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UNICEF LESOTHO **2019/20**

Health Budget Brief



This budget brief is one of four briefs that explore the extent to which the national budget addresses the needs of children under the age of 18 in the Kingdom of Lesotho. It analyses the size and composition of budget allocations to the health sector for the fiscal year 2019/20, and offers insights into the efficiency, equity and adequacy of past expenditure at the national level. The main objectives of the brief are firstly, to synthesize complex budget information so that it can be easily understood by all stakeholders and, secondly, to highlight key messages, which can inform decision-making around policy and budgeting.

Budget data used in this brief were provided by the Ministry of Finance. To adjust expenditures for inflation, the consumer price index was applied to 2010 data, the original baseline information. To obtain inflation-adjusted expenditures, the base year of the consumer price index was changed to that of 2014/15.



Key messages

- **Health expenditure is projected to decline by 1.9 per cent and 7.4 per cent in nominal and real terms, respectively, compared to the previous year.** This decline is likely to result in worsening health outcomes in Lesotho.
- **The health budget allocation represents 12.8 per cent of the total government budget for 2019/20, which amounts to an increase of 0.5 percentage points compared to 2018/19.** The allocation falls short of the Abuja Declaration target of 15 per cent by about 3 percentage points.
- **The recurrent expenditure budget is projected to decrease by 100 million maloti (M) in 2019/20, whereas the capital budget will increase by M53.2 million.** To ensure full and effective utilization of the capital budget, the government should strengthen the procurement function, which has in the past contributed to low absorption of the health budget.
- **Recurrent costs will continue to dominate the health budget, even though they are declining in both nominal and real terms.** The decline in recurrent expenditures suggests improvements in efficiency of spending, with the potential to generate approximately M151.4 million in savings.
- **The credibility of the total health budget has deteriorated due to procurement-related bottlenecks in capital projects.** There are no significant variances between approved recurrent budgets and actual expenses. The execution rate of the approved recurrent expenditure budget has performed very well (99.2 per cent), whereas that of the capital budget remains very low (20 per cent).



1

Introduction

Lesotho's national vision is to provide universal health coverage to all citizens.

To implement this vision,¹ the Ministry of Health has prioritized four key intervention areas in providing access to health services: (i) reproductive health, (ii) maternal health, (iii) neonatal health and (iv) child health and equity. The Ministry of Health is responsible for the formulation of policies, regulations and guidelines for health services and management, as well as the mobilization of resources.

Health services are categorized into three levels: primary, secondary and tertiary health care.

These levels of health care are provided through 326 health facilities across the country (Box 1). 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 owns 42 per cent of health

centres and 58 per cent of hospitals. The Christian Health Association of Lesotho owns 38 per cent of health centres and 38 per cent of hospitals. 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.

Despite significant improvements in the past decade, the majority of health indicators are below sub-Saharan Africa averages and fall significantly short of the Sustainable Development Goal targets.

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

BOX 1: LEVELS OF HEALTH CARE IN LESOTHO

Primary or community health care: The primary level of health care includes health centres, health posts and community-level initiatives, as well as staff working at this level. After the abolition of user fees in 2008, the government and Christian Health Association of Lesotho health centres provide services free of charge. At community level, there is also a network of more than 6,000 village health workers who manage health posts.

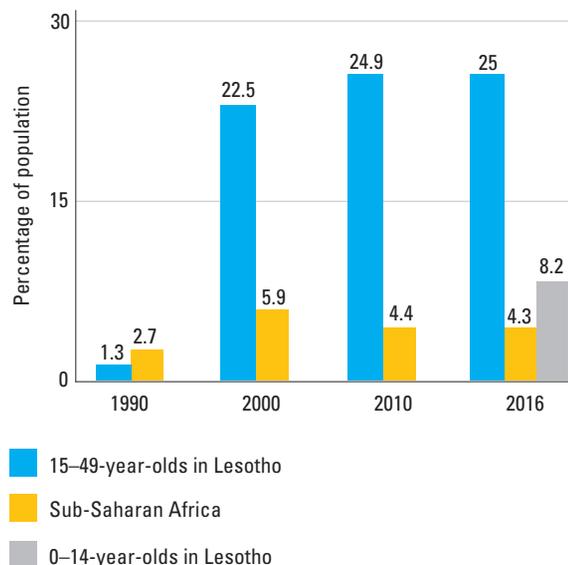
District or secondary health care: In each district there is a district hospital, which is a referral facility for all health centres in the district. Those who go to the district hospitals to access services pay user fees. District hospitals refer cases to the national referral hospital for further management.

Tertiary health care: At this level, there is only one national referral hospital and two specialized hospitals. If needed, patients can be referred to South Africa for quaternary care through the national tertiary referral hospital. There are other specialized health care facilities for HIV/AIDS, tuberculosis and paediatric conditions.

Source: National Health Sector Programme 2 (2017).

The HIV/AIDS epidemic has negatively affected health outcomes in Lesotho. The prevalence of HIV/AIDS was estimated at 25 per cent of the adult population in 2016. This is more than five times higher than the average for sub-Saharan Africa (Figure 1). HIV/AIDS is the main cause of mortality in Lesotho, accounting for more than 40 per cent of all deaths.³ Approximately 2.1 per cent of children aged 0–14 years are affected by HIV/AIDS.⁴ Mother-to-child transmission of HIV has plateaued at 11 per cent. An estimated 5.1 per cent of 15–19-year-olds currently live with HIV/AIDS, compared to 3.5 per cent in 2009. There is a 14 per cent HIV prevalence rate among pregnant adolescent girls aged 10–19 years. Adolescent girls are therefore a priority target to prevent mother-to-child transmission of HIV.

