sng
Sub-National Governance Programme

# Budget Analysis and Proposals for Vehari

## FY 2015-16

This report is produced by Oxford Policy Management in collaboration with Coffey International Development and AbacusConsulting. For further information contact admin@opml.co.uk. The project manager is [...] The remaining team members are [...] For further information contact [...] [email address]

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# Preface / Acknowledgement

The budget and expenditure analysis of primary health sector especially BHUs set out in this document have been prepared under the Sub National Governance Programme for the District Government Vehari.

The key elements of this document are

Overall district current budget and expenditure were studied for the past three years 2011/12 to 2013/14 and Budget estimates for running year 2014/15. The district budget and expenditure were studied in total and separately for salary and non-salary components. The district health departments were studied in detail. Budgetary allocation made and actual expenditures incurred for district health departments. Share of health budget were analyzed.

District health budget and expenditure were analyzed in detail with specific focus on non-salary component. Primary health sector were studied in detail. The budgetary allocation and actual expenditure for BHUs were analyzed in detail especially non-salary component. Finally the per-patient cost was calculated and disease pattern were reviewed at BHUs.

I hope that this document would be of value in terms of describing the linkage between budgetary allocations and the public services delivered.

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# Executive Summary

The budget analysis exercise primarily focuses on the health sector budgetary allocations and actual expenditures incurred over a period of three financial years i.e. FY 2011/12 to FY 2013/14 and budgetary allocations for 2014/15. The study initially examines the overall district budget with a focus on non-development budgetary allocations and actual expenditures incurred by the district government over a period of last four financial years. It then proceeds to review the health sector non-development budget in detail and highlights the significant trends in budgetary allocations and actual expenditures. In reviewing the district health sector budget, the study examines budgeting trends for both the primary and secondary health care facilities in the district. For this study, the budgetary documents, Out-patient data and disease patterns were collected from the district government, which served as a primary source of information. Budget estimates and actual expenditures for year 2013/14, 2012/13, 2011/12 and only budget estimates for 2014/15 were collected and analyzed in order to identify trends and patterns in budgetary allocation and actual expenditures. In undertaking this analysis, the focus of study remained on primary health care. As an in-depth analysis of health sector's current budget (salary and non-salary component) was carried out. It has been generally observed that there is significant variance in the budgeted amounts and actual expenditures incurred by health department, Vasari. This clearly highlights the gaps in financial management practices observed at the district level. Another important aspect of the district budget is that a large chunk of budgetary allocations are made to cater to employees related expenses (salary component). The non-salary component is quite low for both the primary and secondary health care facilities in the district. Despite this, it is ironic that even the non-salary component is not fully utilized by the district. This non-salary component which includes budget for procurement of medicines and repair and maintenance of equipment is critical for effective service delivery at the grass root level. Thus, there is a great scope for introducing practices like evidence based budgeting and execution of budget with a plan at the district level. The study finally concludes with some key findings based upon which certain recommendations are being prepared for incorporation in the district health budget for FY 2015/16. The ultimate aim of this entire exercise is to prepare the district health managers for undertaking evidence based budgeting in order to address the needs of citizens and to improve service delivery.

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# List of Abbreviations

| | |
|---|---|
| AE | Actual expenditure |
| ARI | Acute respiratory infection |
| BE | Budget estimates |
| BHU | Basic Health Unit |
| DHDC | District Health Development Centre |
| DHIS | District Health Information System |
| MHC | Maternity Health Centres |
| OPD | Out-patient department |
| POL | Petroleum, oils and lubricants |
| PRSP | Punjab Rural Support Programme |
| RHC | Rural Health Centre |
| SNG | Sub-National Governance |
| THQ | Tehsile Headquarters |
| YoY | Year-on-year |

# 1 Introduction

The SNG programme aims to help to ensure government deliver services that better meet the needs of poor people in Punjab and Khyber Pakhtunkhwa (KP). The programme supports the achievement of these objectives by enabling delivery of three programme-level outputs:

1. Decisions by sub-national governments are based on robust evidence;
2. Sub-national government services are more responsive to peoples' needs; and
3. Strengthened sub-national government capability to deliver basic services

In order to support and assist the district governments in making decisions based on evidence of needs, SNG programme has developed evidence based budget proposal for basic health units. This report provides budget proposals for non-salary component of budget for primary healthcare of district Vehari for FY 2015-16, for improved service delivery at primary healthcare. A detailed analysis of budget and expenditure trends of the district government, Vehari was carried out and budget proposals were developed to meet the non-salary budget needs of primary healthcare, based on patient load. These costing of the proposals were carried out using formula determined by the minimum service delivery standard.

