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LESOTHO HEALTH BUDGET BRIEF

1 NOVEMBER 2017

This budget brief is one of four that explores the extent to which the national budget addresses the needs of the health of Lesotho population. This brief analyses the size and composition of budget allocations for the health sector for the 2017/18 fiscal year, and offers insights into the efficiency, equity and adequacy of past spending. The main objectives of the brief are firstly, to synthesise complex budget information so that it can be easily understood by all stakeholders, and secondly, to put forth key messages which can inform policy and budgeting decision-making processes.



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KEY MESSAGES

- The ratio of doctors and nurse-midwives to population are below the WHO AFRO regional average and the distribution of health workers among different health facilities is inequitable. Thus to ensure equitable health services, the Government needs to ensure that there are at least 2.6 doctors and 12.0 nurses for every 1000 population; and balance the distribution of health staff among different types of health facilities through judicious administration.
- Maternal, and infant mortalities are exceptionally high at 1024 per 100,000, and 59 per 1000 respectively. The Government needs to improve access to emergency obstetric-care services as well as prenatal and postnatal care for further reduction.
- The rate of stunting in Lesotho is little below the average rate of nutrition in Sub-Saharan Africa Region but the highest among the neighbouring countries. Therefore, integrated community-based nutrition interventions are needed through innovative approaches.
- Lesotho is one of the highest HIV prevalent countries in the world. The high prevalence of HIV and AIDS accounts for more than 40 per cent of all deaths in Lesotho. Thus addressing the issue, going beyond the conventional response, it is important not only from the perspective of human rights but also from an economic perspective. The country could save many resources by averting new infections and then investing those resources in productive sectors for sustainable growth.
- The Health Sector real budget percentage of national budget and gross domestic product (GDP) has been decreasing over time. Although the rate of spending is the second highest in Lesotho, after education, it remains stagnant at 11-12 per cent of total nominal expenditures over the last five years and has significantly decreased as a percentage of GDP from 12.6 per cent to 6.2 per cent. The rate of allocation is almost 3 per cent below the Abuja target of 15 per cent of the national budget. It is thus clear that the Government needs to increase health efficiency compared to the size of budget allocation to health to improve the health outcome in the country.
- Health spending is dominated by recurrent spending. Recurrent budget accounts for about 90 per cent of total health spending, indicating a little improvement in the current fiscal year. Of the recurrent budget, more than half was spent on general administration (where more than 90 per cent of the funds account for purchase of health services to health organisations such as the Christian Health Association of Lesotho (CHAL), Tsépong, and Red Cross etc.) which is a huge investment for health service and education. However recurrent spending continues to crowd out development investments and undermine the investment in development to improve health outcomes.
- Budgetary allocations to child health programmes are disproportionately low. About 33 per cent of the health budget was allocated to child health programmes in the current fiscal year, while children represent 38 per cent of Lesotho's population.
- Credibility and spending of recurrent health budget is high, dominated by the wage bill, but the performance of the development budget, both in terms of credibility and spending, is very poor. This situation is not only in health but across all sectors and deserves special attention by the Government to enhance predictability of funding for better development outcomes.

INTRODUCTION

In Lesotho, health services are delivered across primary, secondary and tertiary levels. In total, there are 286 health facilities across the country: 265 primary health care centres, 20 general district hospitals and a tertiary referral hospital, Queen Mamohato Memorial Hospital (QMMH) located in Maseru. The GoL operates 40 per cent of the primary health centres in the country and 55 per cent of the hospitals.

The health sector is guided by the National Development Plan and a strategic sector plan. Both the plans focus on reducing infant, under-5 and maternal mortality, and improving child nutrition. In doing so the sector's strategic plan objectives are to (i) improve the coverage of health facilities; (ii) improve planning, health information and the public financial management system; (iii) improve quality and coverage of health prevention; (iv) improve systems for pharmaceuticals; (v) improve the health laboratory system; (vi) establish institutions for development of high-end skills and (vii) strengthen public-private partnership. The strategy emphasised the removal of bottlenecks related to shortage of health professionals predominantly in remote areas.

The Ministry of Health (MoH) is mandated for the management of the health sector with the support of partners. It is responsible for the formulation of policies, regulations and norms, and standards and guidelines for health services as well as mobilisation of finances. The MoH collaborates with a number of partners including the United Nations Systems, the World Bank, the Millennium Challenge Corporation, the Christian Health Association of Lesotho (CHAL), and national and international non-government organisations (NGOs).

The ratio of doctors to population and nurse-midwives is below the World Health Organisation Regional Office for

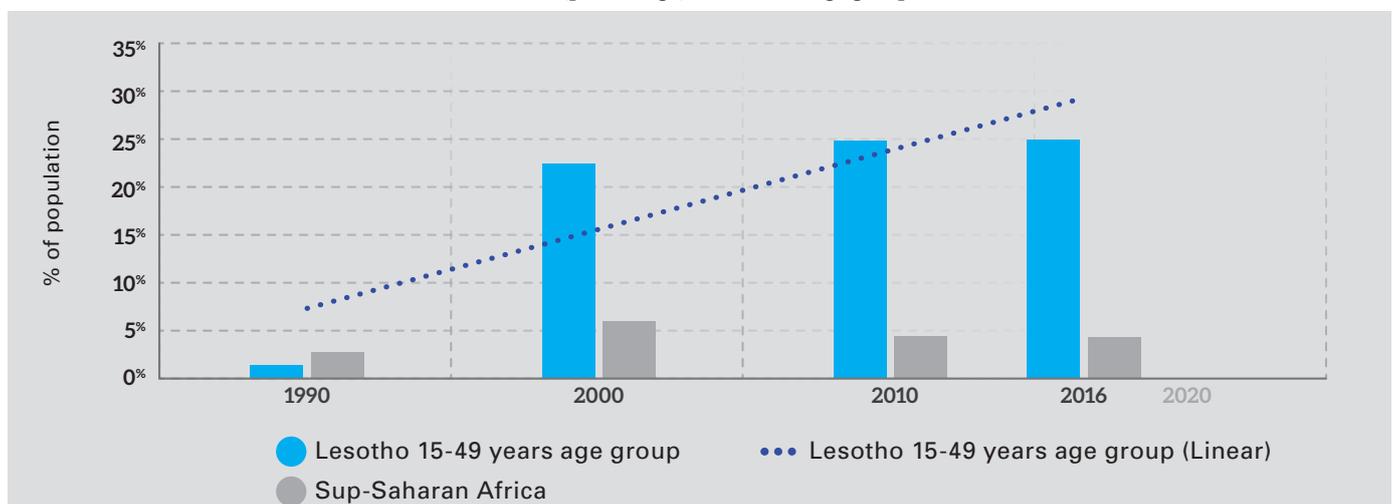
Africa's (WHO AFRO) average and distribution of health workers among different health facilities. The ratio of doctors to population is 0.9 per 10,000 and the ratio of nurse-midwives to population is 10.2 per 10,000. The WHO AFRO average for doctors is 2.6 and distribution of health workers is 12.0. Primary health centres had 51 per cent of the nursing and medical staff they needed, while hospitals had 250 per cent of the nurse-midwives and 450 per cent of the nursing assistants needed to meet current demand for services¹.

