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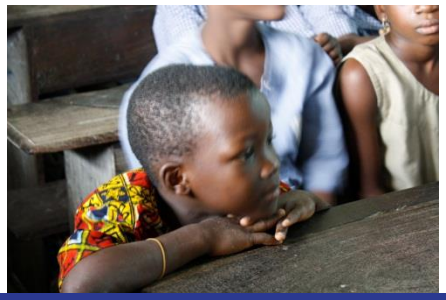

FISCAL SPACE FOR HEALTH IN AKWA IBOM STATE

August 2018
This publication was produced for review by the United States Agency for International Development.
It was prepared by the Health Finance and Governance Project.

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DATE 2013

Cooperative Agreement No: AID-OAA-A-12-00080

Submitted to: Scott Stewart, AOR
Office of Health Systems
Bureau for Global Health

Recommended Citation: The Health Finance and Governance Project. August 2018. *Fiscal Space for Heath in Akwa Ibom State* Rockville, MD: Health Finance & Governance Project, Abt Associates Inc..

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CONTENTS

Contents ..... **i**

Acronyms ..... **iii**

Acknowledgments ..... Error! Bookmark not defined.

Executive Summary ..... Error! Bookmark not defined.

1. Introduction **1**

1.1 Background 1
1.2 Akwa Ibom's Health System 1
1.3 Health Financing Situation in Akwa Ibom State 2

2. FISCAL SPACE FOR HEALTH **1**

2.1 Understanding the Concept of Fiscal Space for Health 1
2.2 Methodology for Fiscal Space Analysis 1
2.3 Data Analysis 2
2.4 Need for Fiscal Space 2
2.5 Primary Health Care (PHC) Revitalization 1
2.6 Human Resource for Health 2

3. FINDINGS **1**

3.1 Conducive Macro Fiscal Dynamics 1
3.2 Health Sector Prioritization 3
3.3 Earmarking for Health 5
3.4 External Grants for Health 5
3.5 Efficiency Gain 6

4. DISCUSSION AND ACTIONABLE RECOMMENDATIONS **1**

4.1 Conducive Macro Fiscal Dynamics 1
4.2 Reprioritization 3
4.3 Earmarking for Health 4
4.4 External Grants for Health 4
4.5 Efficiency Gains 5

5. CONCLUSION **7**

List of Tables

Table 1: Summary of Health and Health related Indicators Akwa Ibom State 2
Table 2: Health Financing Situation in Akwa Ibom State 3
Table 3: Health Financing Situation in Akwa Ibom State 2
Table 4: Estimated Government obligations on the Akwalbom SHIS 1
Table 4: Cost of Revitalizing Ward Level PHCs in Akwa Ibom State 1
Table 6: Akwa Ibom State Revenue Mix – 2012 - 2016 1
Table 6: Projected Revenue from PAYE and Licenses 2
Table 8: Basic Health Care Provision Funds for Akwa Ibom State 5
Table 9: Assumption of Premium Contribution with 30% Population Coverage by 2023 6
Table 10: Proportion of Health Sector Recurrent and Capital Expenditure 2013 – 2016 7
Table 10: Additional Fiscal Space for Health from Discretionary Debt Refund 3
Table 11: Additional Fiscal Space for Health from Improved Health Expenditure 3
Table 14: Additional Fiscal Space for Health from Improved Health Sector Budgetary Performance 3
Table 15: 1% and 2% Charges to CRF and Vulnerable Population Coverage 4
Table 15: Prospects for Additional Fiscal Space for Health 7

List of Figures

Figure 1: Akwa Ibom State Population 3
Figure 2: Trend in Revenue Mix - Akwa Ibom State 2
Figure 3: 2016 Budgetary Allocation Across Sector in Akwa Ibom State 3
Figure 4: Trend in State Expenditure Across Sectors 4
Figure 5: Health Sector Budget Performance 4
Figure 6: Crude oil Price in US$ per Barrel 1
Figure 6: Federal Statutory Allocation – Jan – Mar (2016 – 2018) 1
Table 11: Fiscal Space for Health from Projected Revenue from PAYE and Licenses 2

ACRONYMS

AG	Accountant General
CSOs	Civil Society Organizations
FMoH	Federal Ministry of Health
GGE	Government general expenditure
HFG	Health Finance and Governance
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HMB	Hospital Management board
HMOs	Health Maintenance Organizations
IGR	Internally Generated revenue
AKSACA	Akwa Ibom State Agency for the control of AIDS
LGA	Local Government Area
MDAs	Ministries Departments and Agencies
MDG	Millenium development goals
MNCH	Maternal, Neo-natal and Child health
MoF	Ministry of Finance
MoLG	Ministry of Local Government
PER	Public Expenditure Review
PFM	Public Financial Management
PHC	Primary Health Center
SMoH	State Ministry of Health
SSHDP	State strategic health development plan
SSHIS	State Supported Health Insurance Scheme
UHC	Universal Health Coverage
USAID	United States Agency for International Development
VAT	Value Added Tax

1. INTRODUCTION

1.1 Background

Nigeria, with the highest population in Africa suffers from from inadequate health system performance, coupled with poor health indices. A 2000 World Health Organization (WHO) ranking of countries' health system performance ranks Nigeria as 187th out of 191 countries. According to the United Nations, Nigeria, along with India, contribute to one-third of all under five deaths in the world. The low 23% full immunization coverage for children is a testament to the UN's finding. In addition, Nigeria is the second largest contributor to maternal mortality in the world (UNICEF). The poor maternal mortality and morbidity outcome in the country makes Nigeria one of the worst countries to be a woman.

One of the well-known reasons for the poor performance of Nigeria's health system is the chronic underfunding of the health sector. Nigeria still spends less than 5% of its GDP on healthcare (National Health Accounts, 2010-2014). In 2001, African presidents met and made amongst other declarations, spending not less than 15% of yearly budget on health. Although the "Abuja declaration" was made in Nigeria, the country is still far from reaching this target. Although government has an obligation to fund other equally important sectors to support economic development; it remains imperative for the government to do more to generate additional revenue for the broader economy, part of which can accrue to the health sector.

Although health spending in Nigeria comes from different sources – including external grants and household spending – public spending is the most important source of funding due to its predictability and stability relative to other funding sources. In addition, the government can use its instrument of policy to ensure equitable distribution of healthcare resources. As a result, the government of Nigeria needs to increase spending on health in order to make progress towards improving the country's health outcomes.

USAID recognizes the importance as well as the need for the Nigerian government to increase health spending in order to improve health outcomes. As a result, the agency, through its Health Finance and Governance Project, is conducting a fiscal space analysis to enable the identification of sources of additional funding for Akwa Ibom state's health sector. It is hoped that the assessment will enable the state to identify and better mobilize domestic funds to be used to fill gaps on equipment availability, human resource for health, and drugs in facilities amongst other needs, with the ultimate goal of improving quality of health services and access to health care with financial risk protection in the state.

1.2 Akwa Ibom's Health System

The health system of Akwa Ibom state, similar to the rest of Nigeria, is complex with multiple players in the public, private for-profit, nongovernmental organizations (NGOs), community based organization (CBOs), faith-based organization (FBOs), and traditional health care providers. The state has a heterogeneous composition of healthcare providers comprising of registered and unregistered providers ranging from traditional birth attendants, individual medicine sellers, and all cadres of healthcare providers in health facilities. Out of the 615 health facilities in Akwa Ibom state, 232 are privately owned.