# 2 Punjab Rural Support Programme

This report has been divided into two sections: the first section discusses the budget trends for district government, Vehari with special reference to the primary healthcare budget; and the second section presents some proposals, based on the analysis in first section, to the district government for inclusion in its budget 2015-16 in order to align the budget to citizens' needs and to improve service delivery at the primary healthcare level.

In order to improve the delivery of services, a number of alternative models have also been implemented during recent years in the province. One such model of contracting-out of BHUs was tried out in Punjab to reorganize and restructure the management of all the BHUs in the district with a central role for community-based support groups. It started under the Chief Minister's Initiative on Primary Healthcare in district Rahim Yar Khan in 2003. The purpose of this initiative was to strengthen the curative and preventive services by handing over the management and finances of running the BHUs to the PRSP. This model was evaluated in 2005 by the World Bank, which showed positive results in increasing the utilizations rates of these facilities. However, there has been no evaluation of improved health outcomes in the catchment populations.

# 2 Analysis of budget trends

A budget analysis exercise, primarily focusing on health sector budget allocations and actual expenditures incurred in Vasari during the last four years (i.e. FY 2011/12, 2012/13, 2013/14 and budget estimates for 2014/15) is carried out by SNG. The analysis is based on budget documents, out-patient data, and disease patterns of the district. All the relevant documents are obtained from the district government. An in-depth analysis of the health sector's current budget (salary and non-salary component) was also carried out. The focus of this analysis was primary health care delivered through BHUs and BHUs are managed by PRSP at the district.

## 2.1 Analysis of district total non-development budget and expenditure

The district non-development budget was Rs. 6.353 in FY 2011/2012. This increased to Rs. 7.360 billion in FY 2013/14. The non-development expenditure was Rs. 4.656 billion in FY 2010/11. This increased to Rs. 5.919 billion in FY 2013/14. Utilisation of the budget remained above 70% during last three years.

### Table 1: District total non-development budget and expenditure

(Rs. In billion)

| District total non-development budget and expenditure | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Years** | **2011-12** | | **2012-13** | | **2013-14** | | **2014-15** | |
| | BE | AE | BE | AE | BE | AE | AE | BE |
| | 5.598 | 4.045 | 6.384 | 4.908 | 6.676 | 5.201 | 6.041 | 5.346 |
| **Y-o-Y BE (%)** | | | 11 | | 7 | | -6 | |
| **Y-o-Y AE %** | | | | 18 | | 7 | | 1 |
| **Utilization of Budget (%)** | | 74 | | 79 | | 79 | | 85 |

### 2.1.1 Analysis of district salary and non-salary budget and expenditure

The overall non-development budget was further examined with respect to salary and non-salary allocations. As evident from the Table 2 below, the salary component ranged between 89 – 93 % of the total current budget of the district in the last four

years and non-salary component, which is critical for effective service delivery, remained between 7 – 12 % of the overall current budget.

**Table 2: Salary and non-salary budget and expenditure of Vehari**

| Analysis salary and non-salary budget and expenditure of Vasari | | | | | | |
|---|---|---|---|---|---|---|
| **Years** | **Category** | **BE** | **% Share** | **AE** | **% Share** | **Utilization of Budget (%)** |
| **2011/12** | Salary | 0.676 | 79 | 0.625 | 69 | 69 |
| | Non-Salary | 0.182 | 21 | 0.277 | 31 | 116 |
| **2012/13** | Salary | 0.803 | 78 | 0.568 | 82 | 76 |
| | Non-Salary | 0.232 | 22 | 0.125 | 18 | 118 |
| **2013/14** | Salary | 0.899 | 78 | 0.865 | 75 | 79 |
| | Non-Salary | 0.260 | 22 | 0.293 | 25 | 92 |
| **2014/15** | Salary | 0.831 | 71 | | | |
| | Non-Salary | 0.288 | 21 | | | |