Despite health being a priority sector, life expectancy remains one of the lowest in both the region and the world. Since 2005 life expectancy has increased only marginally, from 44 to 50 years (53.7 for women and 47.1 men), but alarmingly, it remains 18 years lower than the average (68 years), observed for lower middle-income countries. From a regional perspective life expectancy is also below the average for Sub-Saharan Africa (50 years versus 60 years)².

Lesotho is one of the highest HIV prevalent countries in the world with the incidence among adults at about 25 per cent (Figure 1). While this level has remained stable since 2000, the prevalence is more than five times higher than the average for Sub-Saharan Africa (SSA) but remains in line with Botswana, South Africa and Swaziland, where rates average between 19 and 28 per cent. Among children aged 0-14 years, the rate of prevalence is 2.1 per cent³. HIV and AIDS is by far the main cause of mortality in Lesotho, which accounts for more than 40 per cent of all deaths⁴.

Infants, children and women are disproportionately affected by poor health outcomes in Lesotho. Mortality rates among infants, children and women are the highest in Southern Africa and is the highest in the

FIGURE 1: Prevalence of HIV (percentage), at different age groups, Lesotho and Sub-Saharan Africa, 1990 to 2016.



Source: World Bank, Health Nutrition and Population Statistics database (2017)

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

2. *ibid*

3. LePHIA preliminary estimates 2017, Ministry of Health, Lesotho.

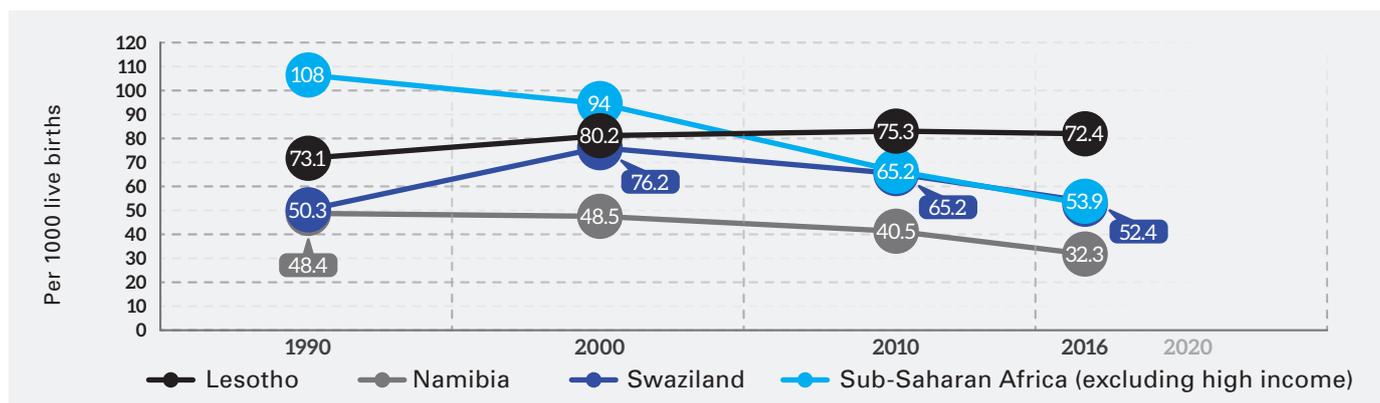
4. Government of Lesotho (2014) Lesotho Demographic and Health Survey (LDHS), 2014

world (Figure 2). The main causes of death among children include HIV and AIDS (20 per cent), followed by premature birth, birth asphyxia and acute respiratory tract infections, which account for more than 60 per cent of deaths⁵.

Stunting rate in Lesotho is a little below the average rate in Sub-Saharan Africa Region but the highest among the neighbouring countries. Approximately 10 per cent of children under five are underweight, while 33 per cent are stunted, which is the second highest rate

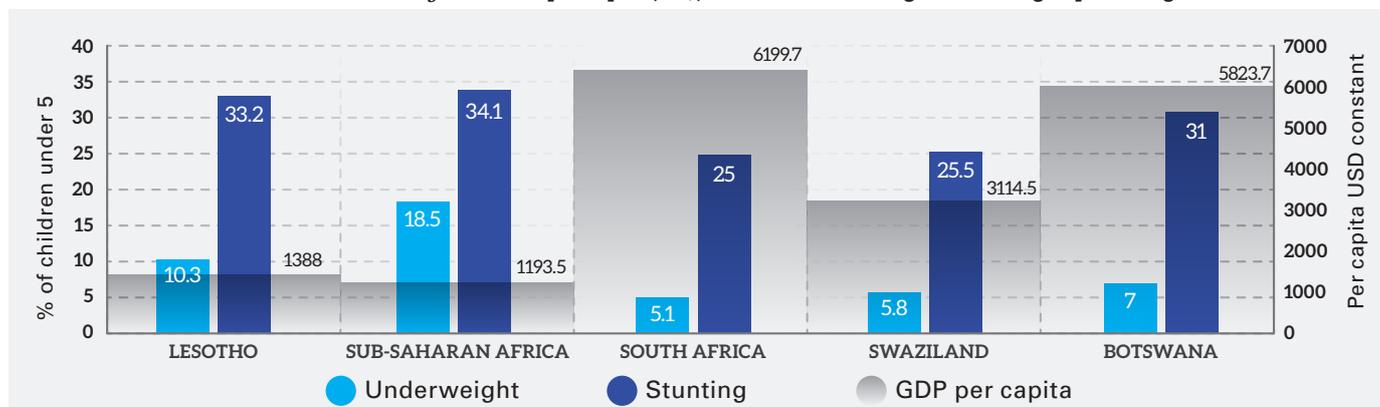
in the region after Zambia (Figure 3). To tackle nutrition-related challenges for children, the Government joined the Scaling Up Nutrition (SUN) movement in 2014 and has been promoting multi-sectoral responses. Currently, the MoH is responsible for curative and preventative nutrition strategies, while the Minister of Agriculture and Food Security is responsible for preventative nutrition activities at the community level, and the Ministry of Education is responsible for the comprehensive development of children under five years.

