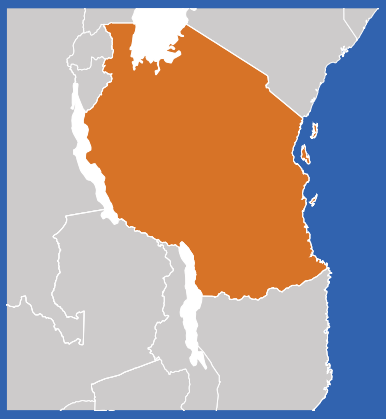

Budget Execution for HIV-Related Allocations in Tanzania

Review of Performance for Fiscal Year 2016/17

HP+ POLICY *Brief*

December 2017

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Introduction

Budget advocacy in Tanzania has helped to increase prioritization of health in the government's annual budget (Lee et al., 2016). For example, in fiscal year 2016/17 (which runs from July 1 to June 30) the government of Tanzania significantly increased its contribution to the purchase and distribution of essential medicines and commodities. And, for the first time, the government included a line item in its annual budget specifically for procurement of antiretroviral drugs (ARVs). The budget advocacy that resulted in these increases was conducted by stakeholders with support from the Health Policy Plus (HP+) project, funded by the U.S. Agency for International Development (USAID) and the U.S. President's Emergency Plan for AIDS Relief (PEPFAR).

The Tanzanian government also made significant allocations to repay money owed to the public sector's Medical Stores Department—the agency that has managed procurement and distribution of medicines, medical supplies, and laboratory supplies for the Ministry of Health, Community Development, Gender, Elderly and Children (MOHCDGEC) since 1993. In addition, the government allocated funds to cover ongoing procurement and supply chain management costs, which include a standard contribution for HIV commodities based on Medical Stores Department fees and expense ratios of the cost of commodities purchased by the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) and by PEPFAR (MOHCDGEC, 2017). At the beginning of 2015/16, the amount owed to the Medical Stores Department was estimated to be TZS 114.2 billion (USD$58.18 million) (Deloitte, 2015).

While the country continues to rely significantly on external development partners such as PEPFAR and the Global Fund for the procurement of HIV commodities, these budget allocations to identified priority health areas indicated that progress was being made toward more adequate domestic funding for critical components of the health system. However, by the end of the fiscal year, it was clear that the allocations had not actualized into real health expenditure. Disbursements to the Tanzania Commission for AIDS (TACAIDS) only reached 66% of the allocated budget and disbursements for the Medical Stores Department debt and procurement and supply chain management expenses were a mere 15% of what was allocated. Meanwhile, there were no disbursements made for the purchase of ARVs during the year.

The lack of disbursements highlights the need to improve release and execution of funds that have been approved but are not being expended as necessary. By improving budget execution and spending effectively, MOHCDGEC will be better able to advocate for and mobilize additional domestic resources.

HP+ Assessment

As seen in 2016/17, budgeting does not always translate into actual expenditure because there are several potential obstacles in the fund disbursement process that may contribute to underperformance in budget execution. At times, funds may not be released by the Ministry of Finance and Planning, funds may be delayed or only partially released, or funds may be released but reallocated for purposes other than what was initially planned. To assess the government of Tanzania's budget release and execution performance during 2016/17, HP+

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tracked disbursements for the funds that were allocated for ARVs, for repaying the amount owed to the Medical Stores Department, and for ongoing procurement and supply chain management obligations. HP+ also analyzed the current and historical performance of budget execution for the government's allocations to TACAIDS over the last five years to give some context based on past performance.

This assessment identified bottlenecks and weaknesses in the process and provided recommendations for practices to help improve the likelihood that funds will be disbursed on time. HP+ also gained clarity on the process for procurement and supply chain management obligations being transferred to the Medical Stores Department to determine why obligations have been accumulating. Lastly, some root causes for sub-optimal budget execution for health overall were identified.

