

Examining Budget Credibility in Nigeria's Health Sector

Olaniyi Olaleye, International Budget Partnership



Examining Budget Credibility in Nigeria's Health Sector

Olaniyi Olaleye, International Budget Partnership

Table of Contents

Introduction	4
Budget Credibility Trends in Nigeria's Health Sector	6
Impact of Budget Credibility Challenges on Health Outcomes	8
Causes of Spending Deviations in the Health Sector	9
Conclusion and Recommendations	13

Introduction

Nigeria's health expenditure as a share of gross domestic product (GDP) has remained below four percent over the past five years.¹ The country's healthcare services have been consistently poor, with a growing population and emerging health inequalities exacerbating the situation. The sector is characterized by lack of adequate health infrastructure, obsolete facilities, and insufficient funding to equip and staff hospitals. Prioritizing an equitable and inclusive healthcare system is crucial for governments at all levels, including the national and the sub-national levels, as adequate and appropriate financing of healthcare is imperative for the future of every nation. The share of total federal expenditure for the Federal Ministry of Health, the administrative body responsible for providing quality and efficient health care services for Nigerians, has been hovering between four and five percent for the last four years. Despite the increase of federal health budget allocations from 434 billion naira in 2018 to 1.02 trillion naira in 2021, the ministry underspent their approved budget by 31 percent in 2018 and 47 percent in 2021. This underspending limits the funding available for the nation's health system and therefore restricts opportunities for equitable, qualitative and universally accessible healthcare.

The underperformance of Nigeria's health sector can be attributed to insufficient budget allocation and utilization, dilapidated health infrastructure, and the attrition rate of the country's health workforce. The Nigeria Demographic and Health Survey (DHS) of 2018 indicates that only 35 percent of births take place in a health facility and 56 percent of mothers do not receive any postnatal care within six weeks of childbirth.² Key health indicators from the United Nations (UN) Inter-agency Group for Child Mortality Estimation also show no significant improvement for a country that hopes to achieve universal health coverage by 2030.³ The non-prioritization and underspending of the health budget has significantly contributed to poor health outcomes, including an infant mortality rate of 71 out of 1,000 live births. The same number of live births also has an under five mortality rates of 110, maternal mortality rate of 79, and neonatal mortality rate of 35.⁴ According to the Nigeria Medical Association (NMA), the doctor-to-patient ratio in Nigeria stands at approximately one doctor for every 4,000 - 5,000 patients. This ratio significantly falls short of the World Health Organization's (WHO) recommended ratio of one doctor for every 600 patients.⁵ Private health expenditure (primarily out-of-pocket) accounts for approximately 69

1 <https://www.cnbc.com/2021/01/04/nigerias-82-billion-health-care-gap-investors-stand-by.html>

2 Nigeria: Demography and Health Survey, available at <https://www.dhsprogram.com/pubs/pdf/FR359/FR359.pdf>

3 <https://childmortality.org/data/Nigeria>

4 <https://childmortality.org/data/Nigeria>

5 <https://dailytrust.com/brain-drain-nigerias-doctor-patient-ratio-now-1-to-5000/>

percent of total health expenditure.⁶ This is a staggering amount in a country where 133 million people (approximately 63 percent of the population) are multidimensionally poor.⁷

The overall objective of this brief is to shed light on the causes of observed underspending in Nigeria's health sector budget between 2018 and 2021 and how these spending deviations have impacted the country's quest to achieve the Sustainable Development Goals (SDGs). The brief seeks to understand whether allocated funds for healthcare services are released and spent as planned and utilized judiciously as approved by the legislature in the appropriation acts. Data on budget allocations and execution of the federal budget from 2018 to 2021 are sourced from the website of the Budget Office of the Federation and the Open Treasury Portal.⁸ Key informant interviews (KIIs) were conducted with key actors at the federal level and at the sub-national level, in Ogun State. Participants in the KIIs included key government officials at the Federal Ministry of Health and the National and State Primary Health Care Development Agency as well as officials from the Federal and Ogun State Ministry of Finance.

6 Federal Republic of Nigeria: National Health Accounts 2006-2009 available at <https://www.health.gov.ng/doc/FINAL-VERSION-NHA-2017.pdf>

7 <https://nigerianstat.gov.ng/news/78>

8 <https://opentreasury.gov.ng/> The portal was launched in 2019 and the budget office started upholding budget information from 2018 on the portal. There was no platform before then that has actual budget information.