*Rs in billion*

While looking at the table 2 above, the actual expenditures for salary component remained between 87 – 89 % and actual expenditures of non-salary component ranged between 11 – 13% in last three years. The budget is not fully utilized in case of salary component as shown in the table 2. But in case of non-salary component the budget utilization is over 100% in FY 2011/12 and FY 2012/13 and in FY 2013/14 it is underutilized. These all trends clearly show the lack of planning in budgeting.

## 2.2 District health department and budgetary allocations

The health sector at the district level mainly relates to primary and secondary health service delivery, i.e. BHUs, MHCs, rural dispensaries, RHCs, and Tensile Headquarters (THQ) and District Headquarters hospitals. BHUs at Vasari district are managed by PRSP. Table 3 below shows the budget estimates (BE) and actual expenditure (AE) for the primary and secondary health care facilities, administration, other health facilities, a general nursing school, DHDC and blood transfusion services over a period of four financial years. The budgetary allocations for primary health care ranged between 49 – 54 %. In this table 3 the budgetary allocations for secondary health care remained between 30 – 34%. The rest of the budget is used for administration, other health facilities and a general nursing school, etc. The share of primary health care in total health expenditure was a minimum of 45% in FY 2011/12 and a maximum of 50% in FY 2013/14. Similarly, the share of secondary health care in total health expenditure ranges from 34% to 38%. In primary health care, BHUs, RHCs, MHC and Other hospital and dispensaries were the part of primary health care. There were low budgetary allocations for training centre (DHDC) and trends shows that there

was underutilization of available funds. Which shows that the DHDC is not fully functional, and also have low non-salary budget.

**Table 3: Budget and Actual expenditure for sub-health sectors at Vehari**

| Details | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|
| | Budget Estimates | | | |
| Primary Health Care | 0.190 | 0.281 | 0.470 | 0.505 |
| Secondary | 0.294 | 0.331 | 0.350 | 0.395 |
| Medical Education | 0.024 | 0.031 | 0.030 | 0.027 |
| Administration | 0.346 | 0.389 | 0.306 | 0.326 |
| Allied Health Services | 0.004 | 0.004 | 0.004 | 0.004 |
| **Grand Total** | **0.8582** | **1.0355** | **1.1599** | **1.2562** |

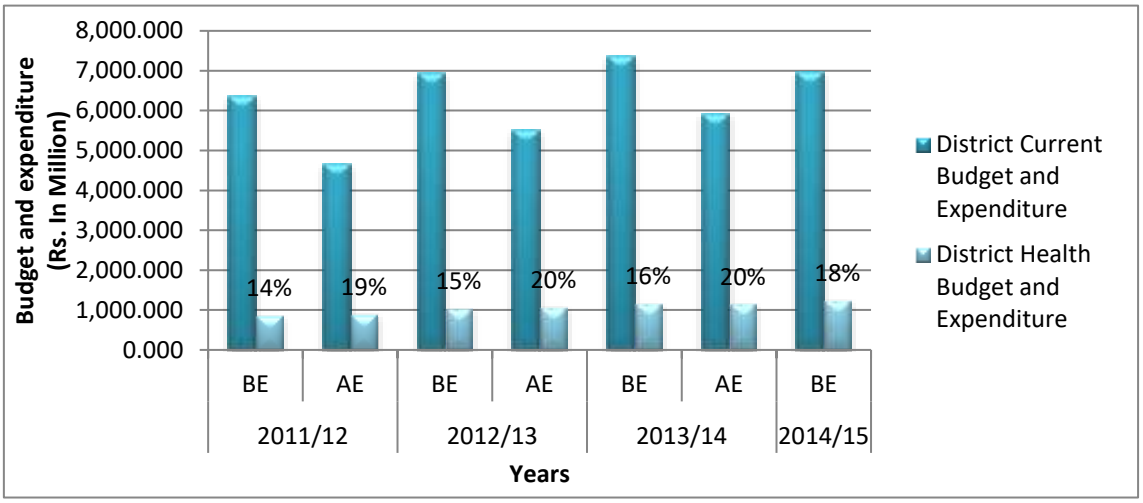
*Rs in billion*

In Primary health care, the major chunk of budget went to RHCs which was 30-45%; the rest was for BHUs, MHC and other dispensaries.

