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Lesotho | Fiscal Year Health Budget Brief | 2018/19



This budget brief is one of four briefs that explore the extent to which the national budget of the Kingdom of Lesotho addresses the needs of children under the age of 18. This brief analyses the size and composition of budget allocations for the health sector for the fiscal year 2018/19, and offers insights into the efficiency, equity and adequacy of past expenditure at the national level. The main objectives of the brief are to:

- synthesize complex budget information so that it can be easily understood by all stakeholders
- highlight key messages which can inform policy and budgeting decision-making processes.

Key messages

- **In the current fiscal year (2018/19) the health sector received 12.7 per cent of total expenditure. After the education sector allocation of 13.2 per cent, this is the second-highest allocation. However, it still falls short of the Abuja Declaration target of 15 per cent. In order to increase the budget, the government needs to explore the potential for introducing innovative financing mechanisms, which could include involving the private sector in financing health.**
- **Primary health care receives only 7 per cent of the health budget, which is the lowest portion of all the programmes within the health sector budget. If the government wants to achieve the Sustainable Development Goals related to this crucial component of public health, the budget needs to be increased. Budget increases would contribute to areas in need of attention, such as data collection and the quality of service provision.**
- **The poor credibility of spending in the health sector is an obstacle to achieving sector outcomes and is thus an area of concern. It is important for the government to identify the bottlenecks and take appropriate action, such as implementing public finance management reforms.**
- **Health budget execution in Lesotho is both low and erratic. Issues related to shortfalls in donor commitments, cumbersome procurement procedures and the spending capacity of ministries must be addressed as priorities.**
- **The maternal mortality rate and the infant mortality rate are extremely high. The maternal mortality rate is 1,024 per 100,000 live births and the infant mortality rate is 59 per 1,000 live births. Measures to lower the rate could include: improving the quality of care in prenatal and postnatal services and emergency obstetric care hospitals; and having skilled attendants in the critical periods of pregnancy, labour, delivery and post-partum.**
- **With 25 per cent of adults infected, HIV/AIDS prevalence in Lesotho is among the highest in the world. To reduce the rate, the focus should be on prevention and alignment to the 2016 United Nations Political Declaration on Ending AIDS. A target of 75 per cent reduction in new HIV/AIDS infections, especially in adolescent girls and young women, has been set.**



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1. Introduction

1.1 Overview

The Ministry of Health is responsible for the formulation of policies, regulations and guidelines for health services and management, as well as the mobilisation of resources. The ministry's National Health Strategic Plan 2017–2027 states that the national vision of Lesotho is to provide universal health coverage. The four priority areas outlined in the National Health Sector Programme 2 of 2017) are:

- reproductive health
- maternal health
- neonatal health
- child health and equity in access to health services.

Health services are delivered across primary, secondary and tertiary levels. There are 326 health facilities in Lesotho. These include 1 referral hospital, 2 specialized hospitals, 18 district hospitals, 3 filter clinics, 188 health centres, 48 private surgeries and 66 nurse clinics.

The Ministry of Health works with a number of partners, including the Christian Health Association of Lesotho.¹ The Ministry of Health owns 42 per cent of health centres and 58 per cent of hospitals in Lesotho. The Christian Health Association of Lesotho owns 38 per cent of health centres and 38 per cent of hospitals in the country. The remaining facilities are either privately owned or operated by the Lesotho Red Cross Society. In addition, there is a large network of private surgeries, nurse clinics and pharmacies that provide health care, including the dispensing of medicines.

1.2 Challenges

In spite of the significant investment in the health sector, the health profile of the Basotho is among the worst in the world. For example:

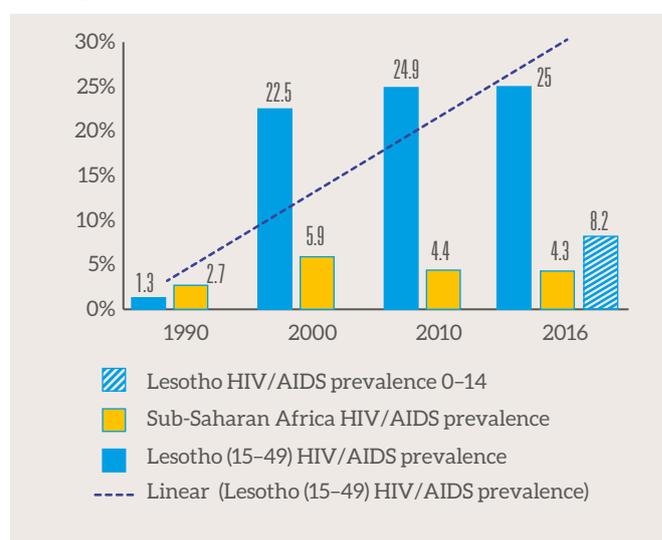
- **Life expectancy is very low.** The average lifespan is 50 years (53.7 years for women and 47.1 years for men). This is well below the average for lower middle-income countries (68 years), and for sub-Saharan Africa (60 years).²

¹ There are a number of notable challenges to working with the Christian Health Association of Lesotho; for example, the Association not complying with Ministry of Health guidelines and standards by refusing family planning to adolescents because of their religious denomination.

² World Bank (2017) Public Health Sector Expenditure Review 2017, Washington D.C.



Figure 1: Prevalence of HIV among children and adults in Lesotho and sub-Saharan Africa, as a percentage: 1990–2016

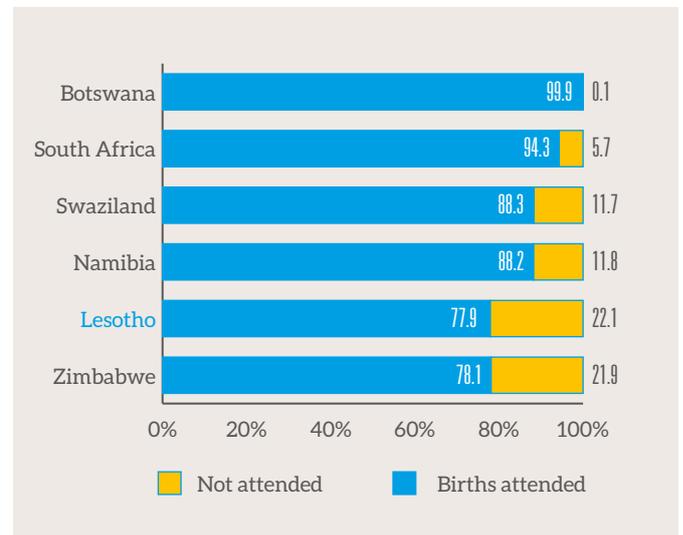


Source: World Bank, Health Nutrition and Population Statistics database (2018).

