



GOVERNMENT BUDGETARY ALLOCATIONS AND THE PERFORMANCE HEALTH SECTOR IN NIGERIA

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Abstract

After the 18th budget year, the Federal Government budgetary allocation to the health sector is still below the promised 15% commitment at the Abuja Declaration 2001. The paper examines the trend in government healthcare financing in Nigeria within 1990 to 2018. Descriptive analysis was employed using secondary data. The trend shows that the best of Federal Government budgetary allocation to health sector was with 5.95% in 2012 of the National budget. While more allocation was towards recurrent expenditure, little were allocated to capital expenditure during the period under review. A close comparison of sectors, show that healthcare is not priority sector to Nigerian government. The paper concludes that generally, budgetary allocation to healthcare has been very low, unpredictable and unstable over the period under study. The paper recommends that more budgetary allocation of up to 15% as recommended by Abuja Declaration to health, as only healthy citizen can help to build and move a country forward.

Keywords: Budgetary Allocation, Health Care, Government Expenditure, 15% Abuja Declaration.

JEL Classifications: H51

Introduction

Budget is a financial statement made by the government which spells out estimated government revenue and proposed expenditure for a financial year. Budgets are formulated to achieve certain prime objectives such as to reduce inflationary pressures, to sustain growth and development, increase employment opportunities, and reduce poverty and to meet individual set goals. It could also be aimed at developing a specific sector or a group of sectors or an aspect of the economy, to achieve a stated goal (Todaro and Smith, 2011).

In Nigeria, government has come up with different policies and budget that aimed at enhancing the standard of living of the citizens, irrespective of the sector of the economy. However, much emphasis is usually given to one or two sectors than other sectors, depending on the government priority. Nigeria inherits its healthcare system from the British, structured into primary, secondary and tertiary levels. The Local Governments focus on primary healthcare services administered in the dispensaries. The healthcare provision by the state governments is to manage the General Hospitals.

The tertiary healthcare is provided by the Federal Government mostly coordinated by the University teaching hospitals and federal medical centers. This study focuses on federal government funding. Government over the years has been making desperate efforts at ensuring that there is increase in the level of public expenditure on health. Nigeria's annual budget grew more than 20-fold since the nation's return to democracy in 1999, with regrettably little impact on key socio-economic parameters – health. A preview of budgetary allocations to health sectors reveals that, in 2010, healthcare expenditure was ₦164.9 billion. This figure rose to ₦257.41 billion in 2016 to ₦308.46 billion in 2018 (CBN,2018). The aforementioned scenario clearly shows that the healthcare expenditure in Nigeria has been on the increase over the years, but such increased funding does not necessarily translate to efficient service delivery. However, it is eighteen years after the Abuja Declaration, when African Union (AU) countries leaders committed themselves. The declaration contains several important decisions regarding healthcare in Africa but the most important was the “commitment to the allocation of

at least 15% of the national budgetary allocation to health (www.africaunion.org). It is against this background that the study seeks to examine:

- i. the trend in budgetary allocation to health sector as a percentage of the total national budget in Nigeria 1990 - 2018
- ii. the budgetary allocation to health sector before and after the "2001 Abuja Declaration" by the African Union (AU) countries leaders.
- iii. to compare the budgetary allocation to health sector with other top sectors of the economy within the period under review

Following this introduction, the remaining subsection of the paper is organized as follows: Section 2 reviews the relevant literature. Section 3 presents methodology of the study. Section 4 presents the data collected. Section 5 concludes the study.

Literature Review

Public health expenditure consists of recurrent expenditure and capital expenditure from government (federal, states and local government) budgets, external borrowings, and grants (including donations from international agencies and non-governmental organizations), and social (or compulsory) health insurance funds. While, total health expenditure is the sum of public and private health expenditure. It covers the provision of health service (preventive and curative) family planning activities, nutrition activities and emergency aid designated for health but does not include the provision of water and sanitation (WHO, 2013).