Approach

HP+ reviewed historic budget and expenditure reports from the Ministry of Finance and Planning for the last five years to determine prior budget execution performance by the government for HIV. For 2016/17 data, HP+ used fiscal year end budget and expenditure reports from the Ministry of Finance and Planning and cross-checked information with relevant departments within MOHCDGEC. Using a questionnaire to guide discussions and evaluate the budget disbursement and execution process, HP+ conducted informational interviews with staff at the Pharmaceutical Services Unit and the Department of Policy and Planning at MOHCDGEC, the Medical Stores Department, the National AIDS Control Program (NACP), and TACAIDS. Responses from these interviews helped to identify measures that can be implemented quickly to address budget execution issues, as well as inform recommendations for longer-term interventions.

Results

Current and Historic Domestic Budget Execution Performance for TACAIDS and NACP

TACAIDS provides strategic leadership and coordination for the implementation of a national multi-sectoral response to HIV. Its overall budget (recurrent and development) has decreased significantly from TZS 18.2 billion (USD 11.26 million) in 2012/13 to TZS 10.6 billion (USD 4.80 million) in 2016/17 (see Figure 1), even though operational expenses have increased over time (MOFP, 2012–2016).[1] The drop in funding can be attributed to a shift in priority from preventive services to care and treatment services financed directly by donors, and to the completion of some large HIV awareness projects.

In 2016/17, budget execution performance was 66% (MOFP, 2017a).[2] Past performance has been uneven over the last five years, ranging from as low as 49% to a peak of 75% (MOFP, 2013–2017). According to TACAIDS, the only funds that are consistently disbursed on time are for salaries and benefits, called personal emoluments, which account for about 70% of TACAIDS' recurrent budget, at around TZS 2 billion (USD 904,748) (MOFP, 2016a).

The AIDS Trust Fund, which is housed at TACAIDS but managed by an independent board of governors, received TZS 1.4 billion (USD 633,341) out of TZS 3 billion (USD 1.36 million) that was allocated in TACAIDS' development budget. According to TACAIDS, failure to disburse funds completely and on time is attributed to insufficient funds in the national treasury. In the case of the AIDS Trust Fund, delays in the expenditure of the previously disbursed TZS 1.4 billion were the reason that additional funds were not requested during the fiscal year.

In interviews, TACAIDS staff noted that interventions such as government investments in infrastructure, communications, and education that have beneficial effects on the HIV response in

[1] All exchange rates were calculated using the period exchange rate from www.ofx.com.

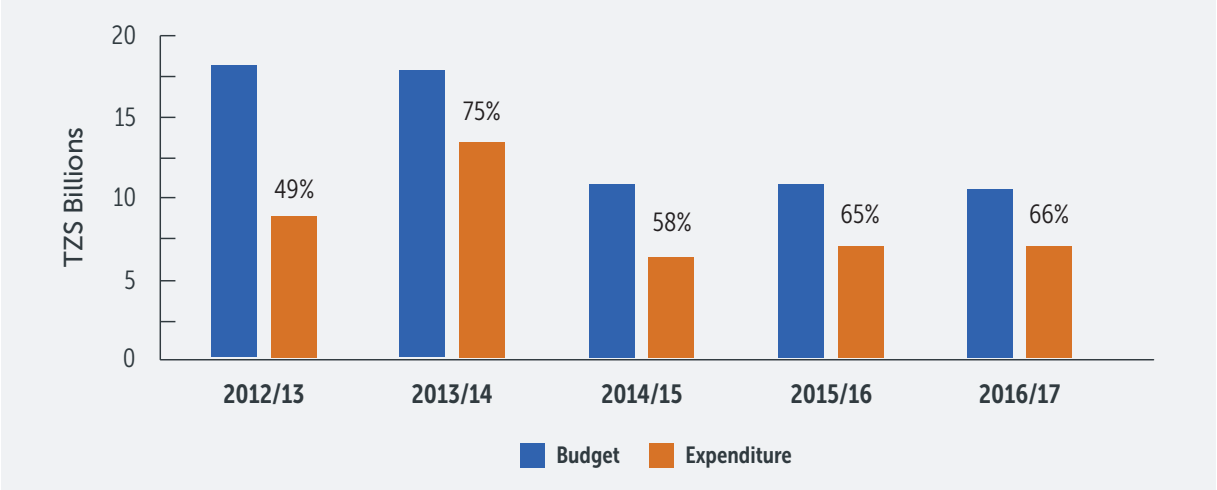
[2] Does not include investments made for HIV workplace programs.