Although Akwa Ibom state has quite similar health indices as its neighboring states in the South-south region of Nigeria, the state still lags behind amongst the states in many health indices. For instance, the best performing state in the region has a 23.5% full immunization coverage and 92.8% skilled birth attendance; while Akwa Ibom state has only 19.9% and 80.5% coverage in the respective indices (MICS, 2017). Table 1 below shows additional health indicators of Akwa Ibom state.

Table 1: Summary of Health and Health related Indicators Akwa Ibom State

INDICATORS	AKWA IBOM
Total population	4,333,819
Under 5 years (20% of Total Pop)	866,764
Adolescents (10 – 24 years)	1,473,499
Women of child bearing age (15-49 years)	953,440
Literacy rate	80% female; 85% men
Households with improved source of drinking water	65%
Households with improved sanitary facilities (not shared)	39%
Households with electricity	58%
Employment status (currently)	63.4% female, 65.1% male
TFR	4
Use of FP modern method by married women 15-49	18%
ANC	67%
Crude Birth Rate	32/1000 pop*
Crude Death Rate	12/1000 pop*
Infant Mortality Rate	84/1000 live births*
Under 5 mortality -	138/1000 pop*
HIV Sero-Prevalence Rate	9.7%*
Maternal Mortality Rate -	545/100,000*
Total Fertility Rate	4.6*
Skilled attendants at birth	44%
Delivery in HF	37%
Children that have not received any immunization (zero dose)	9%
Stunting in Under 5 children	28%
Wasting in Under 5 children	14%
Diarrhea in children	4.1%
ITN ownership	14%
ITN utilization	14% children, 4% pregnant women
Malaria treatment (any anti-malarial drug)	21% children, 13% pregnant women
Comprehensive knowledge of HIV	15% female, 25% men
Knowledge of TB	81.8% female, 68.4% male

: State Strategic Health Development Plan – 2010-2015

1.3 Health Financing Situation in Akwa Ibom State

Akwa Ibom State, similar to the rest of Nigeria, operates a pluralistic health financing system, and household spending is the dominant health financing mechanism. Other forms of health financing mechanisms in the state include public spending and external financing. However, the new policy direction in the country looks to reduce household spending on health - which perpetuates inequity and pushes individuals and families into poverty - and increase public spending, as well as prepayment

mechanisms. Generally, public spending in every sector, including health, tends to be more stable and predictable and is therefore able to contribute to sustained improvement in outcomes. Assessing Akwa Ibom state's public health financing landscape through the lens of the three health financing functions reveals the following:

1.3.1 Revenue Generation

Akwa Ibom state has had a perpetual suboptimal allocation and expenditure of less than 15% of total government budget/spending to the health sector consistently allocating only 4% of total state budget to the health sector in the past four years, and the highest health expenditure as a percentage of total state expenditure ever recorded in the past 4 years is 6%. However, there is evidence that the state is making efforts to improve the allocation and expenditure in the health sector. A multisectoral platform was recently established with the support of HFG that brings together individuals and groups from different sectors of the economy to support advocacy efforts for improved allocation and releases for the health sector. In addition, the state has been putting measures in place to improve domestic revenue generation; it is hoped that part of the generated revenue will accrue to the health sector at a better proportion than what is currently obtained.

1.3.2 Pooling

Prepayment mechanisms are very weak in Akwa Ibom state with only individuals under private health insurance and federal civil servants under the NHIS covered by any form of prepayment mechanisms. However, Akwa Ibom state has keyed into the NHIS's health insurance decentralization policy and efforts have been made towards the establishment of a state health insurance scheme. A bill for the establishment of the scheme has been passed by the House of Assembly and is awaiting assent by the Executive Governor. The law, as recommended by the NHIS, aims to make participation in the state health insurance scheme mandatory for all residents of the state.

1.3.3 Resource Allocation and Purchasing

Strategic purchasing of health services has been linked to improved equity in allocation of healthcare resources and improvement in quality of services. However, purchasing and allocation of healthcare resources in Akwa Ibom state remains largely passive, and not tied to any results of performance as evidenced by the budget line item approach. Health insurance seeks to move purchasing from passive to active which allows a defined set of services to be provided to a defined set of individuals who are enrolled unto the scheme by a defined set of providers on the scheme. Eventually, upon the roll out of the health insurance scheme, Akwa Ibom state would be able to move towards strategic purchasing and attain the benefits.

Table 2: Health Financing Situation in Akwa Ibom State

Indicators	Akwa Ibom State	National	Target
Government health expenditure per capita	$3 (2016)	$31(2016)	$81
Health allocation as a % of total budget	4% (2016)	4.6%(2016)	15%
Health expenditure as a % of total expenditure	3% (2016)		15%

2. FISCAL SPACE FOR HEALTH

2.1 Understanding the Concept of Fiscal Space for Health

Fiscal space for health refers to the government's capacity to provide "additional budgetary resources for (health) without any prejudice to the sustainability of its financial position" (Heller, 2006). The focus on government spending on health is deliberate because more than any health financing mechanism, government spending is known to be more stable and predictable. In addition, government can use the instrument of policy to ensure equity, efficiency and financial risk protection of its population. The fiscal space framework is used to assess how government can make available additional resources for health in a sustainable manner.

2.2 Methodology for Fiscal Space Analysis

A mixed methodology of quantitative and qualitative approaches was employed in estimating cost assumptions, revenues and other fiscal projections needed for analysing fiscal space for health in Akwa Ibom state. This includes key informant interviews, data extraction and data analysis.

2.2.1 Stakeholders Meeting

A meeting with carefully selected stakeholders ranging from the health ministry and agencies, central budget ministries and agencies, Ministry of Local Government and State Bureau of Statistics was held to achieve a common understanding of the concept of fiscal space, introduce the assessment framework for conducting fiscal space analysis, identify the data requirement and ascertain the sources of the needed data.

2.2.2 Data Extraction

Using a data needs guide, data was sourced and extracted from relevant state documents from the State Ministry of Health, Hospitals Management Board, State Ministry of Budget and Economic Planning, State Ministry of Finance, Accountant General's office, Auditor General's office, State Treasury office, State Bureau of Statistics, State Ministry of Local Government, and State Internal Revenue Board.

Data was also obtained from relevant federal level ministries, departments and agencies, including the Federal Ministry of Health, National Health Insurance Agency, National Bureau of Statistics, National Population Commission, Federal Ministry of Finance, National Budget office and the Central Bank of Nigeria. These data ranged from health data to fiscal data and population data.

2.2.3 Key Informant Interviews

In-depth interviews were held with selected Heads of Ministries, Departments and Agencies to elicit their informed perspectives on the priority health needs of the states, key assumptions for costing and scale-up targets, basis for economic projections, and promising strategies for expanding the fiscal space for health while probing for facts behind the figures.