Globally, there are great variations on the amount countries spend on health. The share of the health expenditures and Gross Domestic Product (GDP) in developed countries is often more than developing countries. As level of development increases, health care expenditures increase too. According to World Health Organization (2005), 50% of the differences between developed and developing countries are attributed to ill-health and low life expectancy. While developed countries spend more proportion of their Gross Domestic Product (GDP) to provide health care services to their citizens, developing countries spend less or little of theirs on healthcare expenditures. According to Usman et al (2011), Nigeria government spend huge amount of money on the on the development of social overhead costs, economic services and infrastructural facilities for economic growth but these funds are most times mismanaged, misappropriated, misplaced or even wasted, thus resulting to no or little improvement in the economy. However, looking at the healthcare services in Nigeria, despite the huge government spending, alongside with bilateral and multilateral

assistance in the health sector, the pattern of health care delivery is poor. In the recent time, according to the National Strategic Health Development Plan (2009-2015), health indicators in Nigeria have remained below country targets and internationally set benchmarks including the Sustainable Development Goals, which have recorded very slow progress over the years. The health outcomes for Nigeria are among the worst in the world. Life Expectancy rate at birth is 49 years while the disability adjusted life-expectancy at birth is 38.3 years and infant mortality remaining within the lower bound of 181 per 1000, maternal mortality rate is still very high as 814/100,000 live births as at 2015 indicating that 58,000 Nigerian women died due to birth related complications (WHO, 2016). In 2016, the figures showed an improvement in Life Expectancy rate at birth as 53 years and infant mortality of 186 per 1000. This indicates that there is still a long way to go in order to sustain the health inputs and outcomes in Nigeria (WHO, 2016).

Theoretical Framework

Using public spending to stimulate economic activity has been a key option for successive governments since the 1930s when British economist, John Maynard Keynes, argued that public spending should be increased when private spending and investment were inadequate. According to Keynes, public spending boosts economic activities as well as act as a tool to stabilize the short run fluctuations in aggregate expenditure (Ju-Huang, 2006). The Keynesian theory advocates an active government intervention in the economy through an increase in government spending, money supply in order to stimulate the demand for goods and services during periods where there is low demand and put the unemployed factors back to work. This is based on the argument that markets do not always clear as the classical economists postulated. This theory provides that there is long run causality between government spending and economic growth. Thus, in times where demand is low, the government should increase its spending (injecting new purchasing power) in the economy so as to stimulate aggregate demand and thereby output through the multiplier effect.

Methodology

The data for this study were obtained from secondary sources: Central Bank of Nigeria (CBN), Federal Ministry of Finance, World Health Organization (WHO) as well as published and unpublished works of other researchers. The method of data analysis was descriptive statistics which include the use of charts, tables, percentages and averages. The choice of the period 1990 – 2018 was to enable the comparison between the last era

of Military government and the Democratic era in Nigeria.

Data Presentation and Analysis

The level of government expenditures in the Nigeria healthcare sector 18 years after the Abuja

declaration shows a poor funding trend in the system. Before the “Abuja Declaration” in 2001, the annual government expenditure on health as a percentage of the Total budget was 1.2% in 1990. By 1998 significant increase was recorded reaching 2.5% (CBN, 2018).