FIGURE 2: Under-five mortality rates, per 1000 live births, in some selected countries, 1990-2016.



Source: World Bank, Health Nutrition and Population Statistics database (2017)

FIGURE 3: Real GDP per capita (US\$) and rates of stunting and wasting as percentage of children under 5.



Source: World Development Indicators (extracted 2017)

TAKEAWAYS

- Infants, children and women are disproportionately affected by poor health outcomes in Lesotho.
- The ratio of doctors to population and nurse-midwives is below the WHO AFRO regional average, and distribution of health workers among different health facilities is imbalanced.
- The Basotho people have among the shortest lifespans in the world, which indicates substantial room for improvement of the health system.
- Lesotho is one of the highest HIV prevalent countries in the world, contributing to 40 per cent of total deaths.
- Child mortality and malnutrition are pervasive and widespread.
- Addressing the situation requires scaled-up efforts to prevent and treat HIV and AIDS, improve access to emergency obstetric-care services and continue to strengthen cross-sectoral approaches to address malnutrition.

5. World Bank (2017), Public Expenditure Review of Health: Lesotho, Washington, D.C.

HEALTH SPENDING TRENDS

Expenditure in health as a percentage of national budget does not indicate a consistent increasing or decreasing trend, but as a percentage of GDP, it has been declining. The proportion of health expenditure, over the last five years, remained within the ambit of 11-12 per cent; but as a percentage of GDP, it decreased from 12.6 per cent in 2015/16 to 6.2 per cent in 2017/18 (Figure 4.)

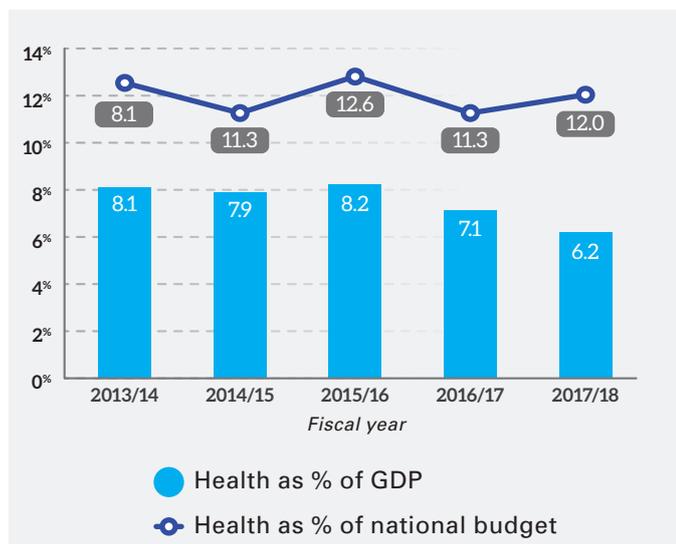
Despite receiving the second highest allocation, Lesotho’s investment in the health sector is one of the lowest among the neighbouring countries and falls short of meeting its commitment to the Abuja Declaration. In the current fiscal year, 12 per cent of the total budget was allocated to the health sector. This falls far below the Government’s commitment to the

Abuja Declaration (15 per cent of the national budget for health) as well as below its neighbours, with the exception of Botswana (Figure 4).

The health sector received the second highest allocation of national budget after education. In the 2017/18 fiscal year, the health sector was allocated about 12 per cent of the national budget (Figure 5). The extent of the allocation remained almost the same over the last five years. The average proportion of allocation to the health sector, over the period between 2013/14 and 2017/18, was 11.94 per cent of total expenditures.

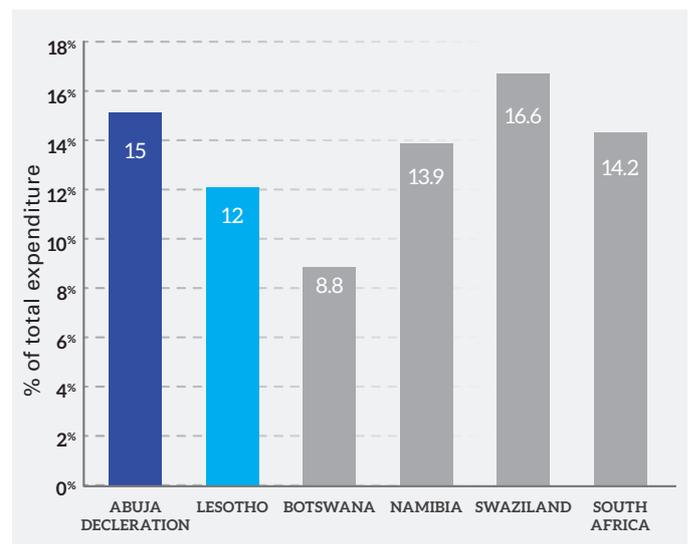
Of the health sector budget in 2017/18, a total of M280 million (or 1.7 per cent of the national budget) was allocated to HIV and AIDS to implement the test and

FIGURE 4: Figure 4: Trend of health expenditure as proportion of GDP and national budget, 2013/14 to 2017/18, Lesotho.



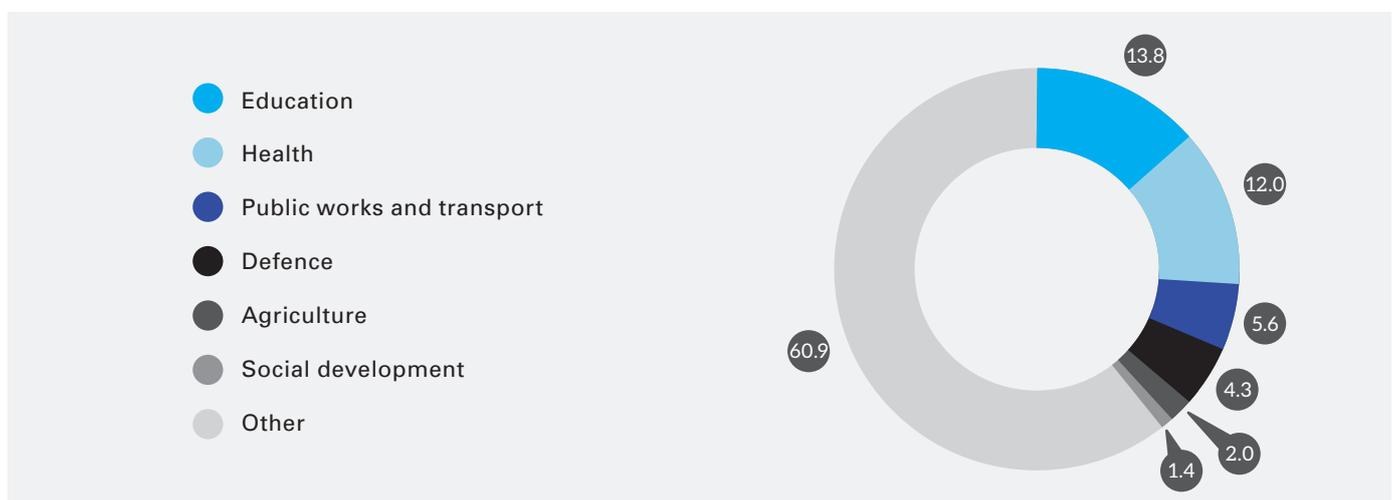
Source: Authors estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget 2017/18 (2017).