2.3 Data Analysis

Using the fiscal framework, retrospective and prospective fiscal data were analysed along each of the five dimensions to ascertain whether additional resources can be made available for the Akwa Ibom state health sector. Under relevant dimensions, revenue sources and trends were examined and projections or scenarios created based on macroeconomic trends and fiscal policies.

Prior to diving into the five dimensions, a cost estimation of the felt priority needs of the health sector was articulated so as to guide targeted investments as more money becomes available to the sector. These findings will help to inform the target setting, advocacy and planning needs of the Akwa Ibom state health sector. Table 3 below is an assessment framework used in analysing fiscal space for Health

Table 3: Health Financing Situation in Akwa Ibom State

Dimension	Assessment Framework	Examples
Dimension 1	Conducive macroeconomic conditions	Sources of government revenue, trend of revenue mix, government solvency conditions, economic outlook
Dimension 2	Reprioritization of health within government budget	Budget allocation to health, share of government health expenditure out of total government expenditure, health budget performance
Dimension 3	Earmarking for health	Available earmarked funds e.g. through CRF or taxation, other health sector-specific resources
Dimension 4	External grants for health	Donor contributions, philanthropists, other private sources
Dimension 5	Efficiency gains	Input versus output, sources of inefficiency.

Adapted from Fiscal Space for Health: Assessing Policy Options in South Africa by Ilaria Regondi and Alan Whiteside

2.4 Need for Fiscal Space

Like other states in the federation, Akwa Ibom state has keyed into the initiative of the federal government which aims to see all Nigerian states articulate in a comprehensive State Strategic Health Development Plan (SSHDP) the priority needs of the states' health sectors. In order for Akwa Ibom state to align its health sector policies with the national policy direction, the state is focusing on top three areas of needs namely: State Social Health Insurance Scheme (SSHIS); PHC revitalization and Human Resource for Health. These priority needs of the state require additional fiscal space for health to enable the state to effectively implement these polices.

2.4.1 The Akwa Ibom State Health Insurance Scheme

In March 2015, the National Council on Health approved a memo for the decentralization of the National Health Insurance Scheme to enable each state of the federation set up a State Social Health Insurance Scheme which has been recommended to involve mandatory participation to enable an ultimate coverage of all citizens. In this wise, the Akwalbom state health insurance bill has been passed into law by the State House of Assembly and awaiting assent by the state executive Governor.

2.4.2 Akwa Ibom state funding commitment under the health insurance scheme

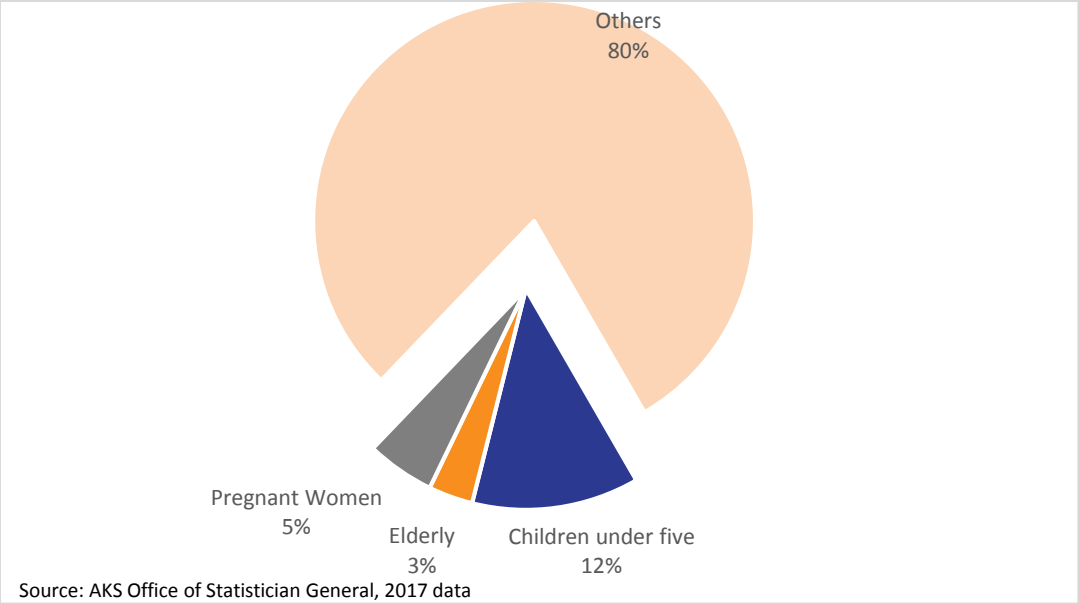
Following recommendations from the NHIS in the proposed bill template, state Governments are to set aside not less than 1% of their consolidated revenue fund (CRF) to cater for the full subsidization of the

vulnerable group on the scheme. In Akwalbom state, this group has been defined to comprise the pregnant women and children under five and is captured in the draft SHIS law.

2.4.2.1 Population estimate

To determine the amount of resources required to cater for the vulnerable group, it is pertinent to accurately define these population. With the total population in Akwa Ibom state estimated to be 5.6 million in 2017, we can extrapolate the vulnerable population using standard references. Pregnant women are assumed to make up about 5% of the total population. In addition, according to the office of the statistician general of the state, children under 5 years make up 12% of the total population.

Figure 1: Akwa Ibom State Population



Source: AKS Office of Statistician General, 2017 data

2.4.3 Benefits Package and Premium level Assumptions

Akwa Ibom state is yet to determine the premium cost to be paid on its state health insurance scheme as design of the scheme is yet to commence. However, a number of states in the country have actuarially determined the premium contribution on their respective schemes and this ranges between NGN 8000 and NGN 9000 per person per year. It is on this premise that we base our assumptions on a similar premium rate of NGN 8,000 per person per year in Akwa Ibom state.

2.4.4 Estimated cost for Akwa Ibom state Government to cater for the vulnerable population

Assuming the state, based on NHIS recommendations, decides to cover pregnant women and under five using the 1% CRF;

Table 4 shows the required amount of money needed by the state to fulfill such obligation.

Table 4: Estimated Government obligations on the AkwaIbom SHIS

	Population Estimate	Unit Cost (N)	Need (N)
Children under five	690,474	8,000	5,523,792,000
Pregnant women	281,831	8,000	2,254,648,800
		Total	7,778,440,800

Assuming the premium cost per person is N8, 000, Akwa Ibom state government will need about 2.25 Billion NGN to cater for pregnant women on the state health insurance scheme. Likewise, for children U-5, the state government will require 5.52 Billion NGN. Therefore, the total amount needed to cover the vulnerable group in the Akwa Ibom state health insurance scheme is 7.78 Billion NGN.

2.5 Primary Health Care (PHC) Revitalization

The PHC Revitalization Initiative is a new policy direction in Nigeria that aims to have at least one primary healthcare center fully functional to deliver a number of services in each political ward across the country. State governments have been urged make revitalizing PHCs a vital part of their health agenda.