Tanzania could tangentially be considered domestic resources for HIV, although allocations for these activities are not directly part of the health sector budget.

NACP, a sub-department under MOHCDGEC, is responsible for the design and implementation of HIV prevention and care interventions. NACP's annual budget is included within the ministry's Department of Preventive Services, which can found in the national budget books under "recurrent and development votes," number 52.[3] There is no sub-budget line item for NACP, so it is not possible to track on-budget execution performance.

NACP is significantly dependent on external funds from PEPFAR and the Global Fund to perform many of its functions and largely plans activities based on expected funds that are not included in the government's budget books. MOHCDGEC estimates that over 90% of NACP expenditure is financed by external funds from donors. The government does fund NACP salaries and some infrastructure expenses.

Figure 1. Historic Budget Execution at TACAIDS



Source: MOFP, 2013–2017

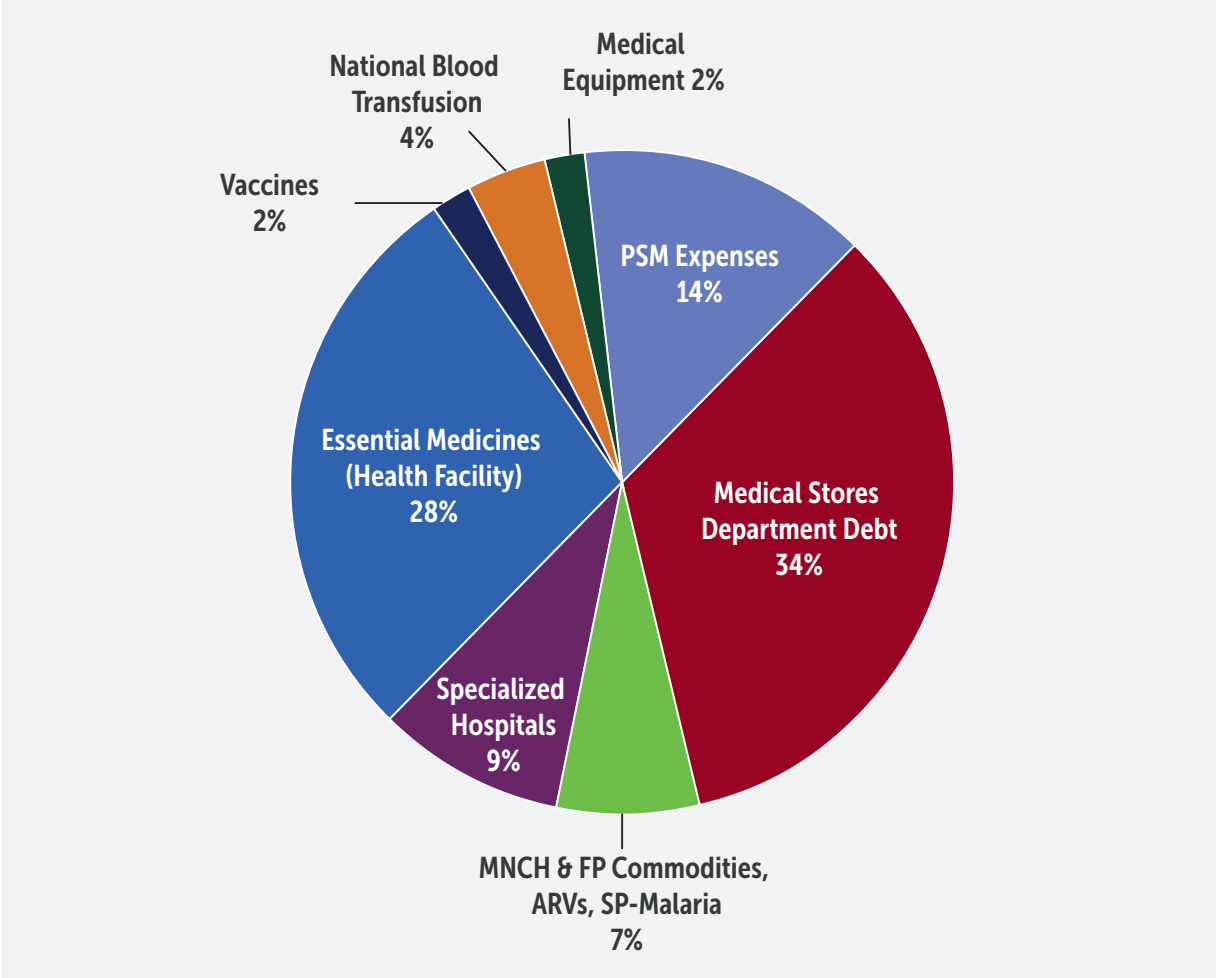
Release of Pharmaceuticals Budget Line Funds