Figure 1: Prevalence of HIV among children and adults

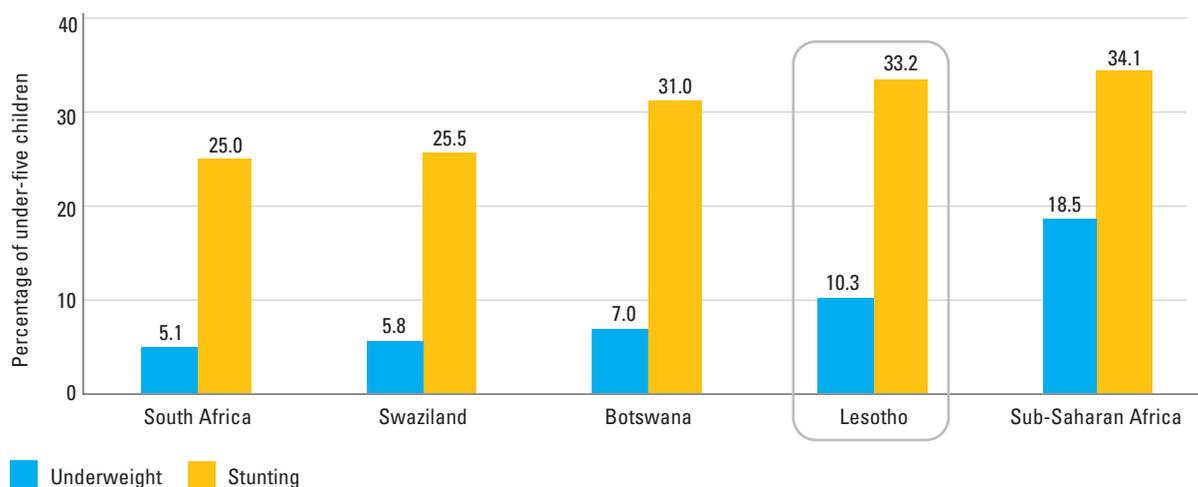


Source: Health, Nutrition and Population Statistics database, World Bank Group online (2018).

Child mortality and malnutrition remain concerns. The mortality rates for infants (66 per 1,000 live births) and children under 5 years (81 per 1,000 live births)⁵ are high compared to the average for sub-Saharan Africa.⁶ One in 25 newborns do not survive the first month of life.⁷

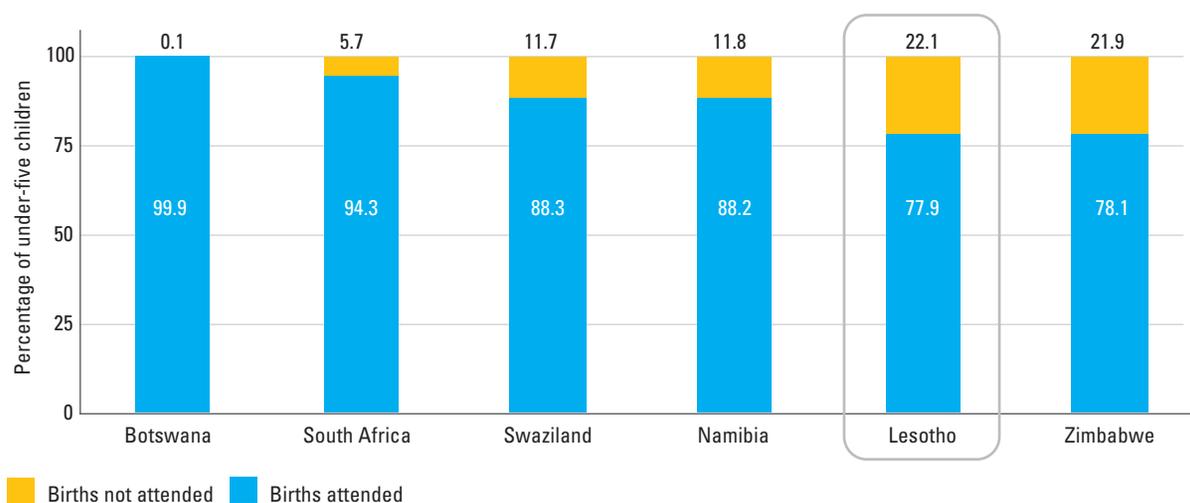
The level of malnutrition in Lesotho’s children is high. Approximately 10 per cent of all children under the age of 5 are underweight. In addition, about 33 per cent have stunted growth, the highest rate in the region (Figure 2).

Figure 2: Wasting (underweight) and stunting among children under 5 years of age, 2018



Source: World Development Indicators online (2018) for South Africa, Swaziland, Botswana and sub-Saharan Africa; and Lesotho Demographic Health Survey (2014) for Lesotho.

Figure 3: Proportion of births attended by skilled staff (most recent year available)



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

The health challenges faced by women are also immense. With a rate of 1,024 deaths per 100,000 live births, Lesotho's maternal mortality rate is among the highest

in southern Africa. About 22 per cent of births take place without a skilled health professional. This is the highest rate in the Southern African Customs Union (Figure 3).

Takeaways

- HIV/AIDS is the main cause of mortality in Lesotho, accounting for more than 40 per cent of all deaths. HIV/AIDS therefore poses significant risk to the development of children and of the country.
- The level of malnutrition in Lesotho's children is high, with 10 per cent of children under 5 years underweight and 33 per cent stunted. This requires targeted nutrition-boosting interventions, including expanding school feeding programmes in pre-schools.
- Lesotho's maternal mortality is among the highest in southern Africa, with a rate of mother-to-child HIV transmission of 11 per cent. Access to prenatal care should be further fostered through sensitization of women and training of village health workers.