2.5.1 Number of facilities under the PHC Revitalization Initiative

In Akwa Ibom state, there is an inequitable distribution of health centers across the political wards. The state has 31 LGAs with 329 wards. As a result, the state should be required to upgrade 329 PHCs in line with the policy direction of having one functional PHC per ward. The revitalization of the PHCs entails, in addition to structural upgrade, the procurement of equipment and drug supplies and ensuring adequate Human Resource for Health. For the purpose of estimating the financial needs of Akwa Ibom state in the revitalization of one PHC per ward, we will focus on structural upgrade and provision of basic commodities and drug supplies as estimated in the table below:

2.5.2 Cost assumption for PHC Revitalization

In Akwa Ibom state, bills of quantity are yet to be developed for the infrastructural upgrade. However, using an existing estimate from another HFG supported state (Cross River State), we can estimate the average cost of upgrading an infrastructure to be 5 Million NGN. Similarly 2.5 Million NGN is estimated to be sufficient to cover procurement of basic equipment and a seed stock of critical drugs and commodities. With these estimates, the projected cost of revitalizing one PHC is put at 7.5 Million NGN and with 329 PHCS to be revitalized, the total sum needed will be NGN 2.5 Billion NGN as shown in the table below

Table 5: Cost of Revitalizing Ward Level PHCs in Akwa Ibom State

Number of Facilities	Upgrade component	Unit Cost (N)	Total Need (N)
329	Facility structural upgrade	5,000,000	1,645,000,000
	Basic equipment and commodities	2,500,000	822,500,000
	Total	7,500,000	2,467,500,000

2.6 Human Resource for Health

Human Resource for Health (HRH) is one of the key building blocks of the health system. Akwa Ibom state does not have a state HRH policy document which articulates the HRH challenges in the state and plans on how to overcome them. However, just like every other state in the federation and the country as a whole, Akwa Ibom state suffers from HRH constraints. There is an inadequate number of health professionals being produced, coupled with low absorption of existing healthcare workers. A 1:24,000 doctor to population ratio and 1:1,500 nurse to population ratio exists in the state (SSHDP, 2010-2015). In addition, the existing work force could do with trainings and re-trainings to enhance their skills.

The poor distribution of HRH between the urban and rural areas remains a challenge as the rural areas, which are embattled with poor health outcomes, have inadequate HRH. Therefore, more favorable fiscal space for health will enable the state fill the gap in HRH and also allow for better distribution of HRH to cater for the needs, particularly of the rural population. This is especially important as the state aims to expand access to healthcare services through SSHIS.

3. FINDINGS

3.1 Conducive Macro Fiscal Dynamics

This pillar of fiscal space analysis involves examining the entire economy to assess the prospect of economic growth and general revenue generation and how it will result in more resources being accrued to the health sector. Akwa Ibom state's macro economy is made up of revenue from different sources, both from within and outside the state. These different revenue sources are presented in the table below. Statutory allocation from the federal government forms more than 70% of the state's revenue from 2012 – 2015; and 69% in 2016. Internally Generated Revenue ranged between 4% and 9% of total revenue in the same years, while external and internal loans ranged between 4% and 18%.

Table 6: Akwa Ibom State Revenue Mix – 2012 - 2016

YEAR	2012 NGN	2013 NGN	2014 NGN	2015 NGN	2016 NGN
REVENUE & RECEIPTS (NGN BILLION)					
Internally Generated Revenue	17.1	18.0	18.7	18.7	16.3
Statutory Allocation	280.0	316.8	261.5	165.2	131.6
Value Added Tax (VAT)	9.1	10.1	8.9	9	8.9
Reimbursements	0	0	0	0	0
External & Internal Loan	51	78.5	11.0	13.0	33.5
Ecological Funds	0.25	5.0	2.0	2.0	
Other Income	0	0	23.4	5.1	0
TOTAL	357.4	428.4	325.5	212.9	190.2

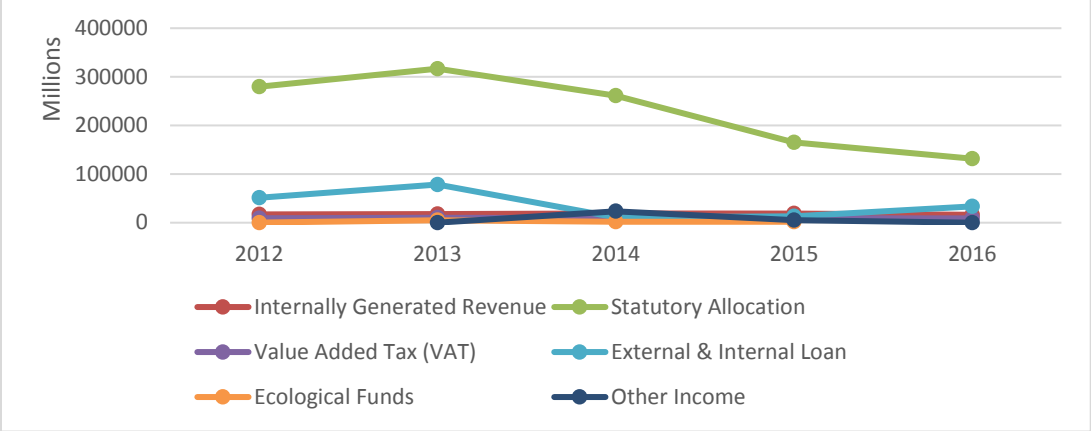
3.1.1 Federal Statutory Transfers

The macroeconomic condition of the country as a whole has an implication for the macro fiscal dynamics of Akwa Ibom state, which in turn affects the amount of health spending in the state. Nigeria exited a recession that resulted from a fall in global oil prices in the second quarter of 2017. During the period of falling revenue, state governments also experienced sharp declines in federal allocation. In Akwa Ibom state, statutory allocation fell from a high of 317 Billion NGN in 2013 to 132 Billion NGN in 2016.

However, the rise in oil prices and consequent increase in oil revenue has seen Nigeria's revenue bounce back towards a rising trend. In addition, projections done based on favorable oil prices indicate a better outlook for federal allocations to states in 2018, including Akwa Ibom, as oil prices rise above $70, the highest in over two years.

Additionally, the federal government has introduced a lot of initiatives aimed at raising revenue such as the Voluntary Assets and Income Declaration Scheme (VAIDS), new excise duty on alcohol and tobacco, as well as anti-corruption measures that are aimed at blocking leakages.

Figure 2: Trend in Revenue Mix - Akwa Ibom State



3.1.2 Internally Generated Revenue (IGR)

Akwa Ibom state has generated an average of 17 billion naira over five years as IGR, translating to about 6% of the state's total revenue. IGR is an important component of state total revenue as it is one of the most stable and predictable sources of revenue. In the past few years when FAAC allocation to states plummeted, states that have decent IGR did not struggle to remain financially buoyant.

Akwa Ibom state has been making efforts to boost its IGR by exploring previously under tapped areas of potential additional revenue. One of the approaches that the state has embarked on is the use of technology to optimize revenue generation. The "automation" drive in the state seeks to enroll the private sector into a state-wide database and will capture the status of the PAYE contribution and license payment of each individual. The state's target is to enroll 250,000 people in the tax base, which is currently below 100,000 in the existing analog database. The state also aims to take responsibility and ownership of the database, as opposed to the practice in the past where the consultants who work on the database take ownership. The model of automation has worked to improve road taxes by 200% from July 2017 to date. With the introduction of the automation concept to PAYE collection and payment of licenses, the state projects the following amount of revenue between 2018 and 2020

Table 7: Projected Revenue from PAYE and Licenses

Year	Projected PAYE	Projected Licenses Revenue
2018	28.75 billion	563.81 million
2019	34.51 billion	676.65 million
2020	46.00 billion	902.20 million

Similarly, a back duty audit that was conducted in banks got the state to recover tax arrears from them, and a similar exercise will be conducted for other companies. This is expected to increase government revenue in 2018 and subsequent years.