In 2016/17, the government of Tanzania allocated TZS 251.5 billion (USD 114 million) to the pharmaceuticals budget line within the MOHCDGEC development vote for the purchase and delivery of essential medicines, commodities, and supplies. This allocation was 48% of the entire ministry development budget for 2016/17 and was about seven times the amount that the government allocated, on average, in the previous 10 years (MOFP, 2007–2016). Included in the 2016/17 allocation was TZS 85.12 billion (USD 38.5 million) for Medical Stores Department debt repayment, TZS 35 billion (USD 16.6 million) for ongoing procurement and supply chain management expenses, and TZS 10 billion (USD 4.52 million) for the purchase of ARVs (see Figure 2). Included in ongoing procurement and supply chain management costs are procurement agent and handling fees, freight and insurance costs, warehousing and storage expenses, in-country distribution costs, and quality assurance and control costs.

At the end of 2016/17, only 13% (TZS 11.2 billion or USD 5 million) was disbursed for Medical Stores Department debt repayment and 20% (TZS 7.1 billion or USD 3.2 million) for ongoing procurement and supply chain management expenses (see Figure 3). Staff at the Pharmaceutical Services Unit noted that none of the disbursed amount for procurement and supply chain management expenses was used for procuring or distributing HIV commodities. Estimations on the expected procurement and

[3] A budget 'vote' number is assigned to different sections of the government budget for identification purposes.

Figure 2. Breakdown of the TZS 251.1 Billion Pharmaceuticals Budget Allocation



FP = family planning; MNCH = maternal, newborn, and child health; PSM = procurement and supply chain management; SP-Malaria = Sulfadoxine-Pyrimethamine malaria