1. INTRODUCTION

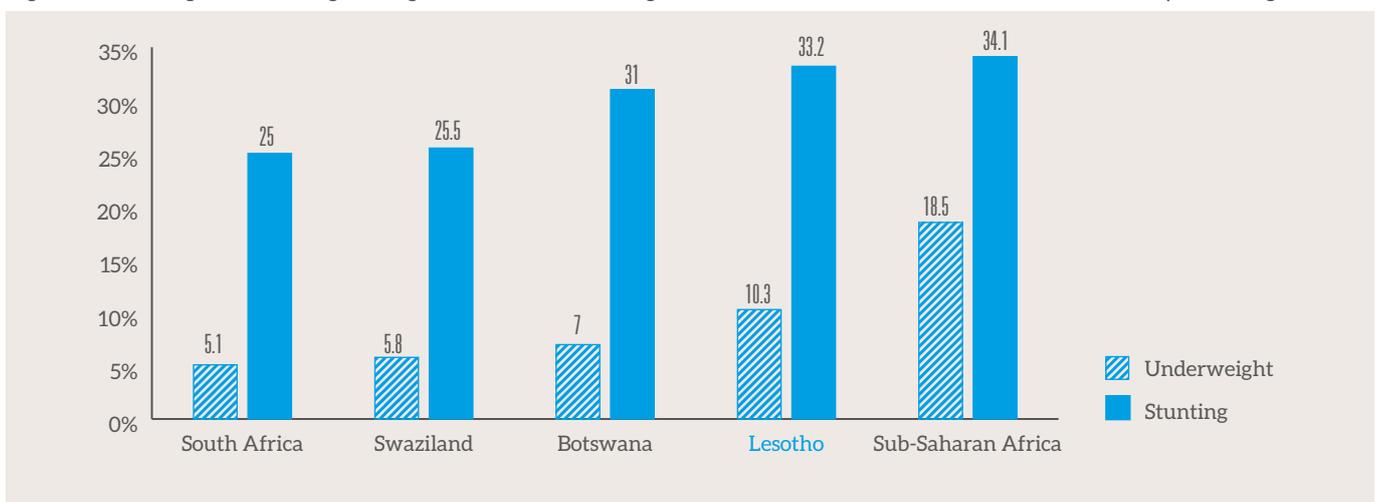
- HIV/AIDS prevalence remained constant between 2010 and 2016**, with almost 25 per cent of the adult population infected over this time. However, the prevalence rate is more than five times higher than the average for sub-Saharan Africa (Figure 1). Approximately 2.1 per cent of children between the ages of 0 and 14 years are currently infected. This equates to 2.6 per cent of all female children and 1.5 per cent of all male children.³
- HIV/AIDS is the main cause of mortality in Lesotho**, accounting for more than 40 per cent of all deaths.⁴
- The mortality rates among infants (34 per 1,000 live births), children under five (85 per 1,000 live births) and maternal mortality (1,024 per 100,000 live births) are among the highest in Southern Africa.** Sixty per cent of infant mortality occurs during the neonatal period, largely because of birth asphyxia, prematurity and neonatal infections. These in turn are due to low utilization and the poor quality of health services.⁵
- One in 25 newborns do not survive the first month of life.** There is therefore a need to intensify focus on new-born care.⁶
- Mother-to-child transmission of HIV has plateaued, at 11 per cent.** However, this rate is still higher than in any other lower- middle income country in the region.
- The prevalence of HIV among youth has increased.** An estimated 5.1 per cent of 15–19-year-olds currently live with HIV, compared to 3.5 per cent in 2009. This equates to 7.1 per cent of all females in this age groups and 3.1 per cent of all males in the age group. With a 14 per cent HIV prevalence among pregnant adolescent girls aged 10–19 years, this group is a priority target for interventions for the prevention of mother-to-child transmission of HIV.
- One out of every four births takes place without a skilled health professional.** This is the second-lowest rate in sub-Saharan Africa, after Zimbabwe (Figure 2).
- Levels of malnutrition in children are high.** Approximately 10 per cent of all children under the age of 5 are underweight; 33 per cent in this age group have stunted growth, which is the second-highest rate in the region, after Zambia (Figure 3).

Figure 2: Proportion of births attended by skilled staff in Lesotho and sub-Saharan Africa: 2014



Source: World Health Organization Global Health Expenditure database <apps.who.int/nha/database>

Figure 3: Wasting and stunting among children under the age of 5 in Lesotho and sub-Saharan Africa, as a percentage: 2018



Source: Lesotho Demographic Health Survey, 2014

3 Lesotho Population-Based HIV Impact Assessment, 2017 Preliminary Results.
 4 Government of Lesotho (2014) Lesotho Demographic and Health Survey (LDHS), 2014.
 5 Government of Lesotho Annual Joint Review 2016.
 6 World Bank (2017), Public Expenditure Review of Health: Lesotho, Washington, D.C.

Takeaways

- The lifespan of the Basotho people is among the shortest in the world. This is largely the result of the poor performance of the health system and the high rates of HIV prevalence.
- Twenty-five per cent of adults and 2.1 per cent of children are living with HIV. HIV is the leading cause of death among those of 13 years and above.
- Prematurity, birth asphyxia, pneumonia and malnutrition are the most common causes of death among children under the age of 5 years.
- Child mortality and malnutrition are pervasive and widespread.
- Scaled-up and integrated efforts are required to: improve access to quality emergency obstetric care services; prevent and treat HIV/AIDS; and strengthen the cross-sectoral approach to improving health systems and services.