Individuals in Akwa Ibom state are willingly declaring their assets and income and the state projects to generate revenue from tax on the assets and income.

3.1.3 Debt Refund

Akwa Ibom state received N33.57 billion as debt refund in 2017. In addition, the state expects an additional N35 billion in 2018 as the balance of debt refund from the federal government.

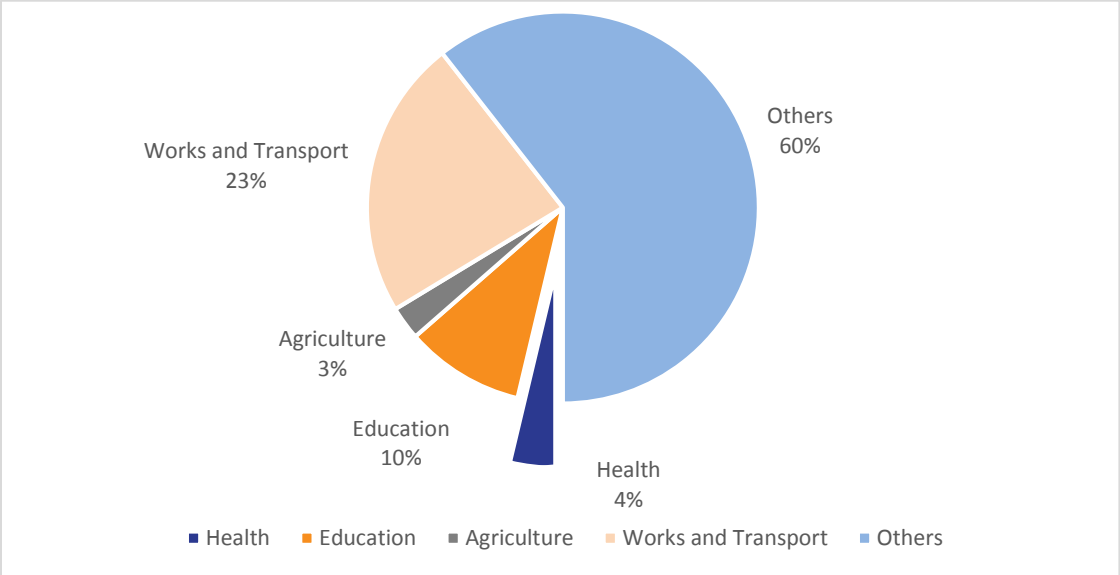
3.2 Health Sector Prioritization

This involves a change in the way government prioritizes the health sector in relation to other sectors in terms of budgetary allocation and releases. Budgetary allocation to a sector in an economy indicates the importance of the sector to the government.

3.2.1 How is health situated within the overall budget

A look at health allocation within the overall state budget shows that Akwa Ibom state is far from meeting the Abuja declaration of allocating and spending 15% of total budget on health. The chart below shows budgetary allocation across different sectors in the state in 2016. Allocation to the health sector represents only 4% of total state budget.

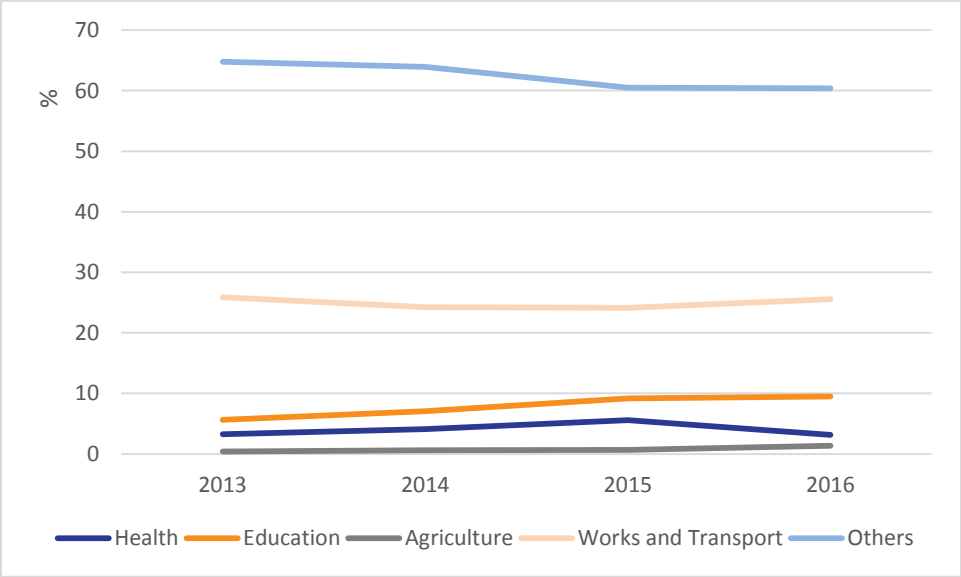
Figure 3: 2016 Budgetary Allocation Across Sector in Akwa Ibom State



3.2.2 How does health expenditure compare to other sectors

Health expenditure in Akwa Ibom state follows a similar pattern of less than 15% - this has been the trend over time as demonstrated in the chart below. In fact, total government expenditure on health fell from 6% to 3% between 2015 and 2016. The chart also shows how education, works and transport, and other sectors are prioritized over health in terms of expenditure.

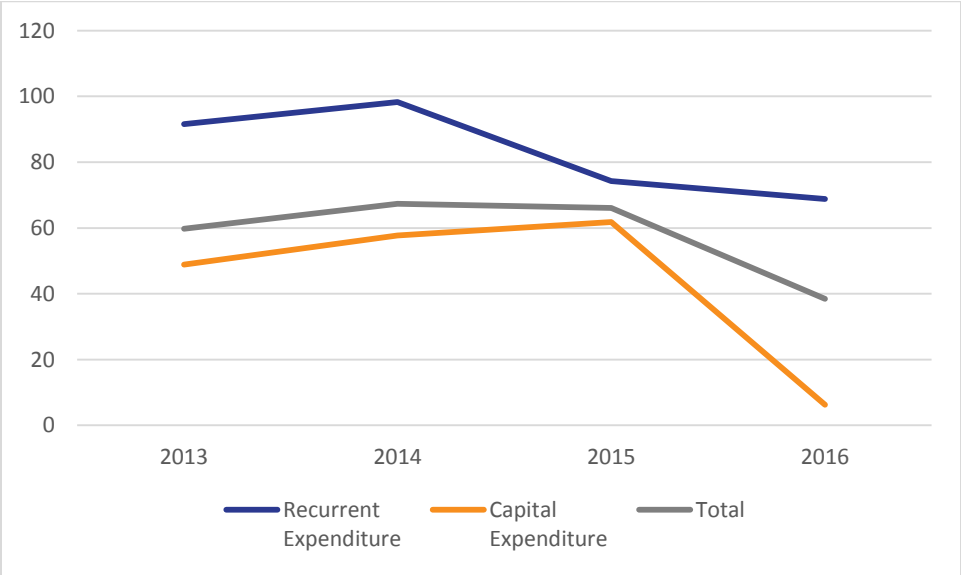
Figure 4: Trend in State Expenditure Across Sectors



3.2.3 What is the budget performance for Health

The budget performance for the health sector in Akwa Ibom state has lingered around 60% between 2013 and 2015; however, there was a sharp drop to 38% in 2016. Recurrent expenditure has seen a better budget performance than capital expenditure, reaching 98% in 2014. However, this had a sudden drop to 69% in 2016. Meanwhile, in the same year, only 6% of capital allocation in the health sector was released.