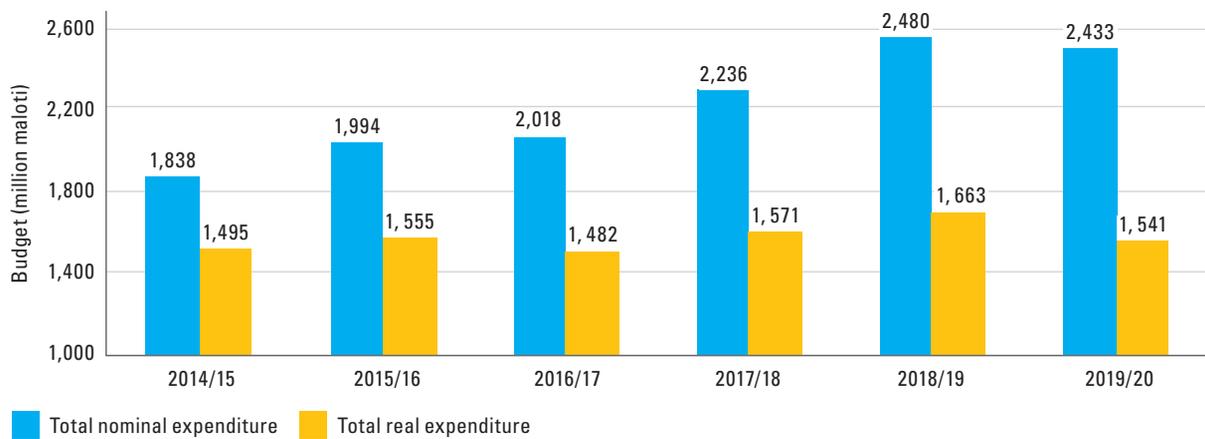
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Health spending trends

In the current year, the total budget allocated to the health sector declined slightly compared to the previous one. The government decreased the health budget by 1.9 per cent in nominal

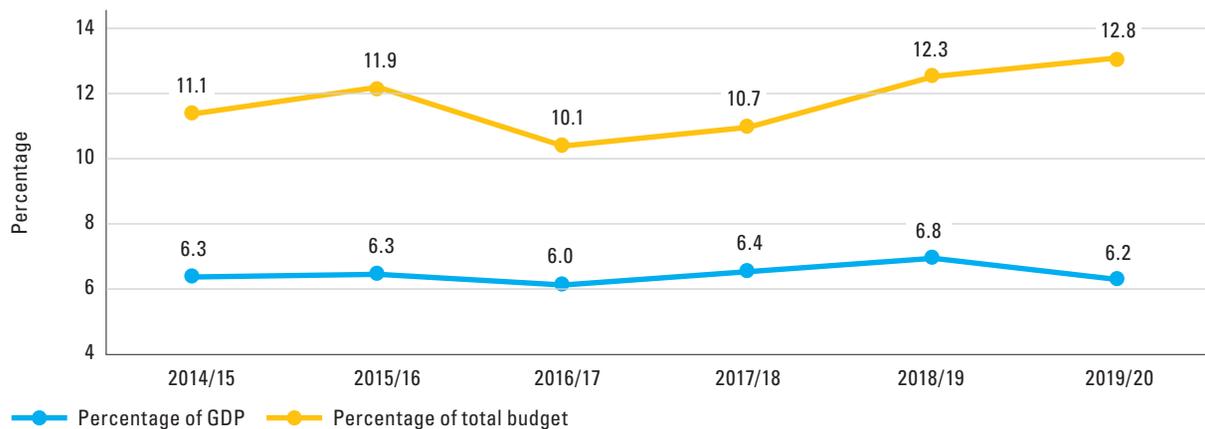
terms,⁸ from M2,480 million in 2018/19 to M2,433 million in 2019/20. This decline contrasts with the period of consecutive increase in nominal budgets that occurred in the past (Figure 4). If inflation is taken into

Figure 4: Approved nominal and real expenditure budgets in the health sector



Source: Author's own calculations based on data from World Bank Group Boost database (up to 2018/19) and Lesotho's budget estimates books (2018/19 and 2019/20).

Figure 5: Health budget as a percentage of total budget and gross domestic product



Source: Author's own calculations based on data from World Bank Group Boost database (up to 2018/19) and Lesotho's budget estimates books (2018/19 and 2019/20).



account,⁹ the budget has declined in real terms by 7.4 per cent. This decrease may potentially affect the supply of health goods and services.