2. Health spending trends

The nominal budget for health in 2018/19 is expected to reach 2,517 million maloti (M), a nominal increase of 12.4 per cent compared to 2017/18. However, expenditure in real terms has increased by 6.4 per cent (Figure 4). In the five years between 2014/15 and 2018/19 nominal expenditure increased by 37.4 per cent. In real terms, however, the increase was only 7.8 per cent.

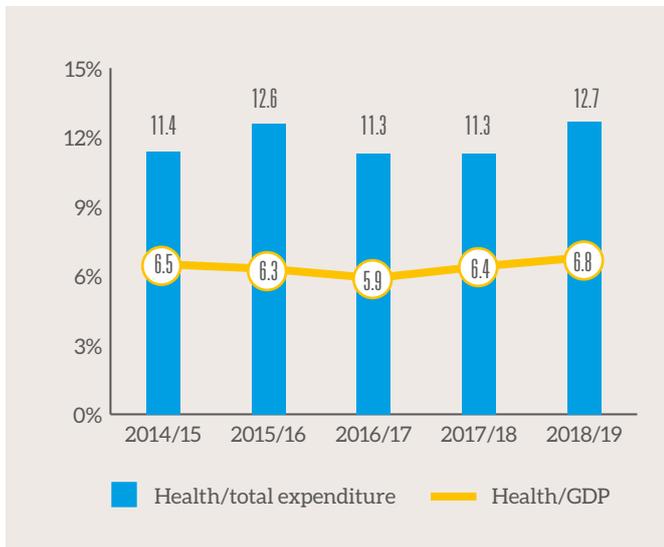
Expenditure in health increased both as a percentage of gross domestic product (GDP) and as a share of total expenditure. Between 2014/15 and 2018/19, expenditure as a share of GDP increased from 6.5 per cent to 6.8 per cent. Expenditure as a share of the total national budget increased from 11.4 per cent to 12.7 per cent. (Figure 5).

Figure 4: Trends in real vs. nominal expenditure in health: 2014/15/16 to 2017/18



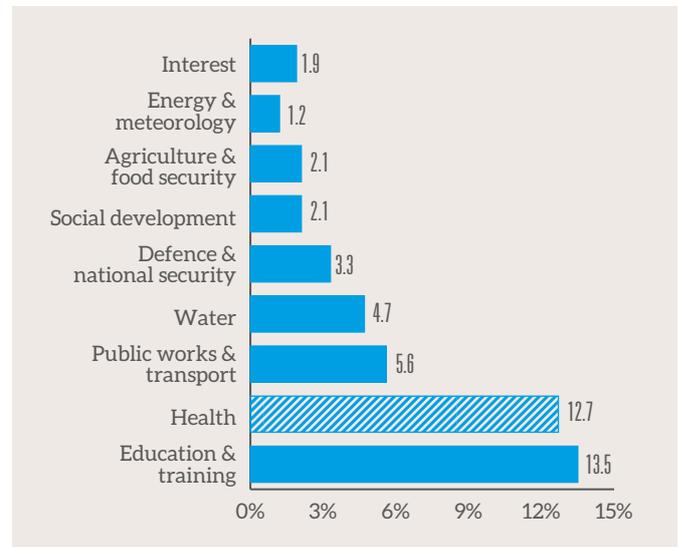
Source: World Bank Boost Database (2017), Government of Lesotho National Budget 2018/19 (2018) and author's own calculations.

Figure 5: Trends in expenditure in health, as a percentage of GDP and total national expenditure: 2014/15 to 2018/19



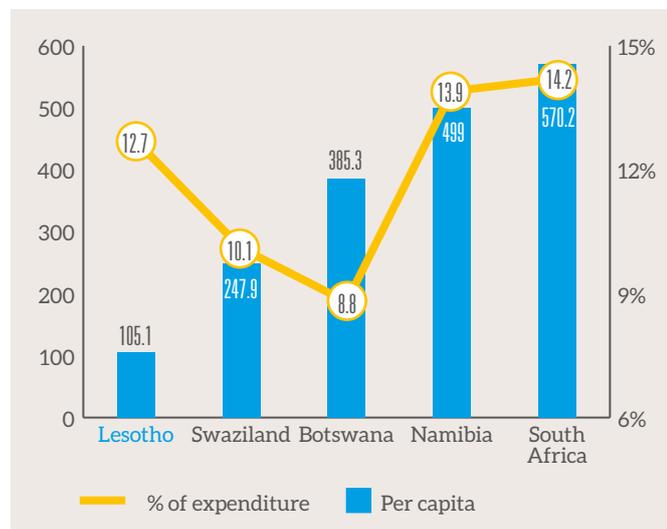
Source: World Bank Boost Database (2017), Government of Lesotho National Budget 2018/19 (2018) and author's own calculations.