FIGURE 5: Lesotho’s 2017/18 health sector budget (as a percentage of national budget) in comparison with that of neighbouring countries and the Abuja Declaration.



Source: World Development Indicators

FIGURE 6: Allocation of national budget (as a percentage) in different sectors in 2017/18, Lesotho.



Source: World Bank Boost Database (2017), GoL National Budget 2017/18 (2017), and author’s own calculations

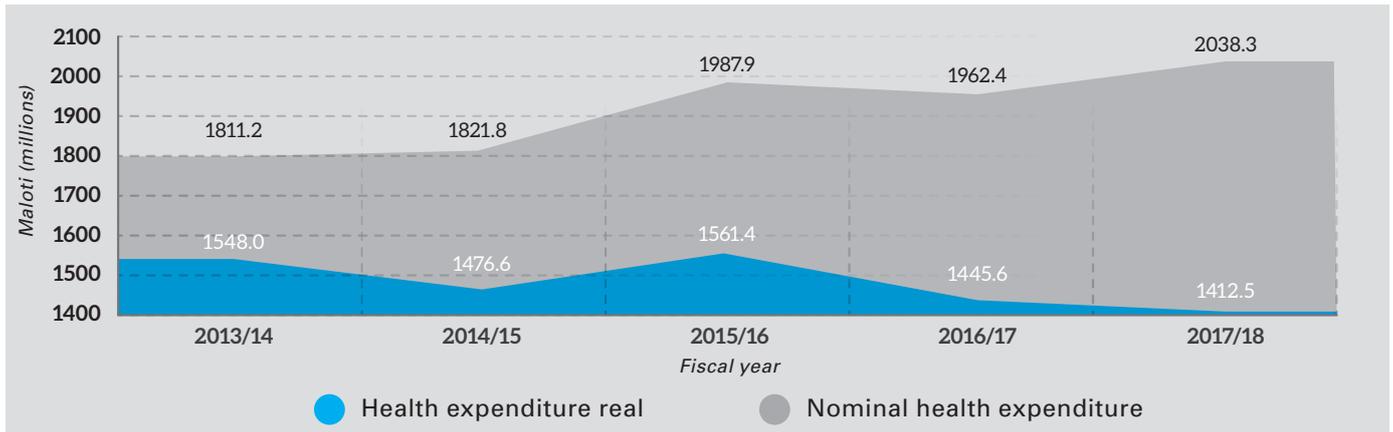
treat principle which is about providing Antiretroviral Treatment (ART) to all persons who test and are diagnosed as HIV positive.

Despite growth in nominal spending in recent years, budget allocations to the health sector in real terms have declined significantly. In nominal terms total spending increased by an average of 3.7 per cent between 2013/14 and 2016/17 (Figure 6). When adjusting for inflation for the same period of time, spending has

been declining by an average of 2.7 per cent. In the 2017/18 fiscal year, nominal allocation to the health sector increased by M75.9 million (5.8 million US\$).

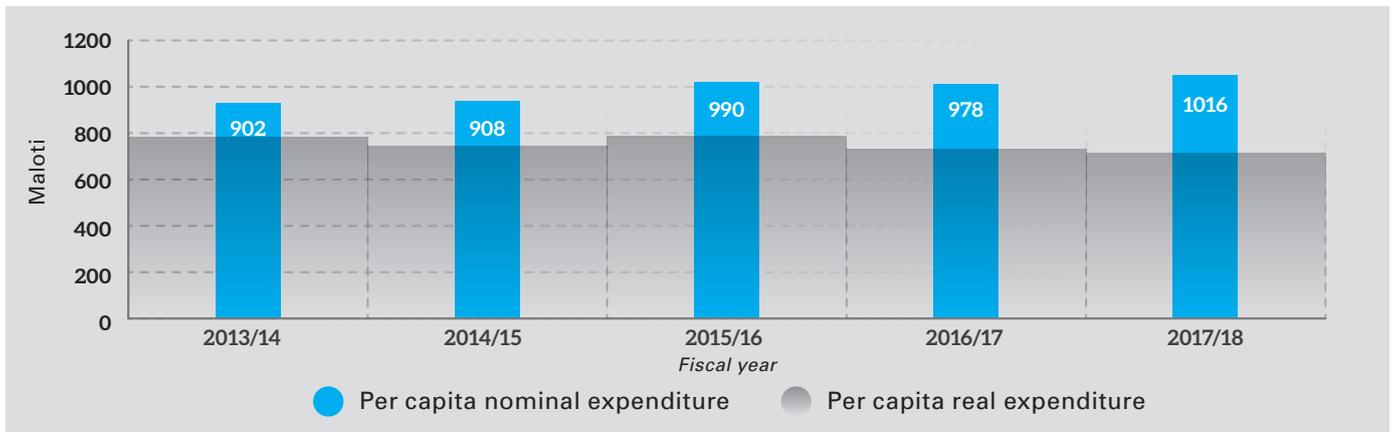
Similarly, public expenditure per capita in nominal terms has increased, but in real terms it has decreased. Per capita nominal expenditure consistently increased from 2013/14 to 2017/18 with a drop in 2016/17 (Figure 7). But the expenditure in real terms has consistently been decreased from M778 in 2015/16 to M704 in 2017/18.

FIGURE 7: Nominal versus real expenditure in Health, 2013/14-2017/18, Lesotho.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).

FIGURE 8: Nominal and real per capita health spending (in Maloti), 2013/14 to 2017/18, Lesotho.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).

TAKEAWAYS

- Expenditure in health as a percentage of national budget does not indicate a consistent increasing or decreasing trend but as a percentage of GDP it has been declining.
- The health sector received the second highest allocation of national budget after education.
- Despite receiving the second highest allocation, Lesotho's investment in the health sector is one of the lowest among the neighbouring countries and falls short of meeting its commitment to the Abuja Declaration.
- Despite growth in nominal spending in recent years, budget allocations to the health sector in real terms have declined significantly.
- Similarly, public expenditure per capita in nominal terms has increased but in real terms it has decreased.
- Given the immense health challenges facing the country, the government needs to prioritise health sector investments in terms of health service efficiency and allocation, quality of expenditure and size of investment.