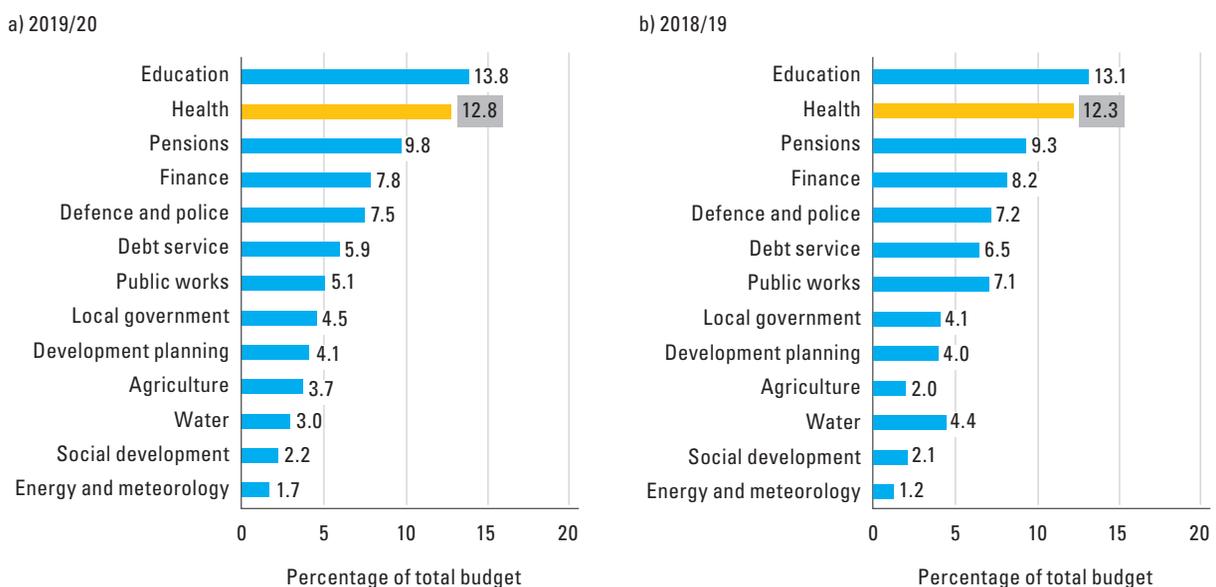
Although absolute allocations have decreased, the share of the total budget allocated to the health sector has increased modestly, from 12.3 per cent in the previous year to 12.8 per cent in 2019/20. The share of the total government budget allocated to health has been on the rise since 2017/18 (Figure 5). However, as a percentage of gross domestic product, the total health budget declined from 6.8 per cent in 2018/19 to 6.2 per cent in 2019/20.

This is the second lowest level achieved by Lesotho since 2014/15.

As a percentage of the total budget, health is the government’s second priority for funding, after education.

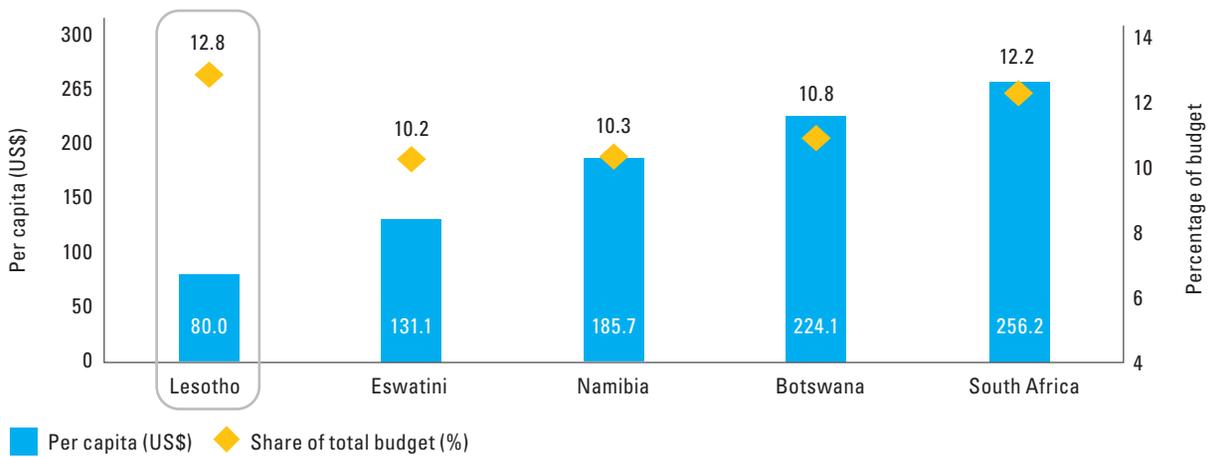
Education received 13.8 per cent of the total government budget in 2019/20, one percentage point higher than health (Figure 6a). The good news is that the share of government resources committed to these two social sectors has increased compared to the previous year (Figure 6b). However, the total health sector budget still falls short of the Abuja Declaration target of 15 per cent.

Figure 6: Share of total budget allocated to health and other sectors, 2018/19 and 2019/20



Source: Author’s own calculations based on Lesotho’s budget estimates books (2018/19 and 2019/20).

Figure 7: Health spending in US\$ per capita and as a percentage of national budget, 2019/20



Source: Budget estimates book for 2019/20 (Lesotho); estimates of revenue, income and expenditure for 2019/20 (Namibia); key budget statistics for 2019/20 (South Africa); estimates of expenditure for 2019/20 (Botswana); and estimates from 1 April 2019 to 31 March 2022 (Eswatini).

Note: Expenditure considered in the calculations is expenditure voted by Parliament, as reported in the budget books of the respective countries. Comparison is made only with Southern African Customs Union countries.

Lesotho spends less on health per capita than its neighbours. In 2019/20, Lesotho allocated US\$80 per capita to health, which is far below other members of the Southern African Customs Union, to which it belongs

(Figure 7). The increase in the share of the total budget allocated to health will not suffice to reduce the per-capita spending gap between Lesotho and other Southern African Customs Union member countries.

Takeaways

- The decline in the health budget in per-capita terms is likely to negatively affect delivery of health services. The government should ensure that budget cuts do not impair primary health care, including drug purchases.
- The health budget represents 12.8 per cent of the total budget this fiscal year, increasing by 0.5 percentage points compared to 2018/19. To achieve the Abuja Declaration target of 15 per cent, mobilization of non-traditional partners may prove useful.