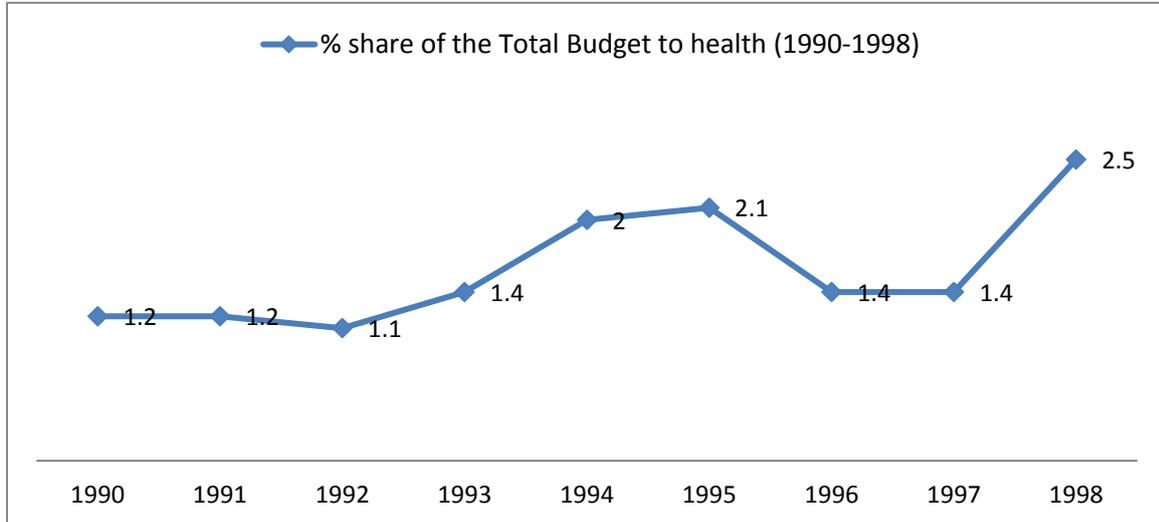


Fig. 1: Percentage share of National Budget to Health sector (1990 to 1998)

Sources: Author’s computation using data from Central Bank of Nigeria (CBN) Annual Statistical Bulletin (various years).
 : Federal Office of Statistics (FOS) Annual Abstract of Statistics (various years).
 : Federal Ministry of Finance, Budget Speeches for various years.

Figure 1 shows the percentage trend of the total national budget to the healthcare sector between 1990 and 1998, which mark the last 9 years of the

Military regime in Nigeria. Within this period, the average percentage allocated to the health sector was 1.6%.

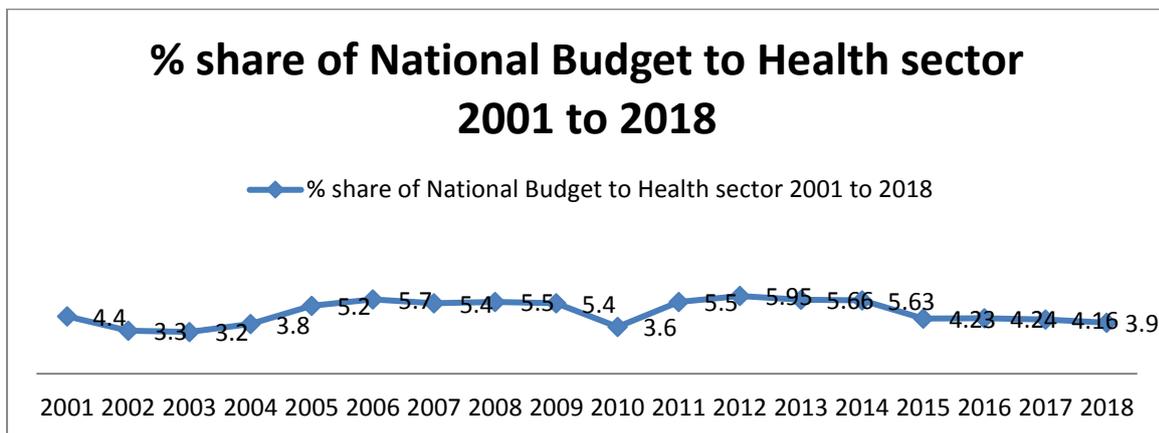


Fig. 2: Percentage share of National Budget to Health sector (2001 to 2018)

Sources: Author’s computation using data from Central Bank of Nigeria (CBN) Annual Statistical Bulletin (various years).
 : Federal Office of Statistics (FOS) Annual Abstract of Statistics (various years).
 : Federal Ministry of Finance, Budget Speeches for various years.

Figure 2 shows the proportion of the total national budget to the healthcare sector within 2001 to 2018. During the period, the Nigerian governments’ budget for health has continually

been on an increasing trend with no significant change in the amount allocated to the sector. The average percentage allocated by government to health from 2001 to 2010 was 4.55%. In 2011 and

2013, ₦235.87 billion and ₦282.77 billion were allocated, representing 5.58% and 5.95% of the total national budget of ₦4.2 Trillion and ₦4.7 Trillion respectively (see figure 2 and 3). This increasing trend continues with an average of 4.71% allocation to the healthcare sector.