COMPOSITION OF HEALTH SPENDING

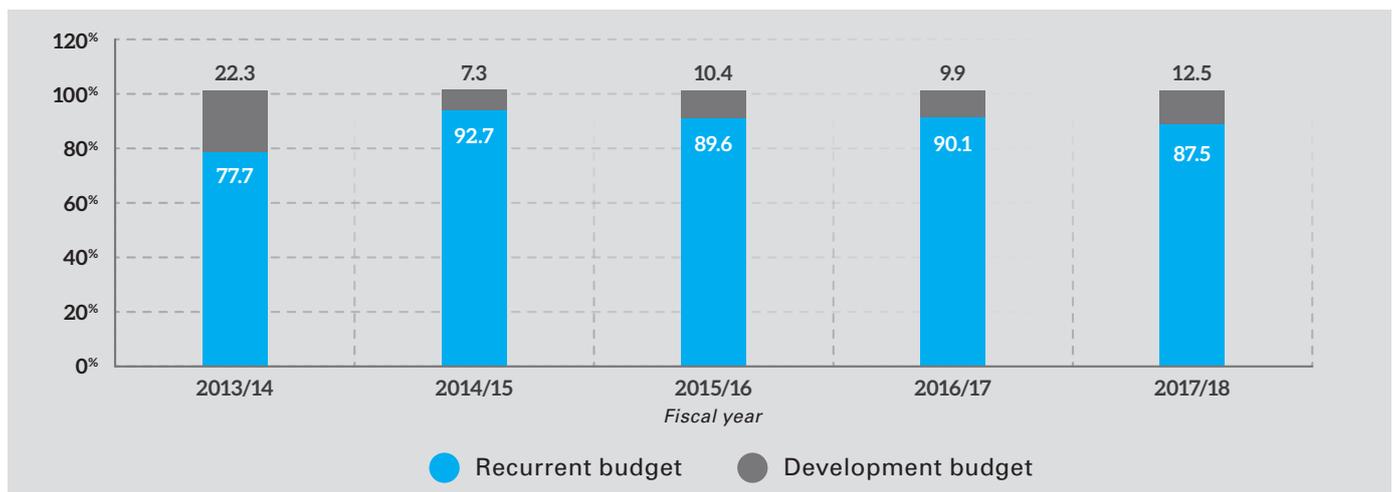
Recurrent spending on health has remained steadily very high. Development spending peaked at 22 per cent of the health budget in the 2013/14 fiscal year, but fell drastically to only 7.3 per cent of the budget in the following year and has remained around 10 per cent since (Figure 8). One possible explanation for the decline in development spending is donor preferences to channel their resources outside of the Government channels⁶.

Of the recurrent budget, more than half goes to general administration (where more than 90 per cent of the funds account for purchases of health services from health organisations such as CHAL, Tsépong, and Red Cross). Recurrent budget is allocated across 37 cost centres and sub-cost centres. Administration was allocated 54.2 per cent of the total recurrent budget followed by training (17.3 per cent) and secondary health (16 per cent) (Figure 10). There was no budget for health education in 2016/17. Under administration, budget of

all cost centres was increased over the last five years except for Disease Control, District Hospitals, and Blood Transfusion. However, the growth was not uniform across all cost centres. While this growth shows positive intent of the Government to improve the capacity of its health centres, funding for the operation of these centres only represented 6 per cent of total recurrent budget expenditures in 2017 (Figure 9).

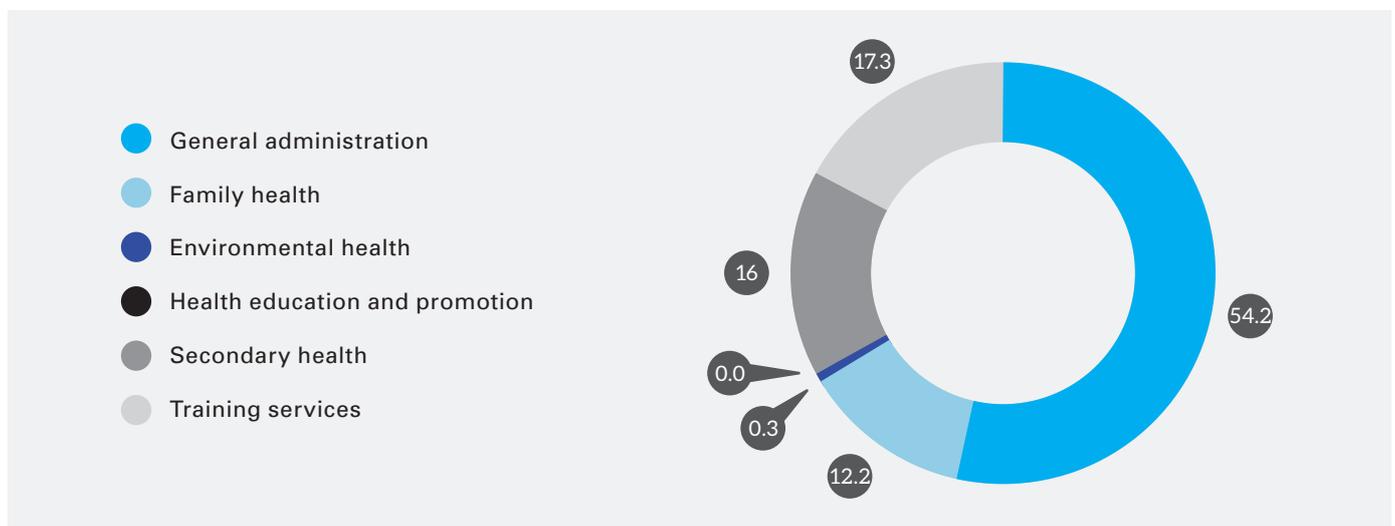
Budgetary allocations to child health programmes are disproportionately low. While 38 per cent of the population are children, the allocation for them in 2017/18 was 33.3 per cent of total health spending. In the current fiscal year, a total of M65.9 million or US\$ 4.8 million was allocated to immunisation, maternal, new born and child health care (Figure 10). However, this amount is not sufficient to meet the major challenges of infant and child mortality as well as the very high rates of malnutrition and stunting.

FIGURE 9: Recurrent and development expenditures as a percentage of total health expenditure, 2013/14 -2016/17, Lesotho.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017).