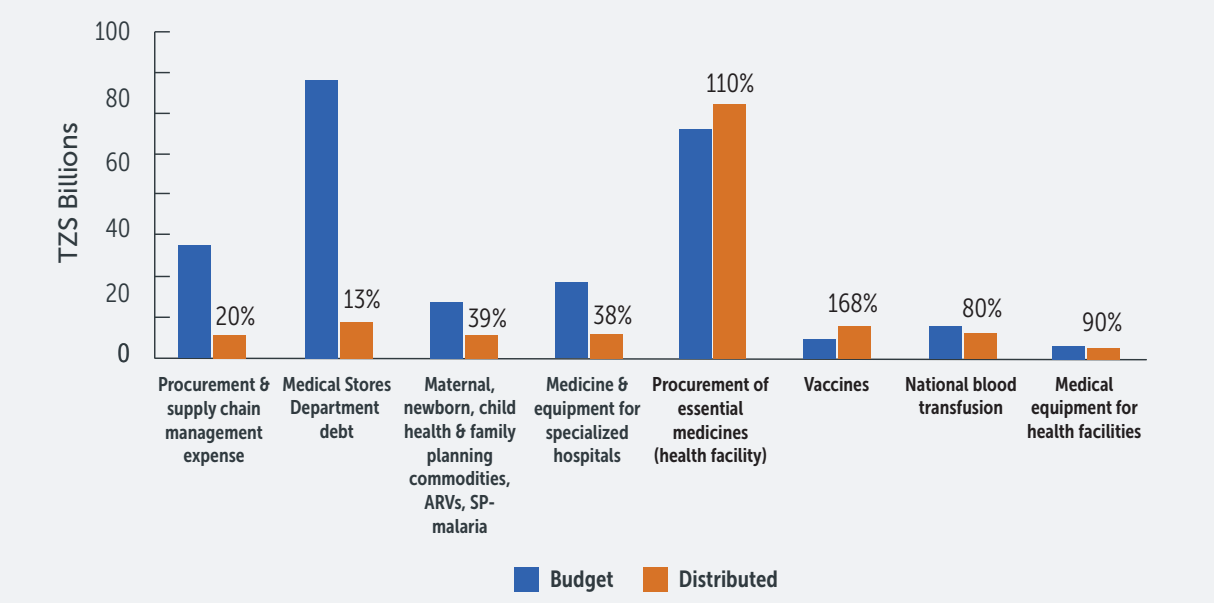
Source: Lee et al., 2016

supply chain management costs for HIV commodities each year, including for ARVs, are made as part of NACP's quantification exercise. In 2016/17, the amount allocated to cover procurement and supply chain management costs for all health commodities was only equivalent to about 70%–80% of the real estimated cost, according to staff interviewed at the Medical Stores Department. This indicates that MOHCDGEC's quantification significantly underestimates procurement and supply chain management expenses. Overall, 53% (TZS 132.1 billion or USD 60 million) was disbursed in 2016/17 for the pharmaceuticals budget line. Although a 53% budget release rate is well below expectations, staff at the Pharmaceutical Services Unit did note that the nominal amount of TZS 132 billion is quite high compared to the amount released in the previous five years, showing a greater commitment by the government to improve health services. Staff at both the Medical Stores Department and Pharmaceutical Services Unit noted that the biggest driver behind poor budget release is a lack of available resources at the national treasury set aside for the health sector, including the purchase and delivery of essential medicines. Figure 4 shows the process for disbursement of funds to the Medical Stores Department.

Because the government disbursed only 13% of allocated funds for the Medical Stores Department, the amount owed to the department continued to accumulate during 2016/17. The Medical Stores Department estimated that during 2016/17, the debt grew by TZS 12 billion (USD 5.43 million).[4]

[4] Medical Stores Department estimation.

Figure 3. 2016/17 Budget Release for the TZS 251.1 Billion Allocated to the Pharmaceuticals Budget

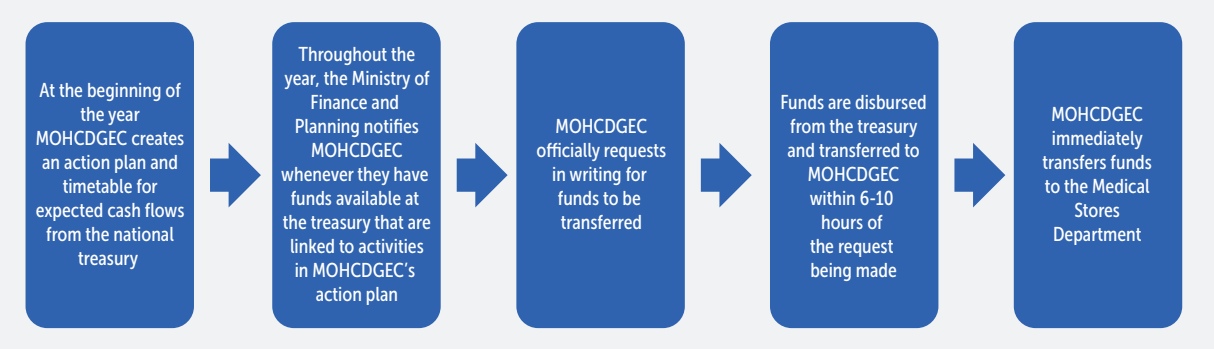


Source: MOHCDGEC Pharmaceuticals Service Unit

Receiving the agreed-upon donor-obligated payments from the Global Fund and PEPFAR has helped the department stay operational, but absent the full government obligation, the department is not fully functional.[5]

Other than non-disbursement of budget allocations, the Medical Stores Department indicated that one of the underlying issues that caused the debt to grow over time is non-adherence to guidelines for commodity donations. The guidelines were developed in response to occasions when the government was met with considerable unexpected expenditure to process donations that had not been sufficiently forecast in advance. These unplanned expenditures resulted in unwanted effects on existing institutional arrangements among the country's financial, procurement, and supply chain management systems (MOHSW, 2015). The government of Tanzania is responsible for contributing a percentage of the commodity costs to cover its procurement and supply chain management expense obligations. One suggestion by the Pharmaceutical Services Unit to reduce the Medical Stores Department debt accumulation, which has been raised in the past but has yet to be implemented, is that the department