In 2018, ₦340.46 billion was allocated to the healthcare sector, representing 3.9% of the ₦8.6 trillion of the total budgets. The 2018 allocation is

less than ₦257.41 billion (4.24%) and ₦308.4 bn (4.16%) in 2016 and 2017 respectively. (See figure 2 and 3). This trend shows increase in amount allocated to the health sector, which is very low in terms of percentage of the total budget. The highest percentage allocation to the sector after 2001 Abuja Declaration was in 2012 with 5.95% of the national budget to the health sector. This is far below the expected 15% as declared by the African Union leaders.

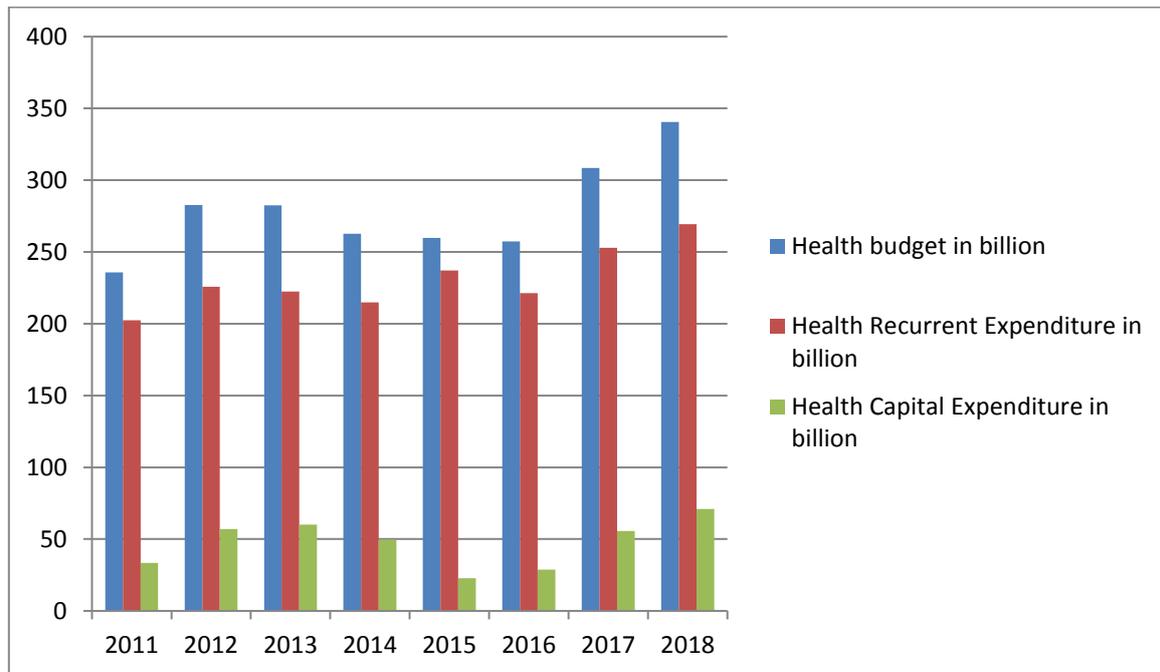


Fig. 3: Recurrent Expenditure and Capital Expenditure in of the Total Health Budget in ₦Billions (2011-2018)

Sources: Author's computation using data from Central Bank of Nigeria (CBN) Annual Statistical Bulletin (various years).
 : Federal Office of Statistics (FOS) Annual Abstract of Statistics (various years).
 : Federal Ministry of Finance, Budget Speeches for various years.