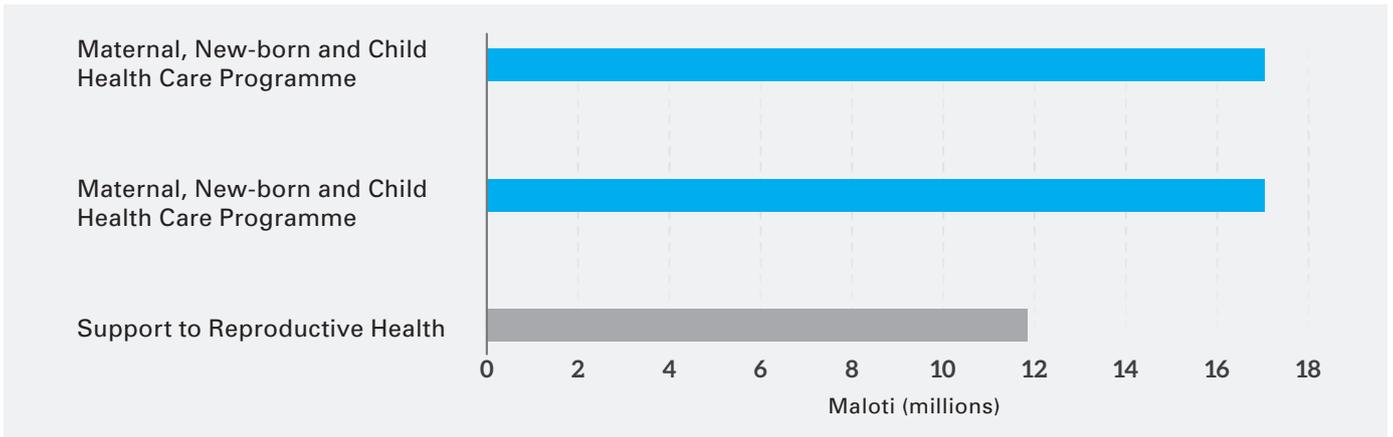
FIGURE 10: Allocation of health sector budget among different departments, 2016/17, Lesotho.



Source: Author's estimation based on World Bank Boost Database (2017), Government of Lesotho National Budget, 2017 - 2018 (2017), 2017 - 2018 (2017).

6. World Bank (2017), Public Expenditure Review of Health: Lesotho, Washington, D.C.

FIGURE 11: Budget Allocations to child-focused programmes 2017/18, millions of Maloti.



Source: GoL National Budget 2017/18 (2017), and author's own calculations

TAKEAWAYS

- In recent years, recurrent spending has been nearly 90 per cent of the health sector budget. This consumption is considered too high. It indicates potentially serious inefficiencies in the use of resources, such as salaries available to pay nurses, but no funding to build new health centres in remote areas.
- The practice of donors providing 'off budget' support undermines budgeting and planning processes, prevents institutional and systems development, and leads to fragmentation and duplication of services.
- The cost of treating HIV and AIDS as well as the years of lost productivity from early HIV and AIDS related deaths is a huge recurrent cost for government. The Government must do more to reduce new cases and treat those affected so that they can live productive healthy lives.
- Budgetary allocations to child health programmes are disproportionately low. The amount is not sufficient to meet the major challenges of infant and child mortality as well as the very high rates of malnutrition and stunting.



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BUDGET CREDIBILITY AND EXECUTION

Budget credibility for the recurrent budget has remained high in recent years, except for 2016/17.

Recurrent budget as a percentage of approved budget was close to 100 per cent (Figure 11). In Lesotho the recurrent health budget is dominated by wages and travel outlays for staff. The budget is thus delivered as approved because there is little variance in these inputs during the year. However, in 2016/17 the whole recurrent budget across all ministries was affected by economic slowdown in Lesotho and South Africa, leading to very low turnouts for revenues, and in particular the South African Customs Union (SACU) revenues, which are highly dependent on strong import growth demands from South Africa.

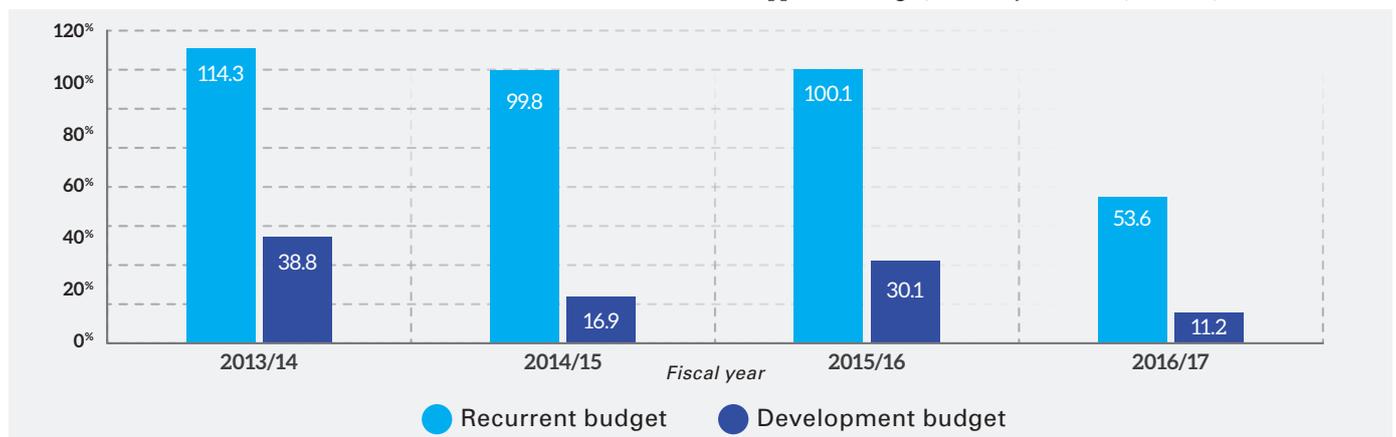
The performance of the development budget, by contrast, is characterised by chronic underspending across all government ministries including health.

The development budget for health is managed by the MoH Project Accounting Unit. It is project-based and primarily includes the Government funding with

additional projects, dependent on counterpart funds from donors, for budget execution. As discussed in the next section, grant funding for projects funded under this category, has seriously declined over the last five years, owing to donors executing their projects off-budget. Because the development budget is project-based, its execution varies heavily from year to year. Notwithstanding, there appears to be very little credibility of this project-based category, which ultimately demonstrates that linkages between planning and budgeting in the health sector need to be urgently strengthened.