## 2.3 Health spending out of total district budget and expenditure

The health budget and health expenditure as a share of the overall district budget and AE is shown in the following figure. As shown, the share of health expenditure in total expenditure at district level remained at 19 – 20% during the three year period. The chart also shows the share of health budget remained between 14 – 18%.

**Figure 1: Share of health sector in district budget and expenditure**




## 2.4 Analysis of health non-development budget and expenditure

The current health budget was increased from Rs. 864 million to Rs. 1,256 million during FY 2011/12 to FY 2014/15, respectively. The year-on-year (Yoyo) increase in the budget was 20%, 12%, and 8% during these years as evident from table. The Y-o-Y increase in AE was 20% and 7% in FY 2012/13, FY 2013/14. The utilisation of the budget was 104%, 104% and 99% in FY 2011/12 and FY 2012/13 and FY 2013/14, respectively. Generally, the overall utilisation of the health budget has been good.

### 2.4.1 Analysis of health salary and non-salary budget and expenditure

Of the health budget, the salary share was 80%, 78%, 69%, and 77%, and the non-salary share was 20% 22%, 31%, and 23% during FY 2011/12, FY 2012/13, FY 2013/14 and FY 2014/15, respectively. Similarly the salary share of AEs was 69%, 73% and 75% and the non-salary share was 31%, 27% and 25% during FY 2011/12, FY 2012/13 and FY 2013/14 respectively. This trend is depicted in Table 5 below. The budget utilisation in respect of salary was 90%, 98% and 109%, respectively, in the three years. The non-salary budget utilisation was 159%, 125% and 80%, respectively, during the three years (see Table 5).

As evident from table 5, the health non-salary budgetary allocation was below the standard of 30% in FY 2011/12, FY 2012/13 and FY 2014/15. In FY 2013/14 it fulfilled the standard of 30% non-salary health budget out of the total health budget. The utilisation of salary component was volatile as shown in table above. The trend shown in the table above for non-salary component utilisation was very volatile.

## 2.5 Budget allocation for non-salary components (especially medicines)

The non-salary budget primarily comprises operating expenses and repair and maintenance costs. The operating budget mainly includes the budget for drugs and medicines. Table 6 below shows the budget allocation and AE for operating expenses and repairs and maintenance, out of the total health budget. Under the operating expenses the most significant head of account is drugs and medicines. Table 6 also shows the utilisation of the medicine budget.

As shown in the above table Y-o-Y increase in medicine is 10% in FY 2012/13 and FY 2013/14. There was no increase given in FY 2014/15. Trends were shown in above table that utilisation of budget for medicine is volatile. There were always been under budgeting in past three years. Which shows there is no evidence while making budget for medicine? There were no disease pattern were considered while making budgeting.

## 2.6 District health non-development budget and AE in different sectors

The district health non-development budget is divided into different sectors, i.e. Primary, Secondary, Administration, Other Health Facilities, Blood transfusion, Training Centre, and General Nursing School. This analysis mainly focuses on the primary health care services.

### 2.6.1 Primary health care services

Table 7 summarises the level of primary health care funding in the district. Allocation for primary health care services was 49%, 51%, 54%, and 52% of the total health budget in the district in FY 2011/12, FY 2012/13, FY2013/14 and FY 2014/15, respectively. The AE on primary health care was 45%, 49%, and 50% during these years (see Figure 5). Utilisation of this budget was 80%, 87%, 123%, and 100% during

these years (see Figure 6). Again there seems to be little predictability as regards the utilisation of the funds allocated for primary health care.