3

Composition of health spending

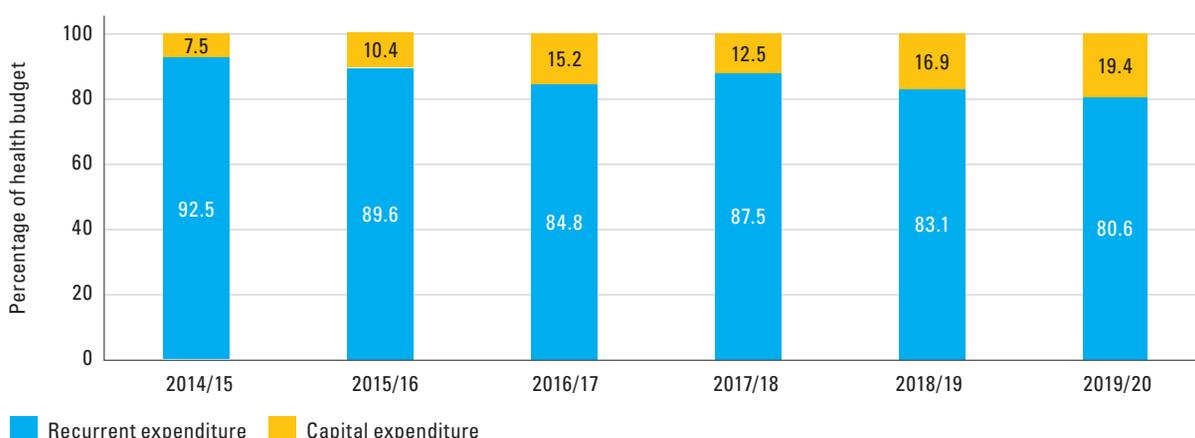
The budget for recurrent expenses has declined from 83.1 per cent of the health budget in 2018/19 to 80.6 per cent in 2019/20. Between 2014/15 and 2017/18 the share of the recurrent budget was higher than the share achieved in 2019/20, ranging from 83.1 per cent to 92.5 per cent (Figure 8). This continued reduction suggests that the Ministry of Health is keen to rebalance its budget in order to free resources to procure health equipment and other supplies.

The health budget for capital expenditure has increased in absolute terms by M53.2 million compared to 2018/19 and also as a share of the

total health budget. The share of the health budget for capital expenditure has increased from 16.9 per cent in 2018/19 to 19.4 per cent in 2019/20 (Figure 8). Given low absorption capacity in the past, the government is keen to strengthen monitoring and accountability for health expenditures, especially of the capital budget.

The majority (61.5 per cent) of the health budget will finance health care programmes. These include disease control, primary health care services and secondary health care services. This share of the budget increased by 26.4 percentage points, from 35.1 per cent in 2018/19. Of

Figure 8: Composition of the health budget by economic classification



Source: Author's own calculations based on data from World Bank Group Boost database (up to 2017/18) and Lesotho's budget estimates books (2018/19 and 2019/20).

Note: Recurrent and development budgets are those voted by Parliament. For the estimation of the shares, originally voted amounts are used for fiscal years without budget revision (rare in Lesotho). Revised budgets are used instead when such a procedure did occur in a fiscal year.

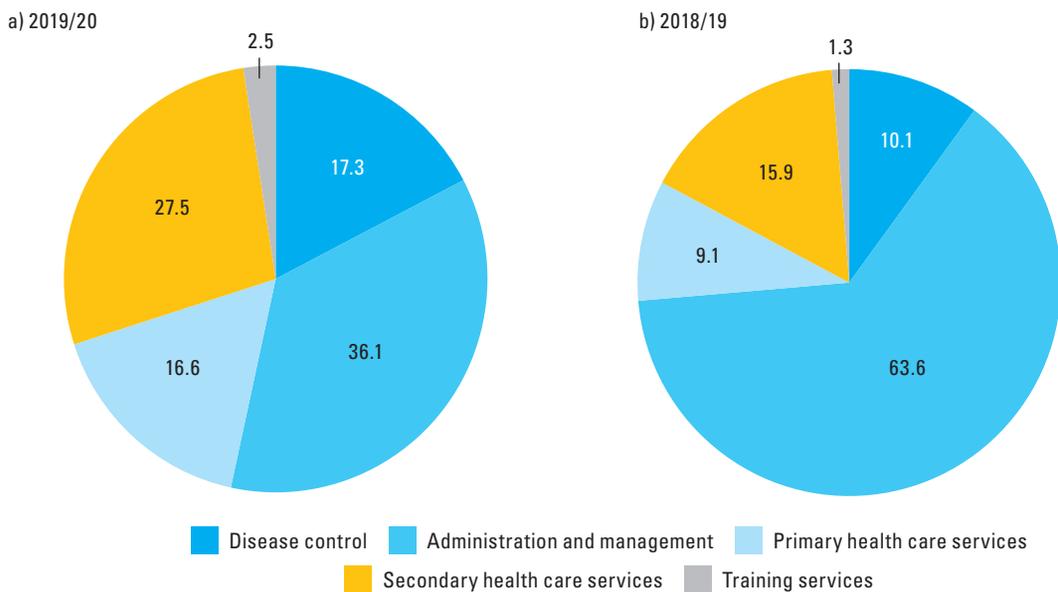


these government-funded health care programmes, secondary health has received about 27.5 per cent, and disease control and primary health care services 17.3 per cent and 16.6 per cent, respectively (Figure 9). The increase is partly because of substantial decline in the budget for administration and management, from 63.6 per cent of total

expenditure budget in 2018/19 to 36.1 per cent in 2019/20.