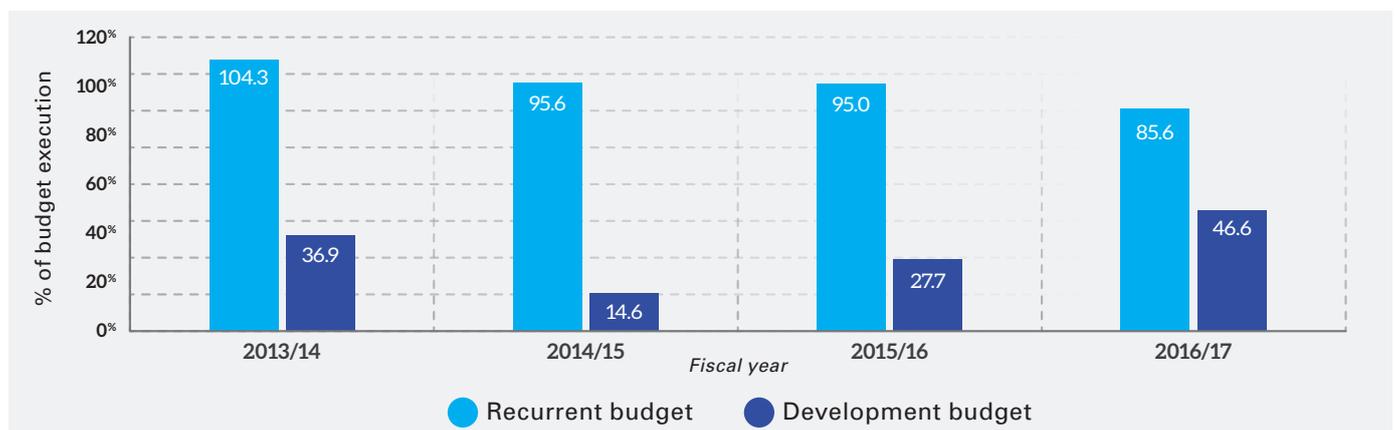
The rate of budget execution for the recurrent health budget is high, whereas for the development budget, the rate is very low. The rate of recurrent budget execution ranged from about 96 per cent to 86 per cent over the last three years with a declining trend (Figure 12). Budget execution is high for recurrent budgets because they are dominated by wages and other compensation for health employees.

FIGURE 12: Released budget (recurrent and development) as a percentage of approved budget, Ministry of Health, Lesotho, 2013/14-2016/17.



Source: World Bank Boost Database (2017)

FIGURE 13: Recurrent and development budget execution, as a percentage of the released budget, Ministry of Health, 2013/14-2016/17, Lesotho.



Source: World Bank Boost (2017)

The development budget by contrast has very low execution rates ranging from about 39 per cent in 2013/14 to 11 per cent in 2016/17. This is because of very weak capacity of budget heads to spend resources. From an absolute perspective, it is possible that execution of the development budget was higher in 2016/17 because budget heads had fewer projects to implement, owing to across-the-board budget cuts for the 2016/17 released budget.

Budget credibility of the HIV and AIDS programme is also weak but the execution rate is high. In 2015/16, 4.9 per cent of the health sector budget was committed to HIV but only 3.1 per cent was released (Figure 13) which is only 66 per cent of the committed budget. The proportion of released budget increased to 88 per cent in the 2016/17 fiscal year. Execution rate of the HIV and AIDs programme budget is very good, about 100 per cent. In 2016/17, all of the budget released was executed.

FINANCING THE HEALTH SECTOR

Lesotho health Sector is mainly financed by the Government, with a comparatively small and declining source of funds coming from donors. Above 90 per cent of the health sector budget is financed from Government sources (Figure 14). In the 2016/17 fiscal year, the total budget for health was M1,962.4 million. Of the budget, M1782.9 million (90.8 per cent) came from the Government sources, M155.8 million (7.9 per cent) came from counterpart budget and M23.8 million came from grants. Donor financing, as a percentage of the total health sector budget, declined in real terms from 8.6 per cent in 2013/14 to 1.2 per cent in 2016/17. Counterpart funds, as a share of total health expenditures, also declined from 17.8 per cent in 2013/15 to 8.7 per cent in the 2016/17 fiscal year (Figure 14).

Of the grants, the major share came from Global funds (Figure 15).

Patients in Lesotho spend less on an out-of-pocket basis than most other Sub-Saharan Africa countries. According to Lesotho Health Expenditure Review 2017, of the health expenditure, out-of-pocket expenditure or private expenditure is 24 per cent; the Government expenditure is 44 per cent; and external, financed by development partners, is approximately 32 per cent.

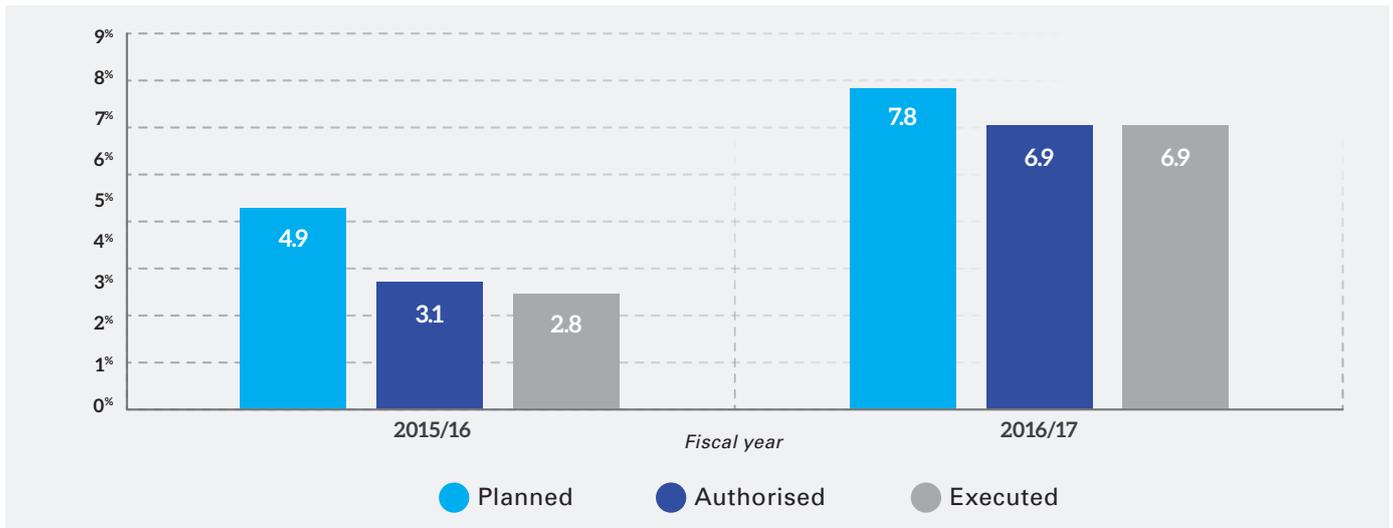
TAKEAWAYS

- **The recurrent budget shows high levels of budget credibility and execution because recurrent expenditures are dominated by wages and other compensation for health employees. ???**
- **The development budget shows weak credibility and execution rate because it is a project-based budget and donor resources often do not materialise as planned.**
- **The budget credibility of HIV and AIDS is also low like other sectors but the execution rate is very good, indicating good capacity of the programme towards implementation of budget.**