### 2.6.2 BHUs with budget and AE

There are 75 BHUs operating in Vehari district. These BHUs are under the administrative and financial control of Punjab Rural Support Programme (PRSP). Therefore, budgeting for these BHUs is carried out at the district level by PRSP. Some of the salary budget of BHU was managed by District Government also. It happened in FY 2013/14 and FY 2014/15 the salary budget was given to PRSP.

Table 8 summarises the budgetary allocations and AE for BHUs during the period. The utilisation ratio was volatile ranged between 101 – 133 %. The Y-o-Y budget % was also volatile as shown in table 8, 9% 41% and 3 % from FY 2011/12 to FY 2014/15.

**Table 4: BE and AE for BHUs**

| BE and AE for BHUs | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Years** | **2011/12** | | **2012/13** | | **2013/14** | | **2014/15** |
| | BE | AE | BE | AE | BE | AE | BE |
| **BHU** | 216.156 | 234.344 | 235.308 | 313.168 | 138.598 | 141.282 | 141.356 |
| **PRSP** | | | | | 193.189 | 193.189 | 201.004 |
| **Total** | 216.156 | 234.344 | 235.308 | 313.168 | 331.788 | 334.471 | 342.361 |
| **Utilization Ratio %** | | 108 | | 133 | | 101 | |
| **Y-o-Y Budget %** | | | 9 | | 41 | | 3 |
| **Y-o-Y AE %** | | | | 33 | | 7 | |

*Rs. In Million*

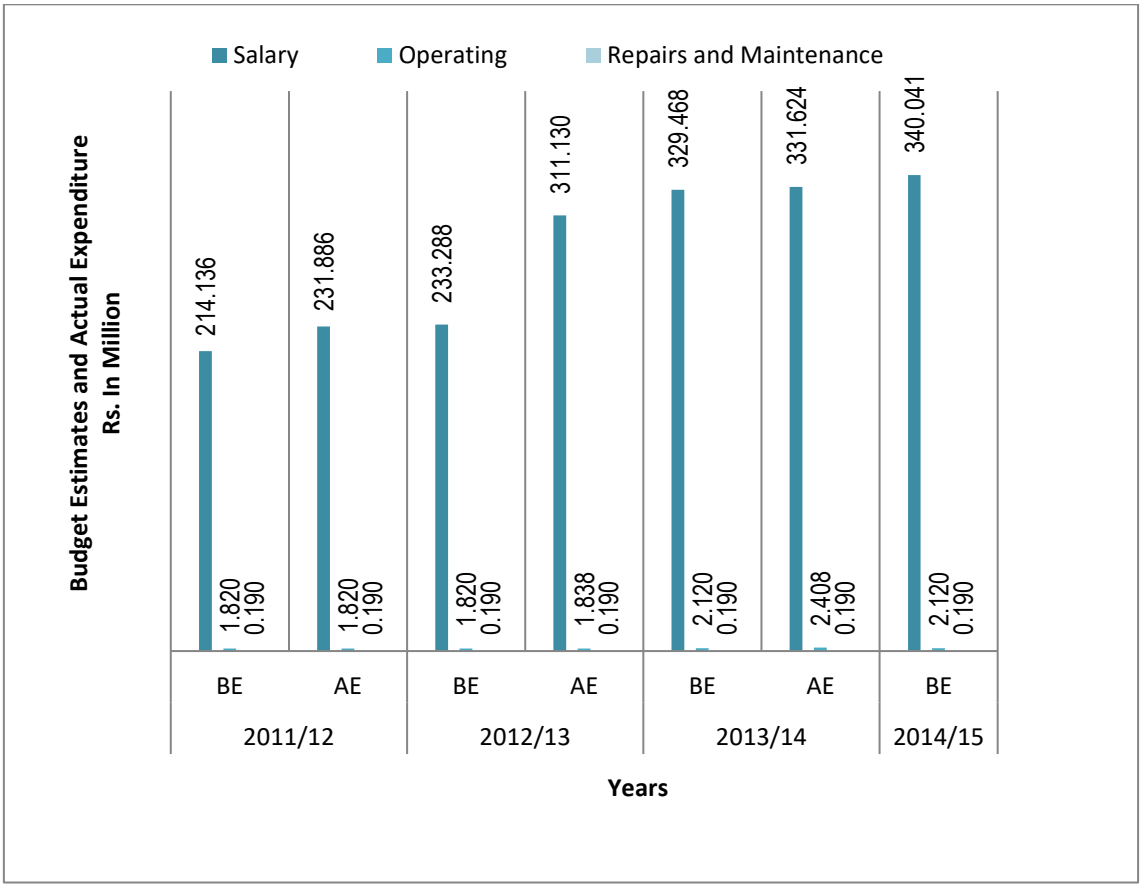
The variation between budgeted amounts and AE for BHUs clearly reflects a lack of financial planning and an absence of evidence-based budgeting for the provision of primary health care services during the last few years (see Table 8). The BHUs are responsible for providing the most important preventive and curative functions at the