Figure 6: Comparison of expenditure in health with other key sectors, as a percentage of the national budget: 2018/19



Source: Government of Lesotho National Budget 2018/19 (2018).

Figure 7: Lesotho's health expenditure in comparison with its neighbours, as per capita expenditure and percentage of total national expenditure (US\$): most recent year for which data is available



Source: World Bank Development Indicators (2018).

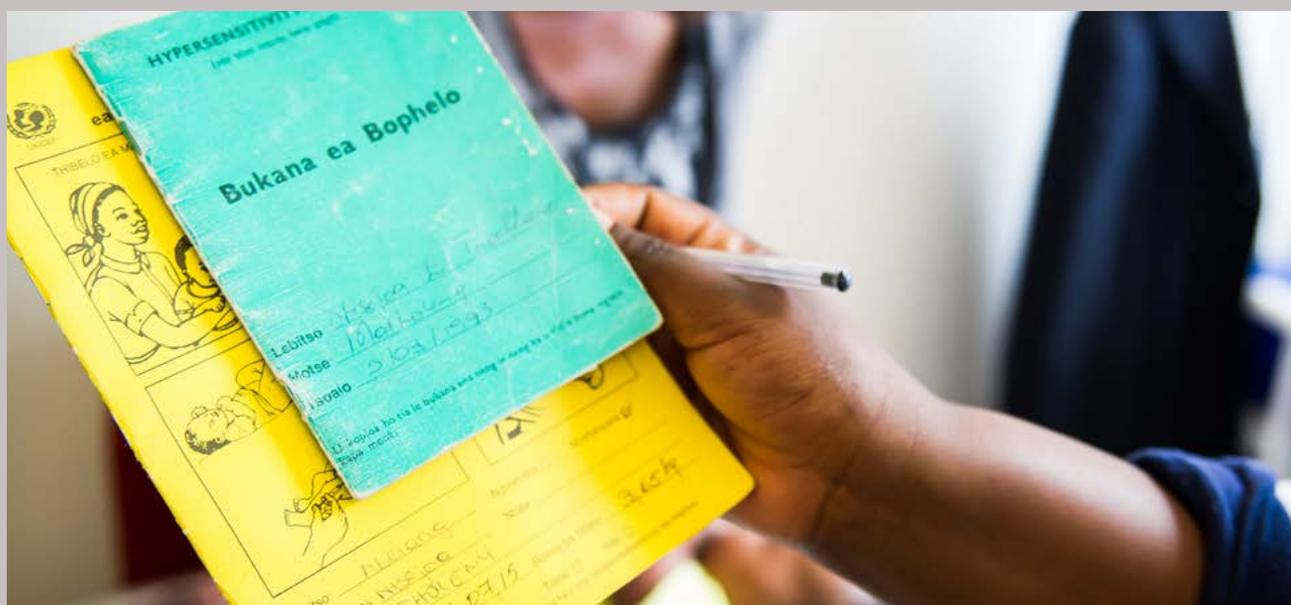
In the current fiscal year (2018/19) the health sector received 12.7 per cent of total expenditure. After the education sector's 13.2 per cent, this is the second-highest allocation. However, it still falls short of the Abuja Declaration target of 15 per cent. (Figure 6).

At US\$105 per person, Lesotho allocates less of its per capita expenditure to health than most of its neighbours (Figure 7).

As a percentage of total expenditure, at 12.7 per cent, health spending in Lesotho is above that of Swaziland (eSwatini) (10.1 per cent) and Botswana (8.85 per cent), but below that of Namibia (13.9 per cent) and South Africa (14.2 per cent). South Africa currently spends the most on health, both as a share of its budget and per capita, although all countries in the review fall short of the Abuja Declaration target.