Figure 5: Health Sector Budget Performance



3.3 Earmarking for Health

Earmarking involves setting aside certain amount of money for a purpose – in this case, for health – to achieve specific objectives.

3.3.1 Charges to the State Consolidated Revenue Fund

One of the sources of earmarked funds for health available to Akwa Ibom state is the 1% Consolidated Revenue Fund (CRF), which the National Health Insurance Scheme (NHIS) has recommended for states to set aside as an equity fund to cater for the vulnerable population under the State Health Insurance Scheme. The 1% CRF for Akwa Ibom state translates to 1.9 billion naira based on the projected 2018 revenue.

3.4 External Grants for Health

External financing significantly contributes to health spending in Nigeria. However, because of the lack of flexibility in its use by the government, it does not always add to the fiscal space for health. Nonetheless, a few sources of grants are available to the government to use at its discretion. This is also the case in Akwa Ibom state.

3.4.1 The Saving One Million Lives Initiative

The Saving One Million Lives Initiative Program-for-Results (SOML) aims to increase the utilization and quality of high impact reproductive, child health, and nutrition interventions. It is a direct budget support for the health sector available to the state. The first tranche was a $1.5 Million (525 Million NGN) transfer. In 2018, further pay-outs will be consequent upon performance that is a function of clearly set disbursement linked indicators.

3.4.2 The Basic Health Care Provision Fund

Section 11 of the 2014 National Health Act (NHAct) makes provision for the Basic Health Care Provision Fund (BHCPF) which is to be used to purchase Basic Minimum Package of Health Services (BMPHS) for all Nigerians and the strengthening of service inputs for primary healthcare delivery. The BHCPF, which has been included in the federal government 2018 budget, forms another source of external financing for Akwa Ibom state. The NHAct makes provision for at least 1% CRF of the Federal Government, along with grants from international donor partners and other sources be earmarked for the provision of the BMPHS. This will be disbursed to Akwa Ibom state through the State Primary Healthcare Development Board and the State Health Insurance Scheme to provide basic minimum healthcare as well as coverage for the vulnerable population under the health insurance scheme. The funds is estimated at about a total of 57.1 billion naira to be divided equally among the 36 states of the federation and the FCT. This translates to about 1.54 billion naira accruing to Akwa Ibom state through the BHCPF. However, two conditions must be met before the state can access these funds; first is the establishment of the SSHIS and the achievement of the PHC Under One Roof policy objective – none of which have been attained by Akwa Ibom state.

Table 8: Basic Health Care Provision Funds for Akwa Ibom State

BHCPF Distribution (NGN)			
		36+1 States	Akwalbom State
Total Amount	57.1 Billion NGN	1.54 Billion NGN	1.54 Billion NGN
50% NHIS gateway	28.55 Billion NGN	771.6 Million NGN	771.6 Million NGN
45% NPHCDA gateway	25.69 Billion NGN	694.46 Million NGN	694.46 Million NGN
5% FMoH gateway	2.85 Billion NGN		

3.4.3 Household Premium contributions.

While this is not a grant to the state Government in the true sense of it, premium contribution will form a source of external financing available to the state for redistribution after the health insurance scheme takes off. This is expected to grow over time as more individuals and families are enrolled onto the scheme. The table below shows an estimated projected premium contribution based on the percentage of the population that is covered under the scheme. An assumption of N8,000 premium contribution is made based on the amount of premium from states that have started their SSHIS

Table 9: Assumption of Premium Contribution with 30% Population Coverage by 2023

Total Population Coverage	**2019 (5%)**	**2020 (11%)**	**2021 (19%)**	**2022 (25%)**	**2023 (30%)**
Estimated projected premium contribution (N8,000 premium assumption)	2.3 Billion	5.0 Billion	9.0 Billion	11.3 Billion	13.5 Billion

3.5 Efficiency Gain

Efficiency refers to the use of input to attain maximum possible output. Fiscal space can be realized through improved efficiency in the use of health resources and reduction of waste. Money lost can be recovered in the health sector by addressing inefficiency that occurs in the form of wastages, leakages, corruption, etc.

Inefficiency in the use of health resources may also limit fiscal space that is realized through other fiscal space pillars; for example, a perception of inefficiency in the use of resources in the health sector may hamper government's desire to prioritize the health sector and instead, allocate its limited resources to other competing sectors of the state that are more transparent and efficient in the use of public resources. Therefore, in addition to encouraging wastage, inefficiency may limit the expansion of fiscal space for health.

There are different sources of inefficiency in the health sector. A quick glance at health sector spending in Akwa Ibom state shows that in 2016, the bulk of the health spending is on HRH. Recurrent expenditure accounted for 92% of total health expenditure in the state (even though only 52% of health budget was recurrent in that year); and ninety nine percent of the total recurrent expenditure of the state was used as personnel cost. However, this is quite unique to the year. In 2013 to 2015, recurrent

expenditure ranged between 30 – 39%; while capital expenditure ranged between 60 – 65%. The table below shows the proportion of recurrent and capital health expenditure.

Table 10: Proportion of Health Sector Recurrent and Capital Expenditure 2013 – 2016

	2013	2014	2015	2016
Recurrent expenditure	39%	35%	39%	92%
Capital expenditure	61%	65%	61%	8%

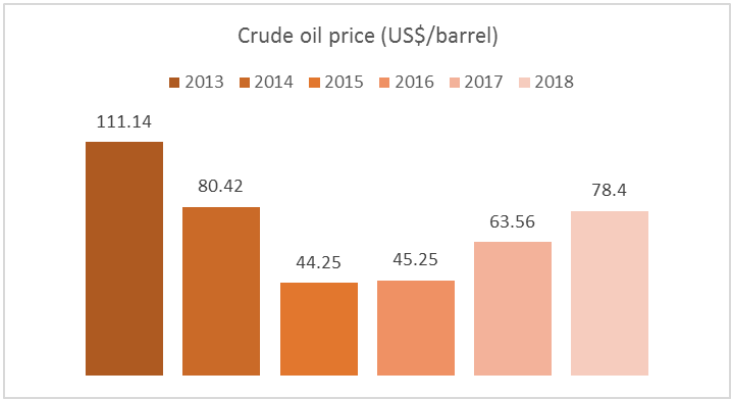
4. DISCUSSION AND ACTIONABLE RECOMMENDATIONS

