Budget Execution in Health

Moritz Piatti-Fünfkirchen (Sr Economist, World Bank)
Hélène Barroy (Sr Health Financing Specialist, WHO)
Why Do You Rob Banks?

“That’s Where The Money Is...”
Willie Sutton, Bank Robber
Average Health Budget Execution Rate, 2005 - 2016

Source: Barroy, Piatt-Fünfkirchen (forthcoming)
Budget Performance of Operational Grants

Does Money Reach Where It Matters Most?
Who is at Fault and What Role Does the Health Sector Play?

- Unreliable revenue forecast
- Increased spending for unbudgeted items (wages payments; high cost short term debt payment)
- Delays in budget release
- Complex authorizing procedures
- Procurement challenges
- Insufficiently deployed / unreliable FMIS
- Excessive rigidities in execution systems
- Weak budget preparation in health
- Other absorption capacity issues
- Too many execution protocols by source of funds
- Efficiency gains
Consequences for Health Service Delivery

- Unavailability of funds → **opportunistic spending**
- Funds don’t reach intended purpose or **frontlines**
- **Accountability** concerns
- **Efficiency** concerns (e.g. accumulation of arrears; rigid input based controls)
- **Inequitable allocations** of an equitable budget?
- Undermines **quality of services**

→ Challenging to advocate increased budget allocations
What Happens When Suppliers Don’t Get Paid?

Zambia 2015: US$ 30 million Arrears for Drugs and Pharmaceutical Supplies

How was this possible?

- No link between the FMIS and the government’s electronic procurement system → multiyear framework contracts signed outside the FMIS → Contract beyond budget
- **Budget releases have often been slow** and insufficient such that suppliers are not paid on time.
- Once funds were released, **diversion for other purposes**.
- **Exchange rate depreciation** made arrears costly. Arrears denominated in USD.

How Did This Affect Service Provision?

- Suppliers built in **risk premiums** going forward
- The MoH incurred **penalty payments**
- Suppliers **refused to deliver drugs** and medical supplies until outstanding payments were settled, leading to the unavailability of drugs.
Does Money Reach Providers?
Are they allowed to receive/spend?
Adequacy of Public Finance Law?
FMIS System Design & Deployment?
Accounting and Reporting Capacity?
Fragmentation of Spending Protocols?

PFM Environment for Providers
The core challenge of good budget execution systems is how to balance control with flexibility” (Schiavo-Campo 2017, p.178)

Source: Piatti-Fünfkirchen, Hashim, and Farooq (2019)
Not All Spending is Created Equal

Opportunities of Mobile Money

- Send Funds to Facilities Directly
- Oversight by Districts/MOH
- Automatic Accounting and Reporting → Integration w/ FMIS
- Budget Control
- No Input Based Controls
- Audit Trail
- Integrate With HMIS
- Basis for Strategic Budget Allocations

→ Money Where it Matters Improves Results.