grassroots level. Therefore, it is important that budgeting and planning is improved at the district level, through the use of evidence and background data.

## 2.7 Major BHU budget and AE components

As shown in Figure 2, below, the BHU budget and AE mainly consists of employee-related expenses, operating expenses, and repairs and maintenance. As the chart shows, however, most of the spending for BHUs is actually on the salaries of staff: allocations for repairs and maintenance are at such a low level that they are hardly visible (see figure 2)

**Figure 2 Major non-salary component for BHUs**




This really a concern that small amount for operating expenses and repairs and maintenance. It is not enough to completely run BHUs and improve service delivery.

### 2.7.1 Procurement of medicines for BHUs

The budgetary allocations and AE for procurement of medicines at BHUs are summarised in Table 5 below. The data reveals that budgeted amounts under this head have not been fully utilised during the last four financial years, with the exception of FY 2012/13 and FY 2013/14 when the AE was above the budgeted amount (by 61% and 11%, respectively).

**Table 5: Medicines Budget and Expenditure at BHUs**

| BE and AE for Medicines at BHUs | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Years** | **2011/12** | | **2012/13** | | **2013/14** | | **2014/15** |
| | BE | AE | BE | AE | BE | AE | BE |
| **Medicines and TB Drugs** | 1.210 | 1.210 | 1.210 | 1.210 | 1.210 | 1.210 | 1.210 |
| **Utilization Ratio** | | 100% | | 100% | | 100% | |

*Rs. In million*

### 2.7.2 Cost per patient for BHUs

The per patient cost has been calculated using the numbers obtained from the district for out-patients treated at the BHUs, and using the budgetary allocations for BHUs and AE incurred during the last three years (see Table 10).

**Table 6: Patient cost according to budget and AE**

| Patient cost | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Years** | **2011/12** | | **2012/13** | | **2013/14** | | **2014/15** |
| | BE | AE | BE | AE | BE | AE | BE |
| **Patient cost as per total budget for BHU** | 214 | 232 | 184 | 245 | 227 | 229 | 233 |
| **Patient cost as per non-salary budget for BHU** | 2.00 | 2.44 | 1.58 | 1.59 | 1.59 | 1.95 | 1.58 |

