in allocation for procuring medicines out-stripped the growth rate of overall current budget, which should result in improved availability of medicines at these hospitals. The increase in development funds is encouraging to note, however, this will have serious implications on the increased costs of

running the daily operations i.e. the recurrent costs of these investment decisions. An encouraging trend to note is that increased allocations have been made for completing on-going programmes as opposed to starting new ones, this is a change in policy from past few years. The emphasis of the development programme is clear and is focused towards improving the tertiary care hospitals. While the overall increase in the allocations are welcomed, these do not seem to be aligned with any broader planning framework (e.g. a medium term strategy), which poses a potential risk of changing directions each year and investment being lost. Lastly, budgets are important as they set a direction, however, what matters at the end is what is actually spent. In FY 2015-16, SH&MED posted an encouraging utilisation rate of 92% overall.