Budget Credibility Trends in Nigeria's Health Sector

Budget allocations for the health sector at the federal level have consistently fallen short of the Abuja Declaration of 2001, which requires African countries to allocate at least 15 percent of their total government expenditure to the health sector.⁹ The Nigerian government, a signatory of the declaration, has never allocated more than 6 percent of its annual budget to the health sector in the last four years. From 2017 through 2021, performance of the federal government health budget has been sub-par of what the country needs. In terms of budget execution rates, we observed a decline in the Ministry of Health's budget utilization over the period examined, with government spending against the approved budget declining from 69 percent in 2018 to 53 percent in 2021. The federal government's health budget was underspent by 35 percent on average between 2018 and 2021. The Ministry of Health underspent its budget by 47 percent in 2021, which is a higher rate of underspending than previous years (the ministry's underspending rate was 31 and 21 percent, in 2018 and 2019, respectively). Underspending is also a challenge at the sub-national level. For example, the Ogun State government in Southwestern Nigeria allocated 10 percent of its 2020 state budget to the health sector but only 8 percent of total spending went to the health sector.

Table 1: Federal Government Health Budget Deviation Trend (2018-2021)

Year	Approved Health Budget (NGN' bn)	Actual Health Spending (NGN' bn)	Deviation (NGN' bn)	Deviation (%)	Actual Total Federal Expenditure (NGN' bn)	Health Sector Share of Total Spending (%)
2018	434	300	134	31%	7,374	4.1%
2019	510	401	109	21%	10,094	4.0%
2020	679	403	277	41%	9,256	4.3%
2021	1,022	547	475	47%	12,480	4.4%

Source: Open Treasury Portal/International Budget Partnership (IBP) Research

⁹ [Declaration.PDF \(au.int\)](#)

Efficient budgetary decisions, and adequate health spending are necessary to address the challenges facing the health sector and to achieve better health outcomes for Nigerians. Insufficient commitment to budget allocation and persistent underspending, coupled with high out-of-pocket expenses, intensifies the challenges faced by Nigerians in fulfilling their healthcare needs. In light of the outsized proportion of out-of-pocket payments that go to healthcare, as well as the high rates of extreme poverty, it is crucial for government at the federal and sub-national levels to mobilize resources and increase government health spending to effectively address the goals outlined in the SDGs. The federal government is responsible for public tertiary health services delivery, contributing approximately 12 percent of health-related spending. The state and local government health expenditures contribute approximately nine and seven percent of total health-related spending, respectively.¹⁰ Health advocates have continued to call for the government to increase health spending to achieve its goal of universal health coverage by 2030 for Nigeria's 200 million people, meet the health-related SDGs, and tackle emergent epidemics and pandemics.

¹⁰ National Health Policy 2016, available at https://extranet.who.int/countryplanningcycles/sites/default/files/planning_cycle_repository/nigeria/draft_nigeria_national_health_policy_final_december_fmoh_edited.pdf

Impact of Budget Credibility Challenges on Health Outcomes

The 2030 agenda of sustainable development presents an ambitious, complex, and interconnected vision that countries around the world have committed to work toward. Realizing this vision would require mobilizing a diverse range of public resources and ensuring the most vulnerable have access to quality healthcare services. In reality, for Nigeria's 2021 budget, 47 percent (475 billion naira) of budgetary allocation to the Ministry of Health were unspent. In Nigeria, Africa's largest economy, over 858,000 children under the age of five died in 2019 alone.¹¹ Many of these deaths were preventable by vaccines. UNICEF estimates that 2.2 million children were unvaccinated in 2021, a number that will continue to rise given that an estimated 74 million are born in Nigeria each year.¹² Nigeria also has poor health outcomes, such as a high rate of maternal mortality. Over 82,000 Nigerian women die annually from pregnancy-related complications.¹³ The failure of some state governments to fulfill the necessary prerequisites for the Maternal Service Scheme (MSS), an intervention by the federal government aimed at recruiting and retaining competent midwives in the healthcare system, has consistently led to their inability to obtain and allocate funds from this funding source. Officials in Ogun State's health ministry noted that the federal government did not specify the corresponding contribution expected from the state government during the scheme's inception claiming that the scheme was not formally documented in any Memorandum of Understanding (MOU) between the state and federal government. The failure of Nigerian policymakers to respond to maternal and child health needs, despite repeated promises, has led to negative and precarious health outcomes for these vulnerable groups.

Clearly, public spending on health will have to grow considerably if Nigeria is to address the deep challenges associated with its healthcare system, especially those triggered by out-of-pocket expenditure, which has made it difficult for people, especially vulnerable residents of rural areas, to afford healthcare services.