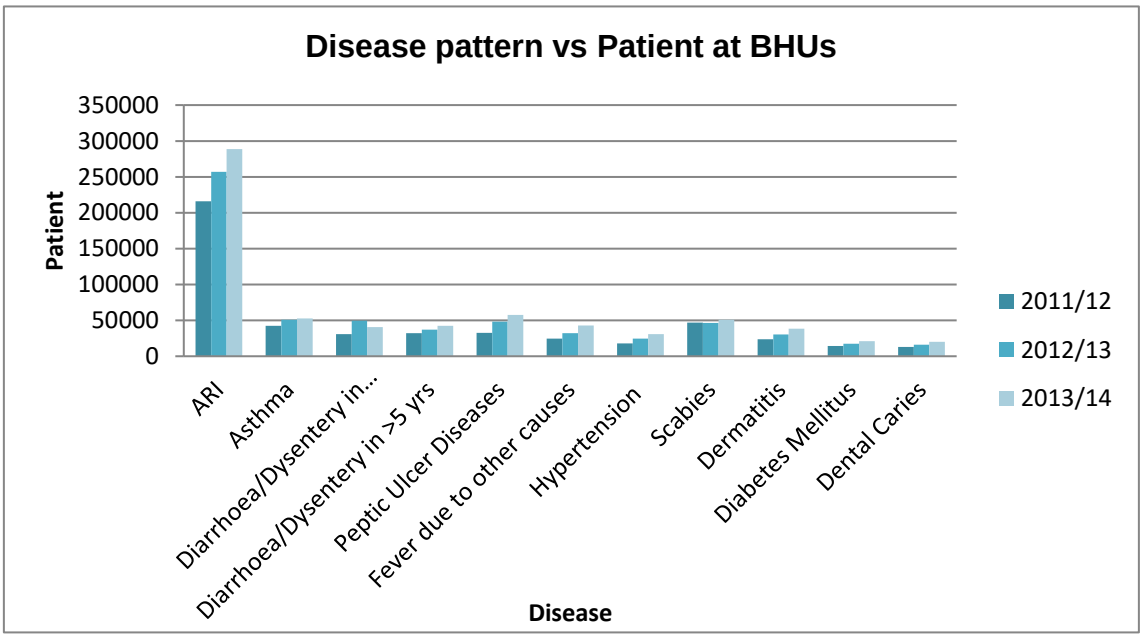
*In Rs.*

Table 10 shows that the per patient non-salary expenditure at BHU level ranges from Rs. 1.58 – 2.44. This allocation is extremely low, bearing in mind the actual needs as regards the provision of medicines, and diagnostic facilities etc. through BHUs.

### 2.7.3 Disease Pattern

As shown in figure 3. The chart shows the patient load at BHUs against 11 major diseases. The chart shows that ARI patient were more in past three years, who were visited BHUs for health care

**Figure 3 Disease Pattern and Patients at BHUs**



# 3 Key Findings

1. Trend of expenditure reflects that the budgetary allocations are not being made on the basis of some evidence/criteria
2. Over all Non-Salary budget was very low at BHUs
3. Drugs and Medicine budget was very low at BHUs
4. Per Patient budgetary allocation is very low at BHUs
5. No criteria to determine quantity of medicines/Linkages with disease pattern at all levels
6. No yard stick for equipments to be made available at BHUs Level
7. Maintenance of office/BHUs etc were not taken care off
8. POL Budget is not being allocated as per entitlement/administrative needs
9. No inventory register is being maintained at district level
10. District Health Development Centre non-salary budget was very low
11. Maternity health centres non-salary budget was very low, which were included in Primary health care services
12. Serious capacity issues has been observed especially with the officials responsible for budget preparation and scrutiny
13. Apparently, the concerned officials while making budget estimates do not keep in view the expenditure trend of previous financial year
14. The above mentioned deficiencies directly affect the service delivery of the district especially primary health care level

## 3.1 Budget Proposals

| Area | Reccomendation |
|---|---|
| **Immunization** | POL for Vaccinators to be indicated as separate head.<br><br>Issuance of Fleet cards to Vaccinators |
| **Medicine requirement** | Medicine Budget @ Rs.62/- per patient (for BHU) as per EPHS.<br><br>Medicine Procurement as per BOD |

| Area | Reccomendation |
|---|---|
| **Trainings** | Formulation of Training schedule as per district needs.<br><br>Non-salary allocation of DHDC be enhanced to match training requirements |
| **Equipment and Infrastrcuture** | Comprehensive survey to identify missing equipment at BHUs.<br><br>Costing of missing equipment.<br><br>Allocation of token money of Rs. 1 Million for procurement of missing equipment and Rs. 1.5 Million as R & M cost of equipment at all BHU's. |
| **Medical Camps** | Allocation of Rs. 1.000 million for medical camps.<br><br>Identify area for Medical Camps. |
| **MNCH** | WMO may be allocated to 3 or 4 BHUs using cluster approach.<br><br>Utilize DHDC to train TBAs. |