

## Status of Domestic Health Financing in Zambia

The socio-economic environment is important for creating a fiscal space in any country. The performance of the Zambian economy over the past decade has been mixed. Zambia transitioned from a low-income to a lower-middle-income country in 2011 and back to lower income country in 2021. After an impressive real GDP growth rate averaging 6.5 percent between 2005 and 2014, the growth slowed down to an average of 2 percent between 2015 and 2021. The GDP per capita shrank from US\$1,805 in 2014 to 1,157 in 2021. The decline in real GDP growth rate during this period can be attributed to droughts and falling copper prices between 2015 and 2020 that adversely affected the agricultural output, the mounting debt and debt service that subsequently negatively affected the construction sector and overall economic growth. The already fragile economy was worsened by the impact of the Coronavirus pandemic of

2019 (COVID-19) that tourism and virtually affected all sectors except for education, manufacturing and ICTS.

Table 1 shows that the macroeconomic environment remained volatile during most of the period after 2014. Inflation fluctuated from 7.8 percent in 2014 to 17.8 percent in 2016 before dropping to an average of 7.7 percent between 2017 and 2019 but then increased to 22.1 percent in 2021. The Kwacha dollar exchange rate depreciated from K8.3/US\$ in 2015 to K12.9/US\$ in 2019 before reaching US\$20.1 in 2021. The macroeconomic environment resulted in severe economic and social challenges for Zambia which included high food prices and high unemployment, resulting in high poverty levels which stood at 60.1 percent in 2021.

**Table 1: Socio-economic indicators 2010 - 2021**

	2010	2014	2015	2019	2020	2021
<b>Macroeconomic Indicators</b>						
GDP Current (US\$ billions)	20.27	27.14	21.25	23.31	18.11	21.20
GDP growth (annual %)	10.3	4.7	2.9	1.4	-2.8	3.6
GDP per capita (US\$)	1,214.7	1,805.9	1,377.3	1,596.2	1,083.8	1,157.5
Inflation (average %)	8.5	7.8	10.1	9.2	15.7	22.1
Exchange rate	4.80	6.15	8.63	12.89	18.34	20.02
Poverty rate(\$1.9/day)	-	57.4	55	60.1	-	-
Unemployment rate	13.2	9.4	10.1	12.5	12.8	12.6
<b>Fiscal Indicators</b>						
Expenditure (% GDP)	18.1	24.6	28.1	30.1	30.4	33.2
Overall fiscal deficit (% GDP)	-2.4	-5.7	-9.3	-9.6	-11.9	-10.3
Primary fiscal balance (% of GDP)	-1.0	-3.5	-6.5	-5.6	-7.7	-7.0
Total revenue (% GDP)	15.6	18.9	18.8	20.5	19.5	23
Tax revenue (% of GDP)	12.8	15.8	14.4	16.7	16.4	16.8
Debt service (% of exports and primary inc.)	1.9	3.6	6.6	31.4	47.2	-
Total Public debt gross -end of period (% GDP)	220	-	-	103.3	150.3	126.0
Domestic	12.9	-	-	41.2	54.5	61.3
External	9.1	-	61.4	62.1	95.8	64.7
External debt stocks (% of GNI)	21.0	33.9	55.4	121.1	147.4	113.9

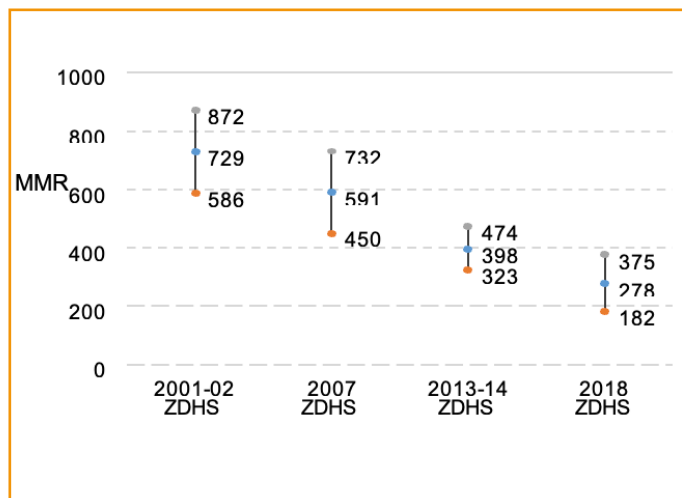
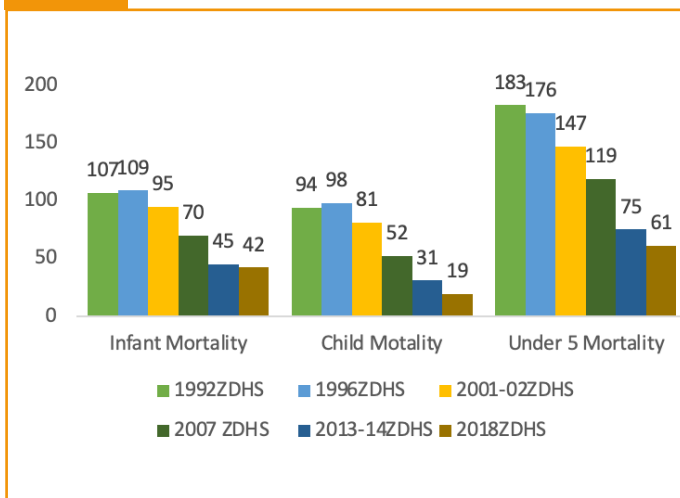
Source: Zambia Statistics Agency, 2023