Figure 4. Process for Disbursement of Funds to the Medical Stores Department



[5] A set of agreements exist between the Global Fund and PEPFAR with the Government of Tanzania on procurement and supply chain management obligations for donated commodities. ARVs that are procured directly by the Global Fund and PEPFAR are subject to contribution rates of 19.3% for the Global Fund and 20.0% for PEPFAR for procurement and supply chain management expenses (MOHCDGEC, 2017). Additional rates for the Global Fund are 6% on HIV test kits, laboratory reagents, and laboratory consumables. Additional rates for PEPFAR are 20.5% for HIV test kits, 6% for early infant diagnosis kits and consumables, and 6% for viral load kits and consumables. (Global Fund, 2017)

request an exemption from some of the procurement and supply chain management costs, such as port charges, customs clearing, and forwarding fees collected by the Tanzanian Ports Authority. The rationale behind the suggested exemption is that taxes collected by one government institution from another will have no overall effect on the country's financial position.

Domestic Budget Execution in 2016/17 for the Purchase of ARVs

No domestic disbursements were made for the purchase of ARVs in 2016/17. Although the purchase of ARVs was identified as a priority by the government, it was determined that financing from external grants made by PEPFAR and the Global Fund were enough to cover the resources required to purchase HIV commodities needed to meet NACP targets for 2016/17. MOHCDGEC confirmed that USD 20 million in savings were discovered during procurement activities within the Global Fund pooled procurement mechanism, and this money was re-programmed by the Global Fund to buy more commodities, USD 14 million of which was allocated for ARVs.

Consequently, domestic resources were shifted to other high-priority areas that were determined to be significantly underfunded. For example, some line items in the pharmaceuticals budget, such as vaccines and essential medicines for health facilities, received disbursements of more than 100% of the initial budget allocation for 2016/17 (see Figure 3, previously). MOHCDGEC indicated that this was the result of the quantification not being accurate, reprioritizations made during the year, and late reallocation of funds to these budget lines.

The release of the 2017/18 budget books confirmed that there is a new allocation of TZS 10 billion for the purchase of ARVs. With Tanzania moving closer towards lower-middle-income country status, the government's mandatory co-financing requirements to receive Global Fund grants will increase, as well as requirements needed to meet co-financing incentives. This highlights the importance of increasing domestic resource allocations to line items such as the procurements of ARVs as part of the transition process. Further, compliance with the Global Fund co-financing requirements is measured by actual health spending, so it is not sufficient to make budget allocations to health—these must be followed up with actual disbursement and health expenditure.

Discussion

As evidenced by the budget release performance in 2016/17 of budget votes with health sector components, an opportunity for improvement exists, particularly MOHCDGEC's vote 52. The overall government release rate was 80% for 2016/17 (MOFP, 2017b) compared to 57% for MOHCDGEC and 66% for TACAIDS (see Table 1). This pattern of relative under-performance in release for health votes has continued from previous years; the overall government budget release rate was 90% for 2015/16 and 85% in 2014/15 (MOFP, 2015–2017), while funding released for MOHCDGEC and TACAIDS was below the overall government budget release level—significantly, in some cases.

Table 1. MOHCDGEC and TACAIDS Budget Release (in TZS billions and %) Compared to Overall Government of Tanzania Performance

	2014/15			2015/16			2016/17		
DESCRIPTION	BUDGET ESTIMATES	BUDGET RELEASE	%	BUDGET ESTIMATES	BUDGET RELEASE	%	BUDGET ESTIMATES	BUDGET RELEASE	%
Government of Tanzania Budget	17,194	14,603	85%	22,495	20,275	90%	29,540	23,635	80%
MOHCDGEC (Vote 52)	659	475	72%	780	423	54%	797	454	57%
TACAIDS (Vote 92)	11	6	58%	11	7	65%	11	7	66%

Source: MOFP, 2015-2017

Respondents from the various government institutions that were interviewed shared thoughts on what they believed to be the root causes for poor budget release and execution in the health sector and how these processes could be improved. These include the following:

- *Lack of adequate revenue collection to finance the total planned government budget:* The Tanzanian government budget is cash-based and the funds that are available to be disbursed are based on revenue collected or received from various sources. These sources include domestic tax collection, loans from domestic and external financial institutions, grants, etc. Though improving, revenue collection historically has not been enough to finance the entire budget, which can cause funds to be dispersed late or not at all.