Takeaways

- In the current fiscal year (2018/19) the health sector received 12.7 per cent of total expenditure. After the education sector's 13.2 per cent, this is the second-highest allocation. However, it still falls short of the Abuja Declaration target of 15 per cent.
- Health expenditure as a share of the total budget increased from 11.3 per cent in 2014/15 to 12.7 per cent in 2018/19. As a percentage of GDP, expenditure increased from 6.5 per cent in 2014/15 to 6.8 per cent in 2018/19.
- Lesotho's per capita health expenditure (US\$105) is the lowest among its regional neighbours.

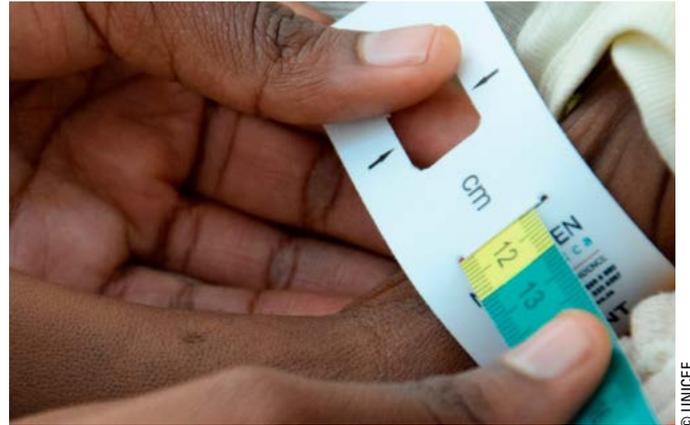


3. Composition of health spending

While the major portion of the health budget is spent on the recurrent budget, recurrent expenditure as a percentage of total health expenditure declined from 92 per cent in 2014/15 to 81.6 per cent in 2018/19. On the other hand, the rate of expenditure on the development budget between 2014/15 and 2018/19 increased by 10.5 per cent, from 7.9 per cent to 18.4 per cent (Figure 8).

The smallest portion of health expenditure in Lesotho is on primary health care, which received only 7.5 per cent of the total health budget in 2018/19. The largest portion of health expenditure is on general management and administration (53.2 per cent) followed by secondary health services (15.6 per cent), family health (11.1 per cent); disease control (8.5 per cent) and training services (4.1 per cent).

A breakdown of the recurrent budget by administrative classification shows that the major portion of the budget goes on operating costs, other purchases, and salaries and wages. In 2018/19, operating costs took up 45.7 per cent of the recurrent budget, followed by other purchases at 20 per cent, wages and salaries at 17.7 per cent and drugs, at 13.8 per cent (Figure 10).



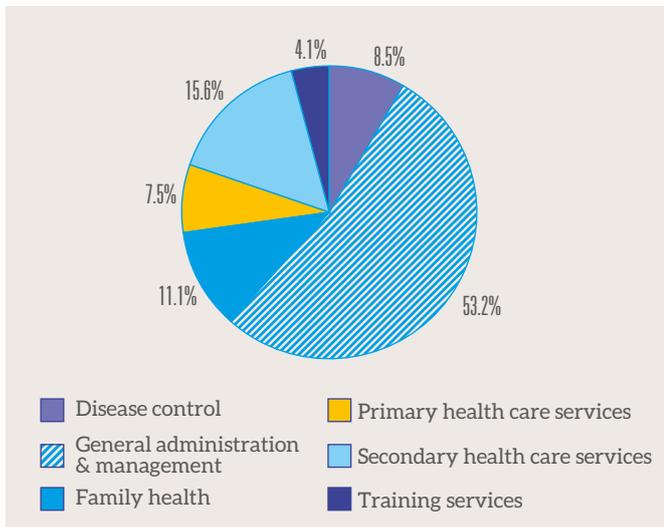
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Figure 8: Composition of the recurrent vs. development budget, as a percentage of the total health budget: 2014/15 to 2018/19