4.1 Conducive Macro Fiscal Dynamics

4.1.1 Federal Statutory Transfers

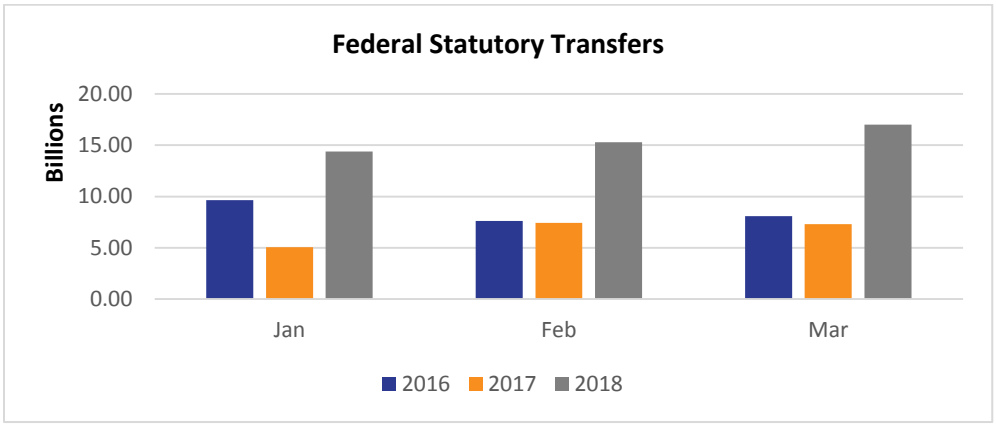
Federal statutory allocation to states is looking favorable as a result of the rise in oil prices as demonstrated in figure 6 below, which has given rise to increased revenue from oil in the country.

Figure 6: Crude oil Price in US$ per Barrel



It is evident that FAAC disbursement to states is on the rise since the beginning of 2018. The bar chart below shows a near triple statutory allocation in January 2018, when compared to January 2017. A similar trend is observed in February and March of the same years. The rise in oil prices in 2018 indicates more favorable statutory allocation to states in subsequent months of 2018.

Figure 7: Federal Statutory Allocation – Jan – Mar (2016 – 2018)



Akwa Ibom state received an average of 16 Billion NGN as statutory allocation in the first quarter of 2018. This is double the allocation of 8.2 Billion NGN received in the first quarter of 2016. With the favorable allocation trend in 2018, the state could receive up to 192 Billion NGN in 2018.

In 2016, with a total statutory allocation of 132 Billion NGN, Akwa Ibom state spent 3% of its total expenditure on health. A 60 Billion naira increase in statutory allocation could see the state spending 1.8 Billion naira more in the health sector, assuming expenditure on health remains 3% of total state expenditure.

4.1.2 Internally Generated Revenue (IGR)

As a result of the IGR drive in the state, Akwa Ibom projects an additional internal revenue from PAYE and licenses. Part of this internally generated revenue can be used to expand the fiscal space of the health sector. Between 2013 and 2016, the state spent an average of 4% of its total expenditure on health. Even if the state maintain such proportion of total expenditure on health, the table below shows how much fiscal space can be made available to the health sector from the ongoing IGR expansion drive of the state.

Table 11: Fiscal Space for Health from Projected Revenue from PAYE and Licenses

Year	Projected PAYE	4% IGR to Health	Projected Licenses Revenue	4% IGR to Health
2018	28.75 billion	1.15 billion	563.81 million	22.55 million
2019	34.51 billion	1.38 billion	676.65 million	27.07 million
2020	46.00 billion	1.84 billion	902.20 million	36.09 million

The fiscal space for the health sector from the above projected revenue could be much more if the state increases the percentage of allocation as well as expenditure to the health sector towards the Abuja declaration.

4.1.3 Revenue Generation Drive by Ministry of Economic Development

The new Director of Planning at the State Ministry of Economic Development recognizes that many Ministries, Departments and Agencies (MDAs) in the state are oblivious of the numerous ways to raise their revenue profile. For instance, the Ministry of Transport could potentially raise revenue from haulage fee; the Ministry of Land and Housing loses revenue from undercharged rents of government buildings; the Ministry of Agriculture could potentially harness resources through rents of government land and machineries. As a result, the State Ministry of Economic Development plans to engage these MDAs in the next budget cycle to explore means of raising their revenue. Although the Ministry projects significant revenue will result from the bilateral discussion and support to these under tapped MDAs, it is unable to make projections of the amount of revenue prior to the engagement of the MDAs in August 2018.

Another existing source of revenue for the state is a development levy, which is a yearly deduction of N700 from Civil Servants' salaries. The revenue is aimed at being used for development projects in the state at the discretion of the state governor. With a Civil Servant population of 31,000 in Akwa Ibom state, the state is able to generate N21.7 million each year. Again, if the state decides to allocate a proportion of this revenue, say 4%, to the health sector, an addition 868,000 NGN fiscal space will be made available to the sector. The percentage could also be increased towards the 15% Abuja declaration.

4.1.4 Debt Refund

Akwa Ibom state is expecting 35 Billion NGN in 2018 as the state's balance of debt refund from the federal government. If only 25% of this fund is discretionary, the state can earmark 15% of the discretionary funds for health and create an additional 1.31 Billion NGN fiscal space for health

Table 12: Additional Fiscal Space for Health from Discretionary Debt Refund

Expected 2018 Debt Refund	25% Discretionary Debt Refund	15% of Discretionary Refund
35.00 billion	8.75 billion	1.31 billion

4.2 Reprioritization

4.2.1 How can additional fiscal space be created for health from improved allocation and expenditure?

Based on findings, Akwa Ibom state has consistently allocated 4% of its total state budget to health. Health expenditure has also averaged 4% of total expenditure in the four years under study. In order to create additional fiscal space for health, Akwa Ibom state needs to increase both allocation and expenditure on health towards the 15% Abuja declaration target.

Based on the 2016 data, the table below shows how much additional fiscal space can be created if health expenditure increases to 10% and 15% of total state expenditure.

Table 13: Additional Fiscal Space for Health from Improved Health Expenditure

2016 Performance		Target	Additional Fiscal Space
3%	6.06 Billion	10%	13.02 Billion
		15%	22.56 Billion

4.2.2 How can additional fiscal space be created for health from improved budgetary performance?

The Communique of Action developed at the end of the Legislative Network for Universal Health Coverage launch stipulates that health sector budget performance should be at least 70%. In the four years under study, Akwa Ibom state has consistently had less than 70% budgetary performance in the health sector. The figures are even worse for capital budget performance. The state will be able to spend more on health if budget performance for health is improved as demonstrated in the table below based on 2016 data:

Table 14: Additional Fiscal Space for Health from Improved Health Sector Budgetary Performance

	Budget Performance	Total Allocation	Total Releases	70% Performance	Additional Fiscal Space
Recurrent expenditure	69%	8.11 Billion	5.58 Billion	5.68 Billion	98 Million
Capital expenditure	6%	7.64 Billion	475 Million	5.34 Billion	4.87 Billion
Total	38%	15.75 Billion	6.06 Billion	11.02 Billion	4.97 Billion

4.3 Earmarking for Health

4.3.1 Charges to State CRF

Once Akwa Ibom state passes its health insurance law and begins to implement the scheme,

1.9 billion NGN will be set aside as equity fund to finance health insurance for the vulnerable population. However, the analysis above shows that the state will require about 7.78 billion NGN to cover the vulnerable population. As a result, the state will need additional funds to finance the close to 75% gap in the equity fund. One approach to increasing the size of the equity fund is doubling the CRF to 2%, which will increase the amount to 3.8 billion NGN, allowing the state to cover about 50% of the vulnerable population.

