

Factors Affecting Budget Allocation to Health Sector (Case of Woredas in East Wollega Zone)

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Abstract

The study focused on assessment of the factors affecting budget allocation to health sector, Survey of selected woredas in east wollega zone. Surveys of budget officials, interview with finance managers and documentary analysis used. The data was analyzed through us of SPS. The results reveal that, the factors affecting budget allocation to health sector are; number of: beneficiaries, Health centers, Clinics, Health posts, health college, staff by profession, and for Administrative and general service. But the variables are not supported by formula rather the budget allocated by budget official's judgment based on budget amount available. Based on the finding, it is recommended that the woredas should implementation all factors in the allocation process practically, use these factors with methods, allow woredas to share experience to each other, provide training for staff periodically.

Keywords: Budget officials, Budget allocation, Factors, Health Sector, Woredas

DOI: 10.7176/RJFA/10-9-04

Publication date: May 31st 2019

Introduction

The Ethiopian experiences with respect to the budget system have not been significantly different from experiences of other developing countries. During 1950s and 1960s, the country has engaged in detailed planning exercise, which was the main instrument for budget allocation. It has under-gone significant change in the area of policy and planning, revenue collection and expenditure allocation, and overall financial management. The allocation of scarce budgets through the medium of budget is believed to have begun to be conceptualized in Ethiopia in 1944 (Tsegaye, 2002). According to Gildenhuys (1997) budget is a policy statement declaring the goals and specific objectives an authority wishes to achieve by means of the expenditure concerned. It is public policy expressed in amounts of money and is the actual embodiment of policy and of implied policy objective.

From 1995 to 1997 EFY Oromia Regional State allocated budget to woredas as "Block Grant" to achieve the development objectives of the region based on the methods that consider three basic elements: Population size, Level of development and Revenue generating capacity of woredas. But, this grant formula does not explain the relationship between the weight of policy indicators and expenditure needs of woredas and also Parameters used in the methods do not indicate expenditure need of Woredas to provide standardized public services. Because of this, the new methods is designed and applied to tackle such problems and catalyze the rapid development endeavor of the region which is unit cost approach; since 1998 EFY (BOFED, 2011).

However which methods used and what are the main factors considered by woredas in allocating budget to health sector would be questionable. An understanding of factors affecting budget allocation is essential and crucial to the allocation of the budget to sectors. One way to identify effective methods is, therefore, to investigate the factors that affect the budget allocation.

The proposed researches are trying to answer the following basic questions.

- What are the main factors affecting budget allocation at woreda level to Health sector?
- Are there any identified factors by woreda cabinet to allocate budget to sectors?
- What mechanism woredas use to allocate the budget to each sector?

Research Objectives

The general objective of this study was to identify and examine factors that affect budget allocation in Oromia region at woreda level to health sector by using descriptive data analysis.

The specific objectives of this study were:

- To identify the factors affecting budget allocation to health sector.
- To asses' existence of any identified factors by woreda cabinet to allocate budget.
- To identify the mechanism used by woredas to allocate budget for health sector.

Literature Review

The term budget is used to mean a plan for financing an enterprise or government during a definite period, which

is prepared and submitted by a responsible executive to a representative body whose approval and authorization are necessary before the plan may be, executed (Hyde, 1992). The government budget represents a plan/forecast by the government of its expenditures and revenues for a specified period. Budgeting could be conceived as a process for systematically relating expenditure of funds to accomplish planned objectives (Schick, 1992). Budgeting is not solely a matter of finance in the narrow sense. Rather it is an important part of government's general economic policy. It is a strong instrument in implementing the long term, medium term, and annual administrative and development programs (MoPED, 1993).

Budget Allocation Methods

In the budget allocation process at woreda level, woredas collect raw data from the sectors related to the main variables considered in the allocation for the period and made analysis on the data to see the reliability of the data before the allocation made and prioritize them based on its value on the development policy and strategy or the five year transformation plan of the country. The allocation criteria depend on the functions to be financed by the grants, and the complexity of services to be provided (The Republic of Uganda, 2003). In many countries, for administrative reasons, budget allocation often is based on existing ministry structures and bureaucratic demand rather than on need (diderichsen, 2004).yet, in the interests of both horizontal and vertical equity, it is necessary that budget allocation be based more on need. Budget allocation methods can help countries to reduce inequalities in access to woredas by systematically and objectively incorporating unit cost approach into allocation decisions. (BOFED, 2011)

Woredas Expenditure Assignments to health Sector

In the calculation of woreda Block Grant, sectoral expenditure assignments of the woredas are fundamental. They are helpful to identify the basic cost drivers and their indicators because the budget is allocated to woredas in order to enable them to fulfill their expenditure responsibilities (BOFED, 2011).The expenditure responsibilities of the woredas in: - Health sectors are for the Coordination and implementation of health extension activities, Health centers and health posts establishment and management, Clinics management, HIV/AIDS prevention and control and Malaria prevention and control. (ibid).