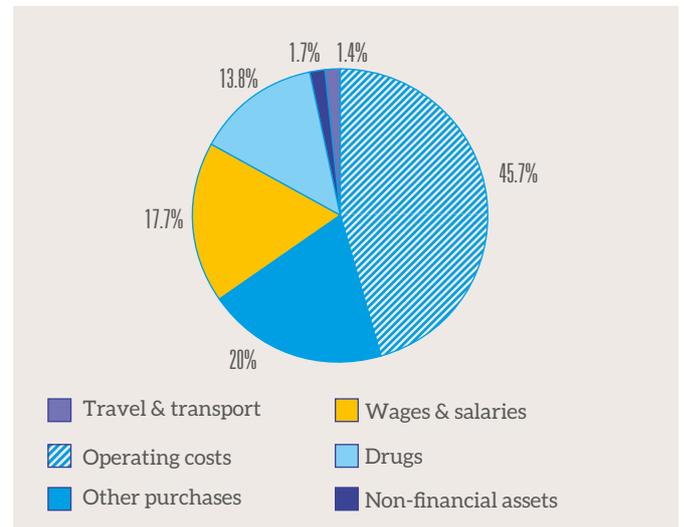
Source: World Bank Boost Database (2017), Government of Lesotho National Budget 2018/19 (2018) and author's own calculations.

Figure 9: Expenditure on health by programme: 2018/19



Source: World Bank Boost Database (2017) and Government of Lesotho National Budget 2018/19 (2018).

Figure 10: Breakdown of the recurrent budget by administrative classification, as a percentage of the total recurrent budget: 2018/19



Source: Government of Lesotho National Budget 2018/19 (2018).

Takeaways

- While the major portion of the health budget is spent on the recurrent budget, recurrent expenditure as a percentage of total health expenditure declined from 92 per cent in 2014/15 to 81.6 per cent in 2018/19.
- At the programme level, primary health care receives the lowest portion, while general administration receives the highest portion.
- At the administrative level, operating costs dominate the recurrent budget.



4. Budget credibility

Budget credibility⁷ in the health sector in Lesotho is erratic. In both 2016/17 and 2017/18, only 54 per cent of the approved recurrent budget was released (Figure 11). For the development budget, 11 per cent was released in 2016/17 and 93 per cent in 2017/18. As a proportion of the total approved budget, only 49 per cent was released in 2016/17 and 59 per cent in 2018/19. This was mainly due to the low levels of releases for the recurrent budget in both these years. The 93 per cent of the development budget released by 2018/19 year-end is clearly a marked improvement.

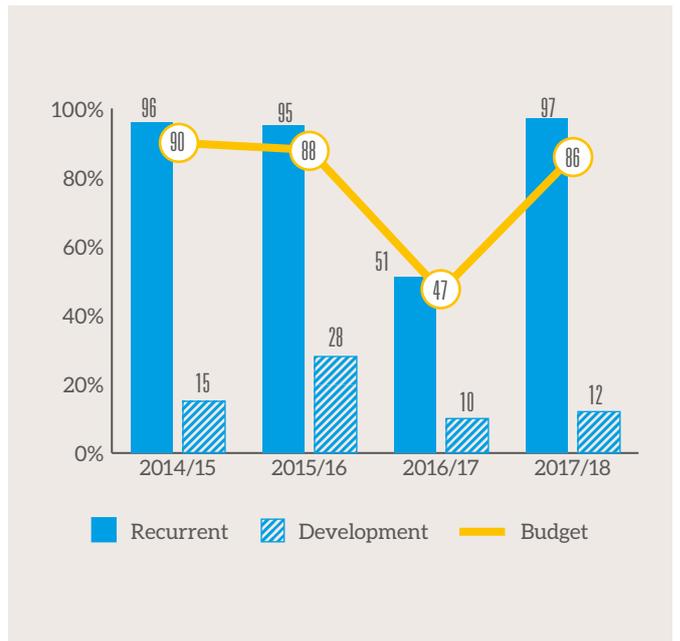
Budget execution in the health sector in Lesotho is both low and erratic.⁸ The overall execution rate of the entire budget was 90 per cent in 2014/15, 88 per cent in 2016/17 and 86 per cent in 2018/19. However, in 2016/17 (the year of the fiscal crisis and the resultant severe shortfalls in SADC revenues), the execution rate fell to as low as 47 per cent. The very limited execution of the development budget is of concern. Issues such as shortfalls in donor commitments, cumbersome procurement procedures and spending capacity issues in ministries need to be addressed urgently.