Table 15: 1% and 2% Charges to CRF and Vulnerable Population Coverage

Vulnerable Population Coverage	1% CRF	% Coverage of Vulnerable Population with 1% CRF	2% CRF	% Coverage of Vulnerable Population with 2% CRF
7.78 Billion NGN	1.9 Billion NGN	24.5%	3.8 Billion NGN	48.8%

4.3.2 Alternative source of earmarked funds – State Health Trust Fund (SHTF)

There is a lot for Akwa Ibom state to learn from other states that have made effort to increase their fiscal space for health through earmarking. Kano and Bauchi states have passed a law to establish the State Health Trust Fund (SHTF), which earmarks a percentage of LGA statutory allocation and state IGR for health. With Akwa Ibom state's drive for IGR growth, along with more favorable statutory allocation resulting from the rise in oil prices, the state can raise reasonable fiscal space to cover the needs of the health sector.

4.3.3 HIV/AIDS Trust Fund

The 59th National Council on Health recommends the earmarking of at least 0.5% to 1% of the monthly federation allocation to sates and FCT for financing HIV/AIDS response. Although Akwa Ibom state is yet to implement this measure, the states, which has one of the highest burden to HIV/AIDS in Nigeria, could raise additional fiscal space to fund HIV/AIDS response. To avoid fragmentation issues, the state may want to consider rolling the HIV and AIDS fund into the SHTF.

4.4 External Grants for Health

4.4.1 The Basic Health Care Provision Fund

Akwa Ibom state is entitled to receive 1.54 billion NGN as grant from the 1% CRF of the federal government as part of the BHCPF. The state will receive 694.46 million NGN through the NPHCDA gateway and 771.6 million NGN through the NHIS gateway, which can be used to buy additional premium for the vulnerable population.

However, Akwa Ibom state can only receive the NHIS gateway funds upon the establishment and commencement of the state health insurance scheme, while the NPHCDA gateway funds can only be obtained with PHCUOR in place. At the current set up, Akwa Ibom state is not qualified to receive the funds for both gateways. As a result, the state needs to hasten efforts to ensure both are implemented. In addition, Akwa Ibom state should lend its voice to advocate for the implementation of the BHCPF, which has been included in the 2018 budget.

4.4.2 The Saving One Million Lives Initiative (SOML)

The disbursement of SOML fund, which is a grant from the federal government to states, is linked to clearly defined indicators. The better the result that Akwa Ibom state is able to demonstrate, the more funds it will receive. Therefore, it is important for the state to hasten efforts to improve the indicators in order to receive more grants from the SOML funds.

4.4.3 Premium contributions

The projection from the results section above shows that premium contributions from households following the implementation of the state health insurance scheme will amount to quite a significant amount of funds for the health sector which the government will have available for redistribution to improve access and quality of health services. This point further buttresses the importance of the takeoff of the health insurance scheme in the state.

4.4.4 Exploring other sources of external grant

Akwa Ibom state can work to identify and write grant proposal for the health sector. Many of such opportunities exist, such as The Challenge Initiative (TCI) which got Bauchi state $200,000 grant.

In addition, the risk of domestic funding displacement by external funds can be prevented by ensuring that donor funding catalyzes domestic funding for health. One approach which has worked in other states is the counterpart funding model whereby donor funds are matched with domestic funds from the government. Experience from other states has shown that state governments are often willing to fully release their counterpart funds.

4.5 Efficiency Gains

Firstly, it is worth noting that efficiency gains assessment for the health sector is a complex study that is beyond the scope of this assessment. As a result, in order to have a clear picture of sources of inefficiency in Akwa Ibom state health sector and identify means to overcome them, and also identify in terms of naira and kobo how much additional fiscal space can be created in the health sector through efficiency gains, a comprehensive efficiency assessment is required.

A good starting point will be an assessment of what the bulk of the money for the health sector is spent on. With the exception of 2016, over 60% of health spending in the years under study is capital expenditure. Therefore, in order to effectively understand how to improve efficiency of health spending and create additional fiscal space for health by reducing wastages and leakages, a thorough assessment of how capital expenditure is carried out in Akwa Ibom state in needed.

In addition, as bulk of the recurrent expenditure is spent on personnel, Akwa Ibom state should also assess the quality of services that is being provided by its health workforce and work to improve inefficiencies in service provision. More equitable distribution of health workforce in the state – across

rural and urban areas - will also result in better health care provision in rural areas, which contribute more to poor health indices.

5. CONCLUSION

The fiscal space analysis for Akwa Ibom state's health sector shows significant potential additional revenue for the health sector. The prospect for additional revenue to the state as a whole over the years looks positive. As Nigeria's economy improves and revenue to the federal government increases, Akwa Ibom state is expected to receive increased statutory transfers. In addition, the state is looking to increase Internally Generated Revenue by exploring untapped areas of potential additional revenue. If this drive is successful, the overall economy will experience a significant increase in revenue.

Considering how poorly the state is performing in terms of expenditure on health as a proportion of total government expenditure, an increase in both allocation and expenditure on health towards the 15% Abuja Declaration, while improving health sector budget performance, will result in a significant increase in fiscal space for the state's health sector. Although difficult to quantify, and will require an extensive efficiency study, it is quite clear that Akwa Ibom state's health sector will yield additional fiscal space through improved efficiency in health sector spending. Table 16 below shows potential additional sources of revenue for the health sector under the different pillars of the fiscal space assessment framework. In addition, the study attempts to rate the prospect of each potential source of additional revenue as low, medium or high. However, ultimately, the likelihood of the state accruing the additional revenue for the health sector mainly relies on the state government's efforts and willingness based on its priorities.

Table 16: Prospects for Additional Fiscal Space for Health

Pillar	Theme	Current Performance	Target	Additional Funds	Prospect (Low, Medium, High)
Conducive Macro Fiscal Dynamics	Increased Federal Statutory Transfers			1.80 bn NGN (2018)	High
	IGR - PAYE			1.15 bn NGN (2018) 1.38 bn NGN (2019) 1.84 bn NGN (2020)	Medium
	IGR Licenses Revenue			22.55 mn NGN (2018) 27.07 mn NGN (2019) 36.03 mn NGN (2020)	Medium
	Debt Refund			1.31 bn NGN	High
Reprioritization	Expenditure on Health as a % of Total State Expenditure	4%	10%	13.02 bn NGN	High

			15%	22.56 bn NGN	Medium
Earmarking for Health	Equity Fund		1%	1.90 bn NGN	Medium
			2%	3.80 bn NGN	Low
External Grants for Health	BHCPF			1.54 bn NGN	Medium
	Premium Contribution			2.30 bn NGN (2019) 5.00 bn NGN (2020) 9.00 bn NGN (2021) 11.30 bn NGN (2022) 13.50 bn NGN (2023)	Medium

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