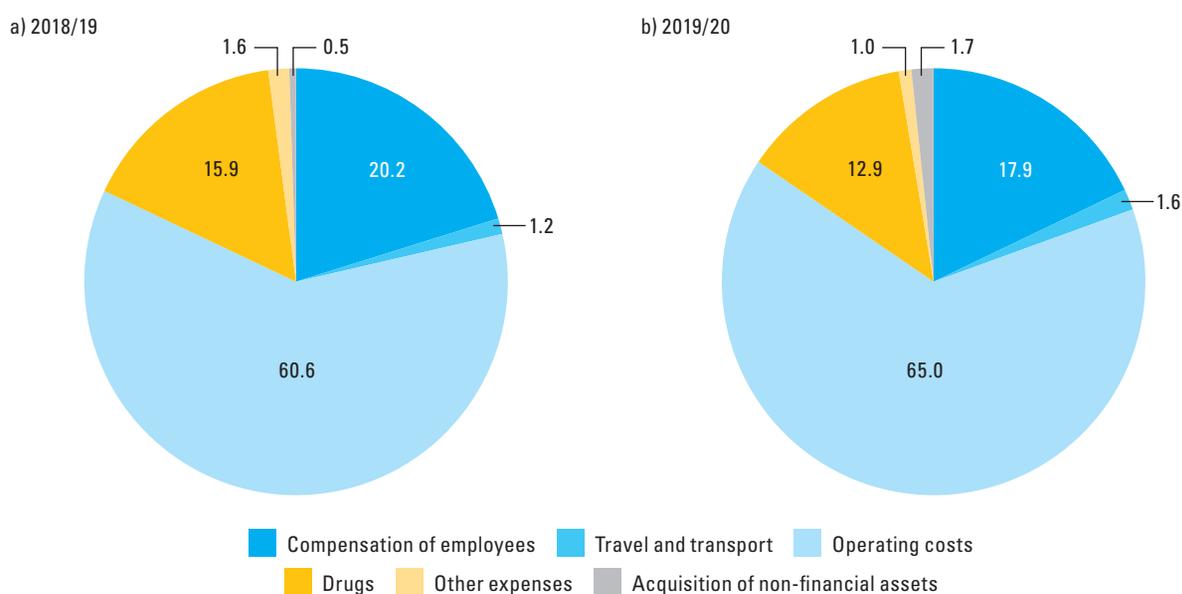
Operating costs will consume the largest share of the recurrent budget for health. As a percentage of the recurrent budget, operating costs are expected to decline from 65 per cent in 2018/19 to 60.6 per

Figure 9: Composition of the health budget by programmes (percentage of total)



Source: National Budget Framework Paper (2019/20).

Figure 10: Composition of the recurrent budget



Source: Author's own calculations based on Lesotho's budget estimates books (2018/19 and 2019/20).

cent in 2019/20. This amounts to a budget reduction of about M151.4 million between the two fiscal years. In parallel with this reduction, there will be an increase in the purchase of drugs by 3 percentage

points – the third largest component of the recurrent expenditure budget – and in the compensation of employees by 2.4 percentage points – the second largest component (Figure 10).

Takeaways

- The health capital budget is expected to increase by about M53.2 million in 2019/20, while the recurrent budget will decline by about M100 million. If sustained, this budget rebalancing would improve efficiency in the use of health inputs.
- Secondary health care, disease control and primary health care will receive 27.5 per cent, 17.3 per cent and 16.6 per cent of total health budget, respectively. As it supplies health care at no charge, the primary level of health care should receive a greater share of the budget.
- Compensation of employees is projected to increase in 2019/20, while operating costs, which are still dominant, will decrease. This budget adjustment should aim to enhance human resources involved in procurement for the health capital budget.

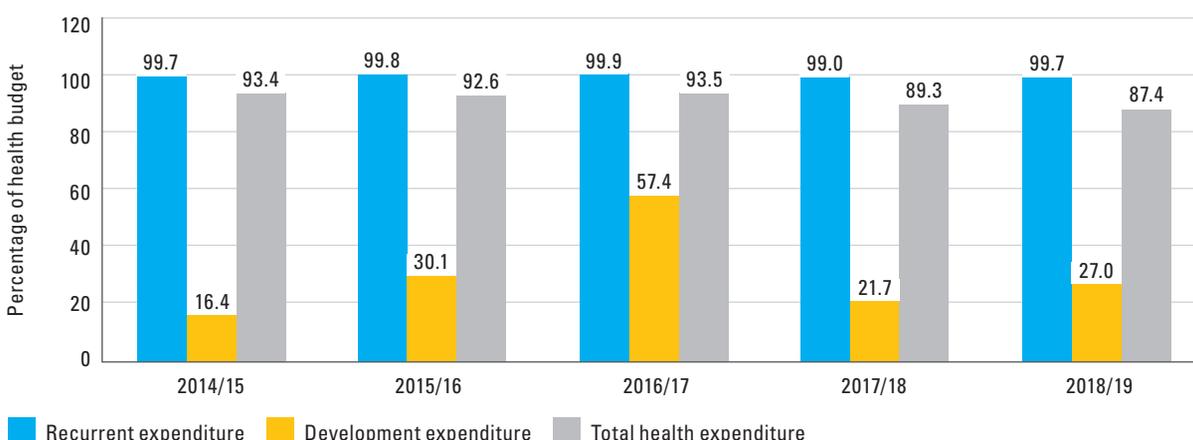
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Budget credibility and execution

The credibility rate of the total budget for health is deteriorating. From a high of 93.5 per cent in 2016/17, the credibility rate¹⁰ of the health budget declined to 89.3 per cent in 2017/18 and 87.4 per cent in 2018/19. This steady decrease points to continued lack of reliability of the release of public funds allocated to public health.

While nearly all the approved recurrent budget was released since 2014/15, a significant share of the approved capital (development) budget was not (Figure 11). For example, only 57.4 per cent of the approved capital budget was released in 2016/17 and 21.7 per cent in 2017/18.