Figure 3 shows the Federal Government Budgetary Allocation to health sector between 2011 and 2018 in terms of capital and recurrent expenditures. The Federal Government capital expenditure on health were ₦33.5 billion (14% of the entire allocated budget to the sector) 2011, ₦57.01 billion (20%) in 2012, ₦49.52 billion (19%) in 2014, ₦28.65 billion (11%) in 2016, ₦55.6 billion (18%) in 2017 and ₦71.11 billion (21%) in 2018; a clear downward trend. The health sector allocated recurrent expenditure were ₦202.34 billion (86%) in 2011, ₦225.76 billion (80%) in 2012, ₦214.94 billion (81%) in 2014, ₦221.41 billion (89%) in 2016, ₦252.86 billion (82%) in 2017 and ₦269.34 billion

(79%) in 2018. This shows that since 2011 recurrent expenditures has accounted for between 79% and 91% of the proposed allocations to the health sector. These recurrent expenditures were mainly for personnel costs and overhead costs with little amount left for capital expenditures. However, it is critical to note that, in 2018, the recurrent expenditure decreased from 82% in 2017, to 79% in 2018. While the capital expenditure rise from 18% in 2017 to 21% in 2018 of the health sector budgetary allocation. This shows that the capital expenditure is gradually improving as compared to the last 7 years allocation.

Table 1: Percentage of the Total National Budget allocated to Selected Ministries in Nigeria

1990-2000	Defense	Education	Health
Average Allocation in % during the last 9years of Military era before Abuja Declaration	3.3%	4.2%	1.6%
2002-2018	Defense	Education	Health
Average Allocation in % after 2001 Abuja Declaration	8.58%	5.76%	4.72%

Sources: Author’s computation using data from Central Bank of Nigeria (CBN) Annual Statistical Bulletin (various years).

: Federal Office of Statistics (FOS) Annual Abstract of Statistics (various years).

: Federal Ministry of Finance, Budget Speeches for various years.

Table 1 shows the comparison between the health sector budget and selected ministries budgets as allocated by the Federal Government. The average allocation between 1990 to 2000 shows: health was 1.6% compared with allocation to Education 4.2%, and Defense 3.3%. In 2002 to 2018, the average allocation in percentage to health was 4.72%, compared with allocation to Education 5.76 % and Defense 8.58%. However, in 2018 among the considered ministries, Health sector received the least government budgetary allocation of N340.46billion, Education (N605.79 billion), and Defense (N567.43 billion) out of the N8.6Trillion of the Total Budget. This comparison shows the most important sector been considered by the Federal Government as its priority.

Details of the budgetary allocation in the health sector over 18 years ago show that, the best Nigeria has done well in health allocation was in 2012 with 5.95% of the national budget. This is a far cry from the 15% Abuja Declaration of 2001. Since the declaration, Nigeria has not attained the pledged funding benchmark as the Federal Government has never voted more than 6% of its budgetary allocation to the health sector. The attitude of low percentage share of government budgetary allocation has led to continuous decay in the Nigeria healthcare system. Nigerians leave their country to escape death due to poor healthcare services and the major health staff exporting country in Africa. Medical Tourism is on the increase because of poor quality of healthcare services delivered in the three levels of healthcare system (primary, secondary and tertiary) in Nigeria. Top government officials and wealthy

Nigerians who can afford treatment abroad are increasingly seeking better healthcare outside the country, while those that cannot afford such healthcare services stay in the country at the mercy of the decaying and dilapidated government hospitals. No other sector will function properly if health of the citizens is not guaranteed. There is need to re-examine budget priorities with health in need.

Conclusion and Recommendations

The paper examined the budgetary allocation to the health sector, before 2001 and after, up to 2018. It was observed that:

1. General budgetary allocation to healthcare has been very low, unpredictable and unstable over the period under study.
2. Nigerian Government has not been given priority to the committed 15% of the total budget to healthcare sector as declared by African Union leaders in Abuja 2001.
3. Over the years under review healthcare sector has not been considered as a priority sector when compared to other top sectors in Nigeria.

Based on the findings, the paper emphasizes on more budgetary allocation of up to 15% as recommended by Abuja Declaration to health, in order to improve the quality of services been provided through appropriate healthcare technology, policies and initiatives capable of increasing the public confidence in our local healthcare system, as only healthy citizens can help to build and move a country forward.

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