  Strengthening the internal collection process of the Tanzanian Revenue Authority has been a major focus of the current administration. For example, the government is working to establish electronic revenue collection systems at health facilities and other revenue collection points. Passing the national Health Financing Strategy into legislation and implementing it should aid in increasing resources for the health sector. A key part of the strategy bill is mandatory enrollment for all citizens into one of two national health insurance schemes, which is anticipated to provide additional revenue for the health sector from premiums collected.

- *Advocacy needed to further prioritize health:* Priority is given to funds for personal emoluments, defense, and home affairs ahead of development expenditure. Government priorities may shift from month to month, which has an impact on disbursement schedules, but compared to the overall government budget release rate, health-focused budget votes such as MOHCDGEC's #52 and TACAIDS' #92 appear to be deprioritized over other votes. For example, the Vice President's Office was disbursed 148% of its budget allocation in 2015/16 (MOFP, 2016b). When funds are made available for health in the treasury, the actual budget disbursement process is very efficient.

- *Planned health budgets do not match what is currently being collected and disbursed:* Respondents have observed that the budget for health reflects Tanzania's plan to raise coverage for many health interventions to meet the country's health needs. However, these budgets do not align with government revenue that is collected. Application of program-based budgeting, a process driven by strategic priorities, planned interventions, and desired results, would allow MOHCDGEC to prioritize budgetary asks while better demonstrating to the Ministry of Finance and Planning what it is receiving for its investment in health.

Conclusion

In conclusion, addressing the bottlenecks in spending, disbursement, and procurement processes should help improve budget execution for health. This is an important part of the domestic resource mobilization agenda because it increases the ability of MOHCDGEC to produce defensible budget requests. The following are specific suggestions to improve relations among the government, Medical Stores Department, and Pharmaceutical Services Unit; the procurement and supply chain management system; and HIV commodity-related issues.

- The quality of quantification exercises needs to be improved. This involves ensuring that the exercise is adequately funded; streamlining the process led by the chief pharmacist with input from stakeholders of vertical programs, including the President's Office – Regional Administration and Local Government and nongovernmental organizations; improving coordination between the Medical Stores Department, the Pharmaceutical Services Unit, and disease departments; and providing training to strengthen the capacity at MOHCDGEC to execute the quantifications more accurately.

- Health is among the top five sectors in terms of size of government budget allocation, but advocacy is needed to prioritize budget release and execution (see Prabhakaran et al., 2017 for suggested modalities to advocate for health). Application of program-based budgeting may be a more effective way to communicate this message to the Ministry of Finance and Planning.

- All respondents acknowledged that sufficient investment for the supply chain system should be prioritized within the health sector. Given that the Medical Stores Department debt has grown every year, budget advocates must continue to bring this issue to the attention of the government so that it is prioritized in the budget formulation process.
- If ARVs are adequately funded by donors during the year, reallocations should be made to priority areas such as procurement and supply chain management expenses and the Medical Stores Department debt. Both areas suffered from poor disbursement rates last year.

One area that may warrant further investigation is gaining a better understanding of the prioritization process at the Ministry of Finance and Planning for disbursing funds from the national treasury. This could help MOHCDGEC position itself to better advocate for scarce resources relative to other national priorities. In addition, the methodology for estimating procurement and supply chain management expenses may not be optimal. The Pharmaceutical Services Unit suggested that estimating expenses by volume instead of by commodity price may be more accurate, but this hypothesis requires further research. Lastly, it may be worthwhile to assess the effect of the Medical Stores Department debt on the department's performance and analyze the implementation of recommendations made by Deloitte in its Medical Stores Department review (Deloitte, 2015).

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