Figure 11: Funds released for health expenditure as a proportion of the approved budget

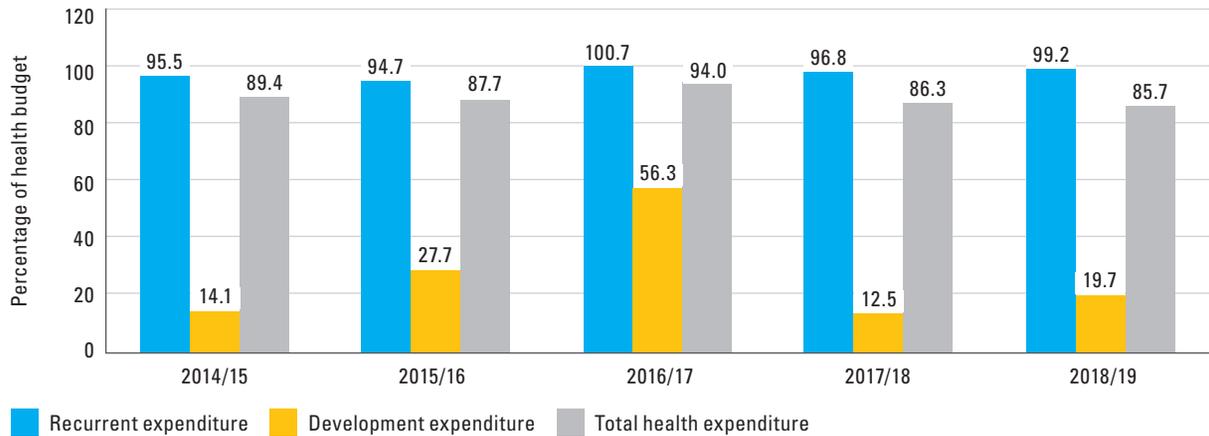


Source: Author's own calculations based on World Bank Group Boost database and Lesotho's budget estimates book (2018/19).

Budget execution rate of the released budget is also low. The budget execution rate¹¹ for the sector reached a low of 85.7 per cent in 2018/19, following a declining path that started in 2017/18 (Figure 12). This execution rate has never been higher than 94 per cent since 2014/15. This aggregate execution rate is largely driven up by recurrent expenditures which have

performed very well, increasing from 96.8 per cent in 2017/18 to 99.2 per cent in 2018/19. However, the execution rate of the capital budget remains very low, barely reaching 20 per cent in 2018/19. This poor performance points to bottlenecks in the management of capital projects in health as well as procurement-related bottlenecks.

Figure 12: Actual expenditure as a percentage of approved health budget



Source: Author’s own calculations based on World Bank Group Boost database and Lesotho’s budget estimates book (2018/19).

Takeaways

- Budget credibility in the health sector has deteriorated since 2017/18 due to under-releasing of the capital budget.
- The budget execution rate is also deteriorating, because of underspending of the capital budget associated with bottlenecks in the Ministry of Health procurement process.



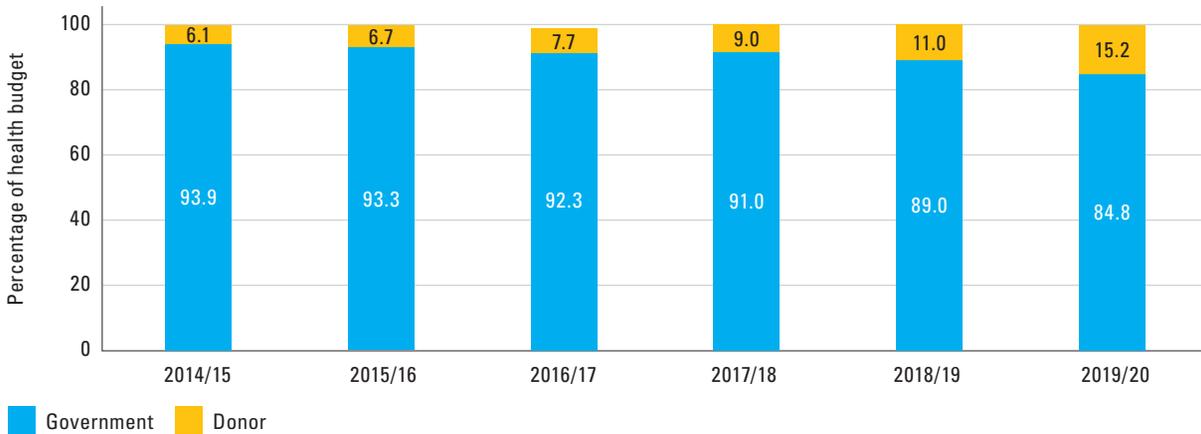
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Financing the health sector

About 15 per cent of the health budget will come from donors. The contribution of donor financing will amount to M369 million in 2019/20, up from M273 million in the previous fiscal year. Donor funding to the health sector has followed an

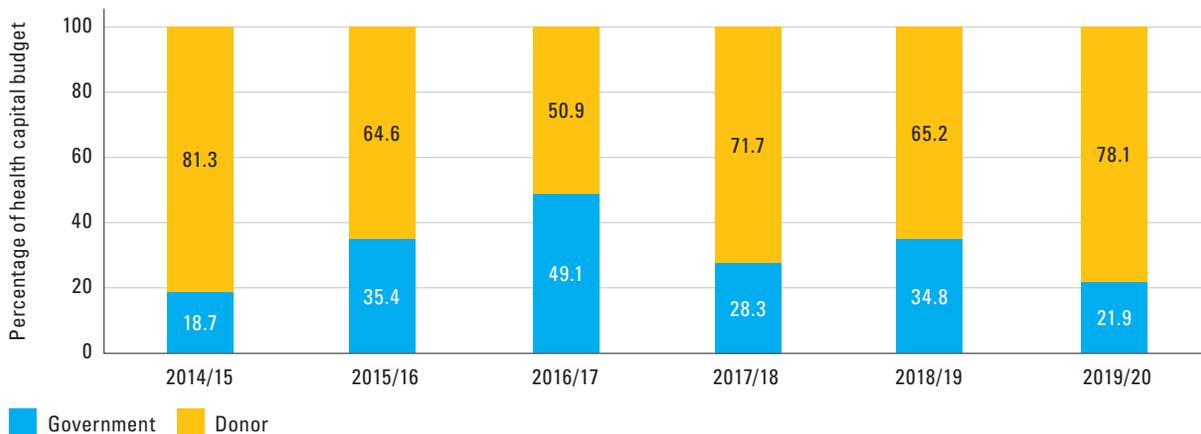
upward trend since 2014/15 (Figure 13). All the donor contributions will go to finance development expenses, as all of the recurrent costs are financed from the government’s own resources.