11 <https://www.premiumtimesng.com/news/top-news/413883-nigeria-becomes-worlds-highest-contributor-to-under-5-deaths-unicef.html?tztc=1>

12 <https://punchng.com/2-2-million-nigerian-children-unvaccinated-unicef/>

13 <https://saharareporters.com/2023/03/30/how-82000-nigerian-women-die-yearly-pregnancy-related-complications-unicef>

Causes of Spending Deviations in the Health Sector

The 2015 National Health Act mandates the setting aside of no less than one percent consolidated revenue fund to provide basic health packages for all Nigerians. However, the government at various levels has not yet made the implementation of this act a priority. The Basic Health Care Provision Fund (BHCPF), which is the principal vehicle for funding the health sector, mandates state and local governments to take responsibility for providing primary health care for their citizens. The intervention aid from the federal government comes with a condition that mandates states to put down 25 percent counterpart funding to access this fund.¹⁴

At the federal level, the BHCPF has consistently witnessed significant budget credibility challenges, as the disbursements have fallen short of the required amounts. In the revised Appropriation Act of 2018, the sum of 55 billion naira was allocated to the BHCPF, of which 28 billion naira was unspent. Although, in 2019 and 2020, the federal government's revenue amounted to 4.1 trillion and 3.4 trillion naira, respectively, the federal government failed to fulfill its commitment to allocate one percent of its consolidated revenue fund as a grant to the BHCPF. Crucially, out of the 51 billion naira and 26 billion naira allocated to the fund in both years, the federal government underspent the budget by 100 percent as no funds were released (see Table 2). If the legal framework supporting the BHCPF had been implemented, an estimated 150 billion naira should have been disbursed into the fund between 2018 and 2022. This failure to meet the financial obligations has significant consequences for the program's capacity to achieve its objectives and enhance healthcare access, especially for vulnerable populations.

14 <https://www.health.gov.ng/doc/BHCPF-2020-Guidelines.pdf>

Table 2: Federal Government Budgetary Grant - Basic Health Care Provision Fund (BHCPF)

Year	Revised Budget BHCPF (NGN billion)	Actual Expenditure BHCPF (NGN billion)	Underspending (NGN billion)
2018	55	28	28
2019	51	0	51
2020	26	0	26
2021	35	35	0
2022	45	-	-

Source: Update on Implementation of the Basic Health Care Provision Fund

The primary healthcare system at the sub-national level is heavily constrained by the lack of an effective structure in the local government administration. This has compelled many state governments to withhold the funds accrued and allocated to the local governments on a continual basis. As a result, the local primary healthcare system has been rendered ineffective and inefficient. The majority of Nigeria's states have been unable to access the BHCPF funds due to several budget credibility challenges.¹⁵ Ogun State in southwestern Nigeria, for example, faces revenue challenges; however, the poor execution of the health sector budget cannot be attributed solely to financial constraints. While the State Primary Health Board's budget execution had been consistently below 60 percent of the approved budget between 2015-2020. In 2019, the Health Care budget of Ogun State was underspent by 11.7 billion naira. However, a substantial portion totaling 11.2 billion naira, was returned to the state's treasury. This surplus amount could potentially narrow the gap between the allocated budget for the health sector and the actual expenditure aiding in the reduction of variance. Unsurprisingly, the biggest credibility problem with the health sector budget in Ogun State is on the capital side. Annually, from 2013 to 2020, about 83 percent of the underspending in the health sector was related to capital expenditure. During interviews, Ogun State Government officials in the Ministry of Health stated that competing priorities and recurrent expenses are consuming available resources, and the limited funds must be allocated carefully, making it necessary for the state government to prioritize recurrent expenditure, such as pensions, maintenance, and repairs over the construction of primary healthcare centers.

According to officials from the Primary Health Care Board in Ogun State, some of the major drivers contributing to budget performance challenges include unavailability of funds, the bureaucratic process involved in fund approval by the federal government's National Primary Health Care Development Agency, and errors made by healthcare facilities workers when reconciling accounts at the end of each

15 <https://punchng.com/22-states-cant-access-basic-healthcare-despite-n14-9bn-funding/>

quarterly reporting period, which is a required step to access the next tranche of funding. They further emphasized the implementation challenges related to resources allocated through the BHCPF:

[It] has a lengthy process. Many health facilities are unfamiliar with handling cash and filing retirement, and this has caused delays in Ogun State. It took us approximately three to six months to retire [our accounting report] from our initial spending. The national-level bureaucracy is a bottleneck for the BHCPF since one body cannot review the retirement of all 36 states. Nevertheless, the fund is already in our account, and we need approval before disbursing it to health facilities. Additionally, we observed a capacity gap in the health facilities due to the new process.