Research Design and Methodology

Research Approaches

In order to achieve the objective of this study, the researcher used both quantitative and qualitative method of research approach with descriptive survey research design. Thus, the researcher examined major factors affecting budget allocations to health sector with selected woredas.

Sample and Sampling Techniques

The study focused on one zone (East Wollega zone which comprise 17 woredas) and from the 17 woredas found in East wollega zone 6 woredas (Guto Gida, Diga ,Guto Wayu, Sire, Wayu Tuka , and Sasiga) are selected as centers of the study on the basis of convenience sampling method. In designing a sample, the researcher used different basic factors, such as availability of data, transportation service access, distance of woredas from the zone and the like. The total number of target population is 120 woredas budget officials and sector budget officials. From this population the researcher selected 60(50%) staffs by their position and relations to budget process (Budget and Disbursement team).

Data Collection Tools

Both primary and secondary data sources were used in the study. The primary data was collected from the woredas and sectors budget officials. The researcher used such instruments as self-administered questionnaires and semi-structured interviews to collect primary data from the respondents. Secondary data were gathered from document analysis of BOFED and WOFED, different related literatures such as books, journals, magazines, research reports, internet and others to support primary data.

Procedures of Data Collection

The first step toward collection of necessary data was making face to face contact with the six woredas managers for the task of introducing the purpose of the study and facilitating the data collection activities. After this, based on the number of respondents identified in the sample population, the questionnaire consisting of 38 items (both open-ended and close-ended) was distributed 60 copies to officials of the six woredas. However, 55(91.7%) filled in and returned the questionnaire.

Methods of Data Analysis and Presentation

The responses of the respondents collected using the above methods were organized, analyzed, and interpreted in

a sensible way to identify factors that affect budget allocation. To analyze and interpret the data obtained from respondents descriptive statistics were used, with percentage. Furthermore, qualitative data that are gathered from woredas finance managers and others that are used to supplement the data gathered through questionnaire were organized, summarized and interpreted in words qualitatively.

Results and Discussion

Existence of Proclamation

The purpose of the study is to identify the main factors affecting budget allocation at woreda level. The questionnaires are closed ended questionnaires that are designed to indentify the existence of proclamation related to budget allocation and its implementation at woreda level.

Table 4.1: Officials Response on Budget Proclamation

Items	No	Percentage
Is there any proclamation regarding the budget allocation at woreda level?		
a. Yes	40	72.7
b. No	15	27.3
Total	55	100
If your answer is “yes “for question No 1, do the factors affecting budget allocation specified?		
Yes	10	25
No	30	75
Total	40	100

Source: Survey results and Own Computation

*No: represent total number of respondents

As depicted on table 4.1 above even though there were proclamations about budget allocation at woreda level, the factors affecting budget allocation are not specified in the proclamation.

As the response from interviews regarding how woredas allocate budget to the sectors, the budget allocated to health sectors based on the amount of budget available in consideration of priority, Salary and activities to be performed in the sector during the fiscal year. This shows that the factors considered in the budget allocation process vary from woreda to woreda.

Factors Affecting Budget Allocation to Health Sector

The study results showed that the factors considered in allocating budget to health sectors are number of: health centers, clinics, health posts, health staff by profession, expected health beneficiaries to be served, private health center, and actual financial expenditure for salary and operation for the previous year(s). Number of health centers, clinics and health posts are matched with number of expected health beneficiaries to be served in order to allocate recurrent budget for operational expense and capital budget for construction of new health centers, clinics and posts to fulfill infrastructure deficit of the sectors.