Figure 13: Source of financing of the health budget



Source: Author’s own calculations based on World Bank Group Boost database (up to 2018/19) and Lesotho’s budget estimates books (2018/19 and 2019/20).

Figure 14: Source of financing of the health capital budget



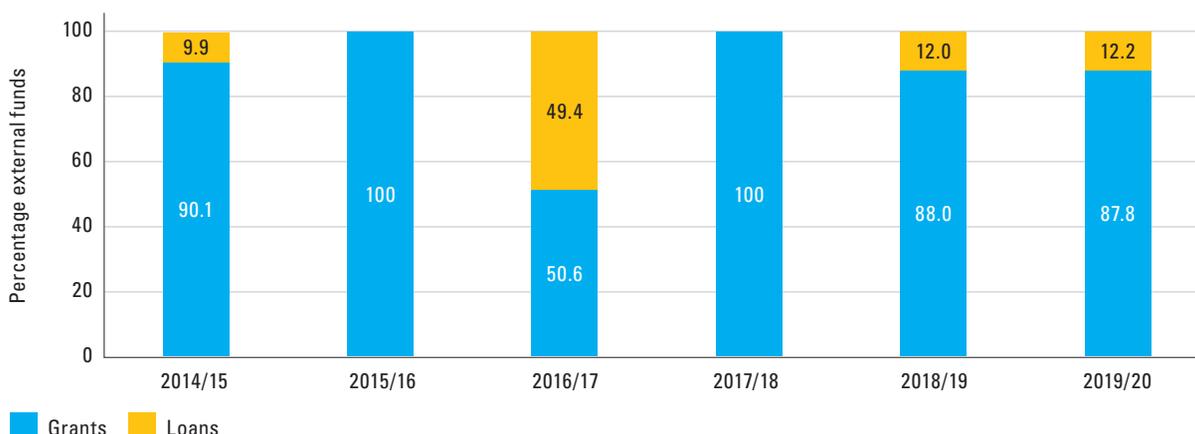
Source: Author’s own calculations based on World Bank Group Boost database and Lesotho’s budget estimates books (2018/19 and 2019/20).



The share of the health capital budget financed by donors has increased this fiscal year. As a percentage of approved total capital budget for health, the relative size of donor resources has increased from 65.2 per cent in 2018/19 to 78.1 per cent in the current year (Figure 14). As a result, the health capital budget has increased from M419.2 million in 2018/19 to M472.4 million in 2019/20.

The majority of donor resources are in the form of grants, not loans. Only 12.2 per cent of resources from donors are in the form of loans (Figure 15). As a share of total donor funds given to the health sector, grants declined slightly from 88.0 per cent in 2018/19 to 87.8 per cent in 2019/20. Given the foregoing, the loan share increased from 12.0 per cent in 2018/19 to 12.2 per cent in 2019/20. Various development partners have been supporting the Lesotho health sector (Box 2).

Figure 15: Composition of external resources to the health sector



Source: Author's own calculations based on World Bank Group Boost database and Lesotho Budget Estimate Book (2018/19 and 2019/20).

BOX 2: MAIN DEVELOPMENT PARTNERS OF PUBLIC HEALTH IN 2018/19 AND 2019/20

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.

Source: Lesotho's budget estimates books (2018/19 and 2019/20).

Takeaways

- Dependence on external resources to finance the health development budget poses sustainability challenges. This is an issue that the government should address by progressively increasing its share of the development budget.
- Donor resources will support the health sector only in financing its development budget. To deepen donor funding, government should improve its accountability mechanisms as these will assure donors about fund use.

Endnotes

- 1 National Health Sector Programme 2 (2017).
- 2 Lesotho's public expenditure review for health (World Bank Group, 2017).
- 3 Lesotho Demographic and Health Survey, 2014.
- 4 This equates to 2.6 per cent of all female children and 1.5 per cent of all male children (Lesotho Population-based HIV Impact Assessment, 2017, Preliminary Results).
- 5 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 poor quality of health services (Government of Lesotho Annual Joint Review, 2016).
- 6 Infant mortality is estimated at 53 per 1,000 live births and mortality of under-fives is estimated at 78 per 1,000 live births in 2018 for sub-Saharan Africa (World Development Indicators of the World Bank online, 2019).
- 7 There is therefore a need to intensify focus on care of newborns (Lesotho's Public Expenditure Review for Health – World Bank Group, 2017).
- 8 The approved expenditure budget is the expenditure budget voted by Parliament. Originally voted amounts are considered for fiscal years without budget revision, which is rare in Lesotho. Revised budgets are considered when such a procedure did happen.
- 9 The level of real expenditure budget is estimated using the consumer price index from the Lesotho Bureau of Statistics (base fiscal year is 2010).
- 10 Credibility is defined as the ratio of released total budget for health to approved total budget for health.
- 11 Budget execution is the difference between the released budget and actual spending.

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

Social Policy Section
13 United Nations Road
United Nations House (2nd floor)
Private Bag A171
Maseru 100, Lesotho
Tel: +266 22 315801
Email: maseru@unicef.org UNICEF Lesotho

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