Figure 11: Budget credibility as a percentage of the total health budget (including the recurrent budget and development budget): 2014/15 to 2017/18



Source: World Bank Boost Database (2017) and Government of Lesotho National Budget 2018/19 (2018).

Figure 12: Budget execution rates (approved vs. actual spending): 2014/15 to 2017/18



Source: World Bank Boost Database (2017) and Government of Lesotho National Budget 2018/19 (2018).

Takeaways

- Budget credibility in the health sector is erratic in Lesotho. In both 2016/17 and 2017/18, only 54 per cent of the approved recurrent budget was released.
- The budget execution rate is also low or erratic. The execution rate of the entire budget varied from 90 per cent in 2014/15, to 86 per cent in 2018/19.

7 Budget credibility is assessed by comparing the variation between the approved budget and the released budget.

8 Budget execution is the difference between the approved budget and actual spending.

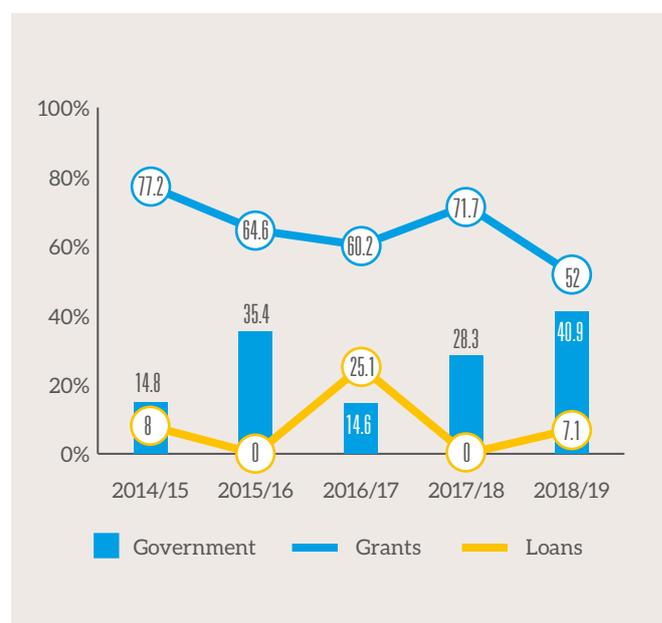
5. Financing the health sector

The recurrent budget is fully funded by the Government of Lesotho, while the development budget is supplemented by donor support in the form of grants and loans. Major development partners supporting the health sector in Lesotho include the President's Emergency Plan for AIDS Relief; the Global Fund to Fight AIDS, Tuberculosis and Malaria; the United Nations Children's Fund (UNICEF); the United Nations Population Fund; and the World Bank.

- The United Nations Population Fund provides for population activities to support district sexual and reproductive health mentors.
- The World Bank helps to implement a performance-based financing programme to incentivize improvements in maternal and child health in selected districts.
- The Millennium Challenge Corporation has made major investments in refurbishing and equipping all health centres in the country.
- The Christian Health Association of Lesotho is responsible for providing both general hospital and health centres, while the private sector is also active in managing over 94 health centres and one tertiary hospital in Maseru.

There are credibility issues around the development health budget. Between 2014/15 and 2018/19, there was strong variation between the government and donor shares at the approved budget stage. In some years, for example 2015/16, loans for the health development budget were as low as zero per cent, and as high as 25 per cent in other years. Equally, the share of the government's contribution to the health development budget fluctuated sharply, from 14.6 per cent of total financing in 2014/15 to 40.9 per cent in 2018/19.

Figure 13: Sources of finance for the development budget: 2014/15 to 2018/19



Source: World Bank Boost Database (2017), Government of Lesotho National Budget 2018/19 (2018) and author's own calculations.

Takeways

- There are credibility issues with the development budget. It does not appear to provide an accurate reflection of government financial resources because of weak public financial management.



Chief Budget Officer

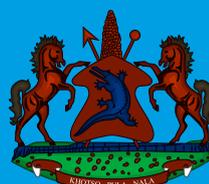
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