

Health Care Financing in Tanzania

2005 FACT SHEET No. 4

HEALTH SECTOR PUBLIC EXPENDITURE

Introduction:

Tanzania has remained strongly committed since independence to financing the provision of basic social services including health services. In the health sector emphasis is on strengthening of Primary Health Care Services as it is believed to be the most cost effective services. A number of achievements have been realized especially increased accessibility and provision of preventive and promotive health care to the rural poor. However, despite the availability of sound health policy, shortage of resources available to health sector is evident. Although, there is evidence of increased resources in the health sector over the period of the Poverty Reduction Strategy implementation, the resources are not adequate especially when health care needs are increasing and costs are escalating.

In efforts to address the financing difficulties and shortfalls in the health sector budget allocation, the Ministry of Health embarked on extensive health financing reforms in order to improve efficiency and effectiveness of the use of resources. The health care financing reforms were operationalized under the Health Sector Programme of Work (POW 1999 – 2002), reinforced in the Health Sector Strategic Plan 2003-2008 and through the ongoing Public Financial Management Reform Programme (PFMRP). Tanzania Health Care Financing reforms mainly focused on following key areas: i) Strengthening of budgetary framework; ii) Financial resources mobilization (GoT budget, Development partners providing support through Basket funds and outside the Basket); iii) Cost sharing through user fees; iv) Community Health Fund; v) National Health Insurance Fund; and vi) Capitalization of Hospital Pharmacies and Drug Revolving Fund.

Strengthening of budgetary framework

The budgeting framework has been strengthened to increase its transparency and resources practicability. Moreover, studies investigating the pattern of health expenditures have been undertaken during the reform period which includes studies on Health Sector Public Expenditure Reviews (PER) carried annually

since 1998 to date and National Health Accounts (NHA) which took place in 2000. The PER has become an established component of the government planning and budgeting process, with one of its key objectives being to ensure that the expenditure patterns of the government match the policy priorities as stipulated in the Poverty Reduction Strategy and more recently the new MKUKUTA¹. The NHA is undertaken every few years and supplements the annual PER with additional information on the private sector and out-of pocket expenditure by households on health care. Therefore, giving a comprehensive picture on health expenditure in the country

Since 2000/2001 the MOH started preparing a rolling three years Medium Term Expenditure Framework (MTEF). The MTEF is a prioritized three year integrated (Recurrent and Development, GOT and Development Partners) budget estimates, based on clearly defined performance indicators within a strategic plan. The MTEF has improved the predictive value of budgets by extending the coverage of Integrating Development Partners Finance into the budget framework in the form of Health Basket Fund and non basket resources in order to support the agreed priorities, to ensure increased shift of development partner finance towards broader budget support (i.e. allocation across capital and recurrent cost), it has further strengthened output orientated budget focusing on services delivery improvement. The adoption of MTEF has substantially improved budget Management and accountability of the Health Sector. Moreover, it has been further enhanced through the establishment of Comprehensive Council Health Plans (CCHPs) at the Local Government Authority level. Therefore, all of these measures has enabled the capturing of different sources of financing of the sector, including Government, Local Government, Basket funding, Development Partners who finance health services through projects or programmes and NGOs. However, expenditures from private providers including NGOs and FBs still remain difficult to capture as there is insufficient information available on the financing of health services in the private sector.

Resource Mobilization

In the course of implementation of the HSSP 2003-2008 progress has been recorded in increasing budgetary allocation to the health sector in general. Although this is encouraging, it has been noted that although Health has showed a slight gain in its share of the overall government spending, it has not yet regained the level attained in the earlier years of the PRS1. The expenditure patterns indicate that the increase in Primary Health Care spending is a result of both government and basket funding to the Local Government Authorities. However, the main source of additional funds was the Government grants to councils and commitments towards eradication of poverty to the Community.

¹ Mkakati wa Kukuza Uchumi na Kuondoa Umaskini Tanzania (MKUKUTA) or the National Strategy for Growth and Reduction of Poverty.

Four complementary financing options of health financing i.e. User fees, Community Health Fund, National Health Insurance and Drug Revolving Fund were either been reinforced or initiated. The sources of financing the sector include the Basket funding from pooling partners, Government, Local Government, NGOs and other Development Partners who finance health services through vertical programmes. However, funds for private providers are not known since there is inadequate information on the private for profit sector.

The most recent Public Expenditure Report (Draft) April 2005 reveals that the absolute value of expenditure on priority items in the Sector has risen consistently in recent years, although the rate of growth has slowed. The per capita spending has seen a substantial increase at USD 7.42 for FY05, however, it still remains low in relation to costs of delivering on health sector goals. The Sector faces many competing priorities – existing demands and new demands, with limited resources available to finance everything. Therefore, difficult strategic decisions have to be made by the Sector both in the short and medium term.

In terms of the general performance of the Sector, a number of reports indicate that there has been improvement in health service delivery between 2000 and 2003. High levels of child immunization have been maintained and increasing shares of the health budget are going to the districts health services. Overall progress on social indicators has been modest; there has been little change in the high levels of mortality of children under five years of age, maternal mortality or in child nutrition rate. In view of this, the health sector strategy has increased the focus on interventions towards the rural poor, especially by scaling-up cost effective interventions (including routine immunisation, VCT, ITNs, Integrated Management of Child Illnesses) and targeting those disease which lead to the greatest morbidity and mortality. This will help to reduce mortality of children under fives and mortality in general.

Regarding improvement of disbursement system and financial management system, the financial management of health resources has improved over the last years. The Ministry of Health is using the government system for preparation of physical and financial reports on quarterly bases as the monitoring tool. At the same time the Integrated Financial Management System (IFMS) is used in the control and monitoring of the implementation of planned activities. However, lack of enough trained staff on IFMS analysis and financial management is among the major problem facing the health sector at different levels. Other problems includes the delay in disbursement of pooled funds, disbursement of government funds not following the prepared cash flow, the expenditure for activities which are not budgeted for, the problem resulted from the use of the IFMS i.e. warranting of funds from Accounts Department to other Department and delay in procurement of good and services.

Remaining challenges:

The Sector is currently challenged by existing demands and new demands. It is not just that the funds in the sector are currently constrained but it is becoming increasingly more costly to provide health care – new vaccines, more expensive and effective antimalarials, essential commodities, ARVs and scaling up cost effective interventions.

The changing nature of support to the Government of Tanzania by external development partners with substantial funds being channeled through General Budget Support (GBS) and not directly to the Health Sector. This has implications for the Sector in terms of securing an increasing share of Government budgetary resources.

The new MKUKUTA which has moved away from the concept of priority sectors to focus on a number of priority outcomes and which has brought challenges to the Sector budgetary process.

There is still a problem of coding for both Recurrent and Development and other Recurrent Fund despite the fact that there has been an attempt to address it. The problem is related to how external development assistance is captured in the budget. Irrespective of its nature of expenditure whether it is recurrent or development all foreign assistance is captured as development expenditure. These create problems in reporting and auditing. The Ministry of Finance is working on this problem. However, capacity building is needed for both Budget officers and Accounts Department staff in coding procedures, IFMS operations, computer skills, data analysis and financial management in general.

Costing of Essential Health Package will help to give the actual requirements at district level. There is a need also to cost services at regional, referral, national levels and community levels.