TAKEAWAYS

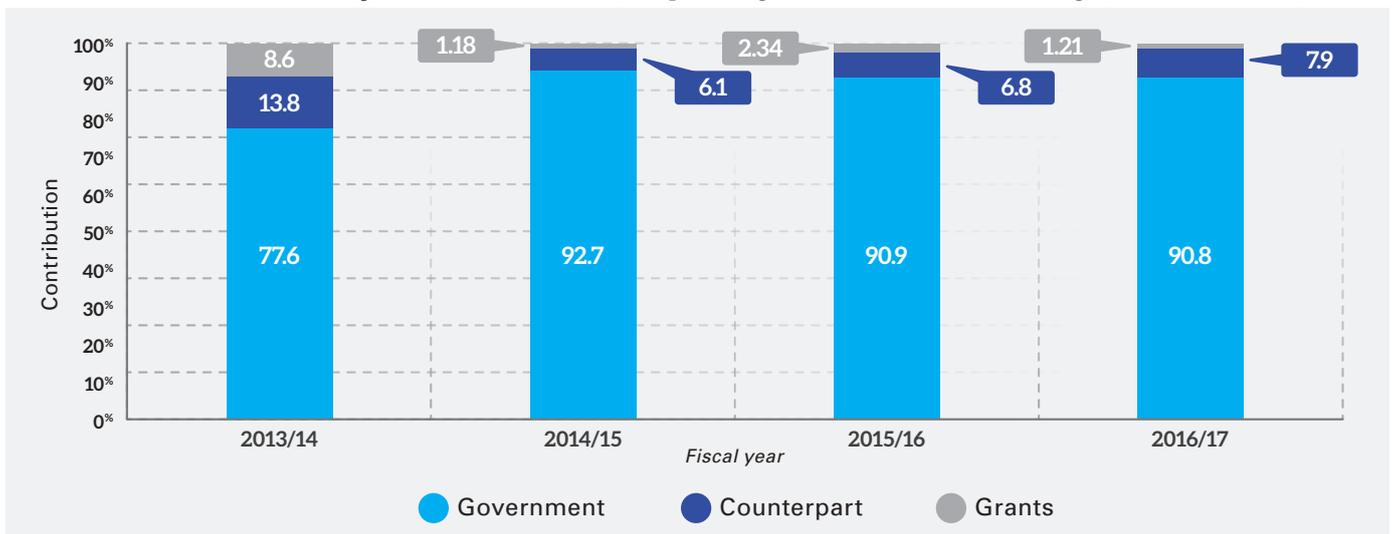
- **Lesotho health Sector is mainly financed by the Government, with a comparatively small and declining source of funds coming from donors.**
- **There has been a massive decline in donor support in recent years, which heightens the urgency of the Government to increase spending through domestic revenue.**
- **Global Fund is the largest contributor of grants.**
- **People in Lesotho spend less on an out-of-pocket basis than most other Sub-Saharan Africa countries.**

FIGURE 14: Budget allocation, release and execution, as a percentage of the health sector budget, HIV and AIDS Prevention and Cure, 2015/16 and 2016/17, Lesotho.



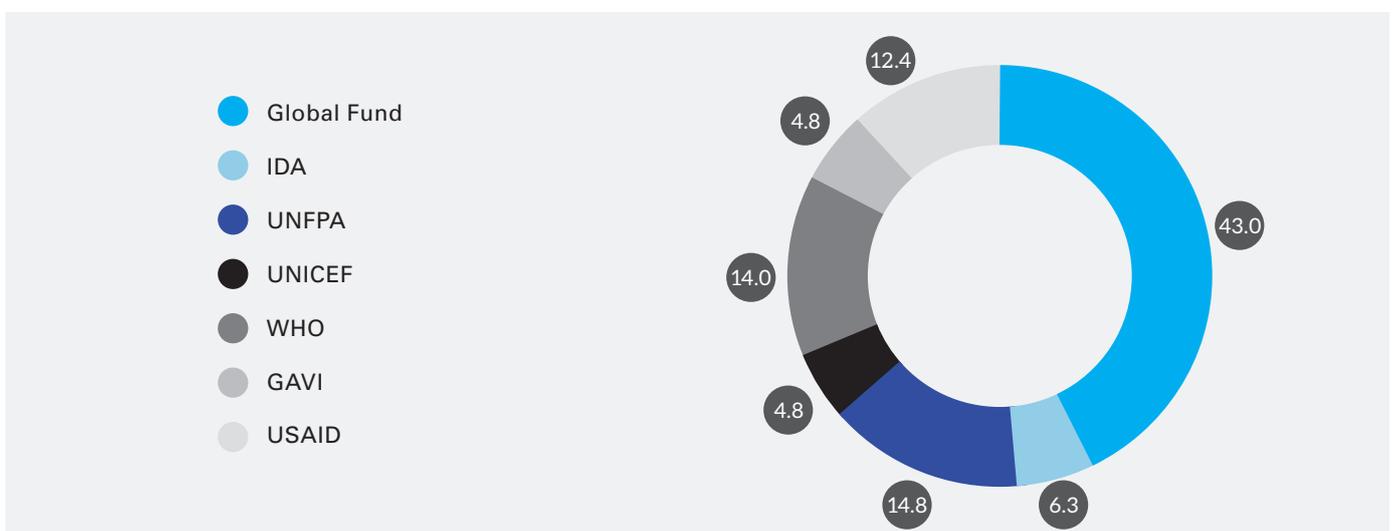
Source: Authors' estimation based on World Bank Boost Database (2017), GoL National Budget 2017/18 (2017)

FIGURE 15: Sources of health sector, as a percentage of the total health sector budget, 2013/14 to 2016/17, Lesotho.



Source: World Bank Boost (2017)

FIGURE 16: Contributors of grants, as a percentage of the total grant, 2016/17, Lesotho.



Source: World Bank Boost (2017)



Chief Budget Officer
Budget Department
Ministry of Finance
Tel: +266 2232 5920
Email: lekomolas@hotmail.com

Social Policy Section
United Nations Children's Fund (UNICEF)
13 United Nations Road
United Nations House (2nd floor)
Private Bag A171
Maseru 100, Lesotho

Tel: +266 22 315801
Email: maseru@unicef.org



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