There may be unfair distribution of professional staffs both in quality and quantity for the sectors. In order to solve this variation; the staffs by professions are considered in budget allocation process for salary. Budget allocation made for the existing number of staffs based on their salary scale with slight adjustment for the gradual introduction of efficiency in budget utilization. That means sectors with low quality and quantities staff that not meet the standard staffs, receive more budgets for salary to update the existing staffs and have new staffs. Besides, the opinion survey has been made to assess the factors considered in the budget allocation process at woreda level. The results of the study are presented here under:

Response Scale

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Table 4.2: Respondents View on Factors Considered in Allocating Budget
 N: Total Number of Respondents

S.No.	Factors criteria on budget allocation	Response scale					<u>No</u>	Mean
		1	2	3	4	5		
1	Existence of private health center affects the allocation of budget to health sectors	0	16	10	16	13	55	3.4
		0	29.1%	18.2%	29.1%	23.6%	100%	
2	Level of Poverty has effects on the allocation of budget to sectors	4	6	5	20	20	55	3.8
		7.3%	10.9%	9.1%	36.4%	36.4%	100%	
3	Emergency of new disease is considered in allocation	0	5	6	32	12	55	3.9
		0	9.1%	10.9%	58.2%	21.8%	100%	
4	Existence of health infrastructures with respect to the target populations are considered	0	0	10	36	9	55	4
		0	0	18.2%	65.4%	16.4%	100%	
5	Development policies, strategies and priorities of the sectors are considered	0	0	6	25	24	55	4.3
		0	0	10.9%	45.5%	43.6%	100%	

*Totals and mean values may not agree due to rounding

Source: Researcher Own Computation

As it is indicated in table 4.2, above the Existence of private health center, Level of Poverty, Emergency of new disease, Existence of health infrastructures with respect to the target populations and Development policies, strategies and priorities affects the allocation of budget to health sectors with a mean value of 3.4, 3.8, 3.9, 4, and 4.3 respectively. Budget allocated to woredas with private health center is less than budget to woredas with no private health center.

So, the woredas allocate budget to health sector by having all the above factors in mind based on the physical plan of the sector, their past year budget utilization, their role in poverty reduction, infrastructure need of the sectors, the transformation policy, strategy and priorities of the woredas but these variables are not pooled together within one appropriate formula.

Types of Budget Allocated to the Sectors

Table 4.3: Respondents View on Types of Budget Allocated to the Sectors

S.No	Factors criteria on budget allocation	Response scale				<u>No</u>	Mean
		2	3	4	5		
1	Recurrent budget is calculated by a method that considers the existing level of service coverage and future expansion requirement.	14	5	24	12	55	3.6
		25.5%	9.1%	43.6%	21.8%	100%	
2	Capital budget is calculated based on the existence of relative infrastructure deficit index	6	12	32	5	55	3.7
		10.9%	21.8%	58.2%	9.1%	100%	

Source: Researcher Own Computation

Table 4.3 depicts respondents view on types of budgets allocated to the sectors. As indicated on item 1 recurrent budget is calculated by a method that considers the existing level of service coverage and future expansion requirement of the sectors with the mean value of 3.6. But as the interview and document survey result showed, there is no method which is supported by equations in order to calculate the amount for salary and operational expense. The existing level of service coverage and future expansion requirement of the sectors are considered in the recurrent budget allocation process. Capital budget is calculated based on the existence of relative infrastructure deficit index with a mean value of 3.7. But at woreda level there is no any calculation of infrastructure deficit index rather budget allocation are made based on expected population size which are beneficial from the service provided and number of existing infrastructure.

Capital budget encourages infrastructural backward woredas by providing greater compensation in terms of capital budget. It is designed to accelerate infrastructure growth in accordance with the deficit in the woredas. It is for service expansion requirement and to finance development projects and programs, which are designed to improve socio-economic infrastructure stocks and to fulfill the infrastructure deficit of woredas. Capital budget is also used to narrow the relative development disparity among woredas. To insure a greater rate of socio-economic development in those that are relatively backward due to several factors. (BOFED, 2011)

Conclusion

The researcher has made the following concluding remarks;

There is proclamations regarding budget allocation but the factors affecting budget allocation is not clearly specified. The factors affecting budget allocation to Health sector are number of; health centers, health posts, functional and non functional health station, expected health beneficiaries to be served, staffs by profession, need of additional staff and disease protection. But; these all factors do not pooled together to compute the amount allocated to the sectors for the lack of appropriate formulas. Each woredas allocate the budget to their sectors based on the mechanisms set by woredas cabinet therefore, the mechanism in which woredas allocate budget may vary from woreda to woreda.

Recommendations

Based on the major funding; the researcher forwarded the following recommendation:

Capacity building training should be provided to budget officers and create awareness about the factors affecting budget allocation to all concerned parties. It's better to Performing budget allocation by using formula which considers all the identified factors rather than subjective weight of the woredas cabinet and budget officers. Share experience on the budget allocation process and there should be common factors at regional level.

Generally, the researcher recommends that; further research should be done to identify the best formulas which meet the expenditure need of the sectors also on utilization of budget by the sectors.

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