### Health outcome indicators for Zambia

Selected health outcomes are presented in figure 1. Zambia made gains over the years as shown by the Key health outcome indicators. The maternal mortality ratio has reduced from 729 in 2002 to 278 in 2018 deaths per 100 000 live births. Zambia recorded a significant reduction in under 5 and infant mortality rates between over the same period. Under-

five mortality rate has reduced from 168 in 2002 to 61 deaths per 1000 live births, infant mortality from 95 in 2002 to 42 in 2018 deaths per 1000 live births during the same period (ZDHS, 2018).

**Figure 1: Selected health outcomes indicators**



Source: Compiled from various DHS

Despite reduction in the maternal mortality ratio, the country has continued recording a significantly high number of maternal deaths which might impede chances of the country achieving Sustainable Development Goal

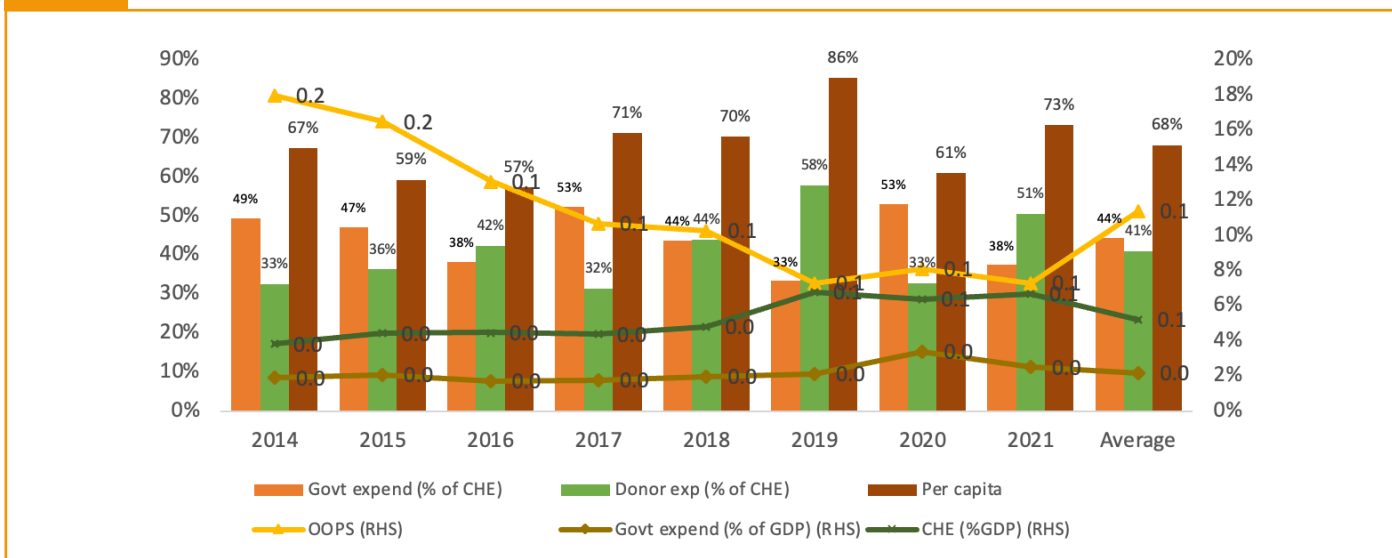
of 70 deaths per 100,000 live births by 2030. About 750 women die every year for pregnant related reasons and three times that number neonates die.