The issue of national-or federal-level funding constraints for healthcare was also highlighted in a joint interview conducted by IBP and UNICEF with government officials, where the planning and funding for health services, particularly immunization, at the primary healthcare level was a top-down process. The National Primary Health Care Development Agency (NPHCDA) creates the plans, which are then implemented by the State and Local Government Areas (LGAs). Most of the funding for immunization comes from development partners while the financial contribution from the State and Local Government Areas is often insufficient.¹⁶ Nevertheless, in a stakeholders' dialogue, the Ogun State Primary Health Care Board stated that the state has implemented measures to tackle cash management challenges at health facilities. To resolve this issue, the State Primary Health Care Development Agency (SPHCDA) has deployed skilled personnel to provide training and support to healthcare workers regarding financial reconciliation. Notably, significant progress has been achieved, as the state has efficiently received the first quarter of 2023 funds from the Basic Health Care Provision Fund (BHCPF) without experiencing any delays.

16 Key informant interview, Ogun State government health officials, July 27, 2023.

Table 3: Ogun State Health Budget Deviation Trends (2017-2021)

Year	Approved Budget (NGN' billion)	Approved Health Budget (NGN' billion)	Actual Expenditure (NGN' billion)	Budget Deviation (NGN' billion)	Budget Deviation (%)	Share of Health Expenditure in Total State Expenditure
2017	221	15	7	8	53%	4%
2018	344	21	11	11	50%	6%
2019	400	24	12	11	48%	9%
2020	281	55	10	45	82%	8%
2021	339	35	13	22	64%	7%

Source: Ogun State Government, IBP Research

Based on research conducted by IBP and the Justice, Development, and Peace Commission (JDPC), we found that Ogun State repeatedly neglected primary healthcare centers in their budget planning. Over a period of six years (2013 to 2019), the state government failed to allocate any funds to primary healthcare centers. Additionally, they did not participate in a federal program designed to recruit midwives to rural areas through state clinics. Furthermore, the government of Ogun did not access the BHCPF until 2022. Officials in the Ogun State government acknowledged encountering difficulties in hiring qualified healthcare professionals for primary healthcare centers. This has resulted in delays in the allocation of funds, acquisition of equipment, and other investments for these centers. Due to the scarcity of resources, they have focused their expenditures on a select number of centers that possess the necessary personnel and accounting infrastructure to efficiently utilize and oversee funds. However, this approach has created significant disparities in the provision of care to those in need.¹⁷

¹⁷ <https://internationalbudget.org/stories/nigerias-nurses-shine-light-on-poor-hospital-conditions/>

Conclusions and Recommendations

Nigeria's health budget implementation is faced with several challenges, including cashflow problems, inadequate budgetary allocations, repeated underspending against the approved health budgets by the federal government and the constraints to accessing the Basic Health Care Provision Fund (BHCPF) by sub-national governments. Consequently, the declining investments in Nigeria's health sector has slowed efforts to achieve universal health coverage and ensure healthy lives and promote well-being for all (SDG 3). This brief recommends the following to improve the execution of Nigeria's health budget at the federal and sub-national levels:

- The federal government should prioritize funding to the health sector by allocating sufficient funds to the sector in line with the Abuja declaration and make timely disbursements of funds to the ministry and its agencies to provide the much-needed health infrastructure, healthcare services, expand the health workforce, and reduce out-of-pocket expenditure of Nigerians.
- The federal government should allocate no less than one percent of its consolidated revenue to the Basic Health Care Provision Fund (BHCPF) to fund healthcare provision while ensuring spending efficiency.
- Strengthen the health budget planning and oversight at the national and sub-national levels, by adopting approaches that strengthen the alignment between public and private investment and longer-term sustainable development objectives.
- At sub-national level, state governments should fulfill the 25 percent counterpart funding requirement mandated by law to enable them to access the Basic Health Care Provision Fund (BHCPF) to provide essential basic healthcare services to their populations
- The federal and sub-national governments should deepen transparency and accountability by publishing disaggregated reports on health budget execution compared with the approved budget allocations, performance against non-financial targets and provide adequate reasons and justifications for spending deviations from the approved budget.

The International Budget Partnership (IBP) headquarters:

750 First Street NE, Suite 700

Washington, D.C. 20002

Tel: +1 202 792 6833

The International Budget Partnership works hand-in-hand with partners globally—from think tanks to social movements—to ensure everyone can understand, participate in, and track how public money is raised and spent. Together, we generate data, advocate for reform and build people’s skills and knowledge so that everyone can have a voice in budget decisions that impact their lives. The change we seek is a world in which people have the power to ensure public money addresses their priorities and reduces systemic inequality and injustice.

For more information on IBP:

info@internationalbudget.org or visit

www.internationalbudget.org

 [@OpenBudgets](https://twitter.com/OpenBudgets)

 [International Budget Partnership](https://www.facebook.com/InternationalBudgetPartnership)

 [International Budget Partnership](https://www.youtube.com/InternationalBudgetPartnership)

 [International Budget Partnership](https://www.linkedin.com/company/InternationalBudgetPartnership)



**International
Budget
Partnership**