**Health care financing landscape**

Zambia’s National Health Accounts show that current health expenditure (CHE) increased from US\$1,232 million in 2017 to US\$1,571.7 million in 2019 and declined to US\$1,428.9 million in 2021. Similarly, the CHE per capita rose from US\$71.4 in 2017 to US\$85.5 in 2019 and fell to US\$73.4 in 2021. The increase in expenditure in 2020 and 2021 can

be attributed to additional expenditure by government and Cooperating Partners towards mitigating the impact of COVID-19. Figure 2 shows that the major sources of health financing are public, cooperating partners and household out-of-pocket expenditure.

**Figure 2: Health expenditure indicators 2010 -2021**



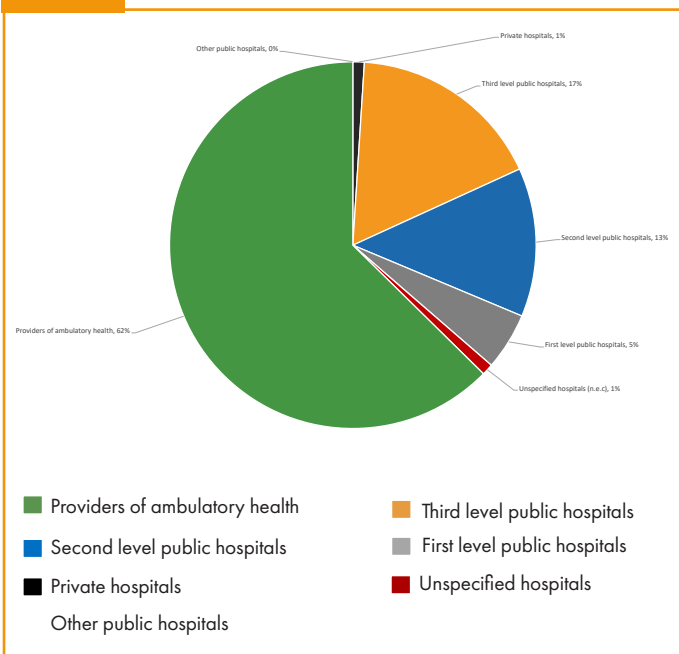
Source: MoH (2023)

**Current health expenditure by level of care**

Estimates show that the government spends over 60 percent of its resources on community and primary health care services delivery in 2021. Primary health services are followed by third level and specialized

hospitals (17 percent) and second level hospitals (13 percent). In Figure 3, CHE by level of care is presented;

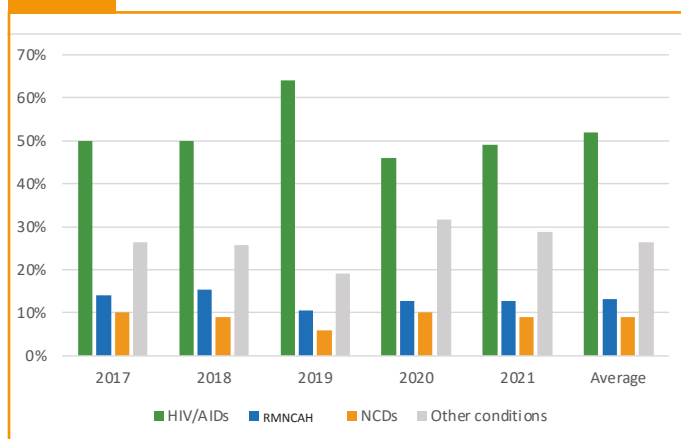
**Figure 3: Current health expenditure by level of care**



Source: MoH 2023

Figure 4 presents the CHE by health by function or health condition. The figure reveals that current inadequacy of resources in Zambia's health sector is compounded by high levels of resource earmarking by the cooperating partners. Virtually all donor resources are earmarked for HIV/AIDS and reproductive, maternal child and adolescent health (RMCAH). As Figure 3 shows, HIV/AIDS absorbed an average of 52 percent of the total current health expenditure (or an average of 70 percent of resources from cooperating partners) between 2017 and 2021.

**Figure 4: Current health expenditure by condition (2017 – 2021)**



**General government expenditure on health at national and subnational levels**

Zambia's general government expenditure on health increased over the period of 2006-2009 from 11 percent to 12 percent. From 2010, government expenditure on health took a deep dive from 8 percent in 2010 to 7 percent in 2015. Thereafter, government allocation to health improved from 8 percent in 2016 to 10 percent in 2018. At the provincial level, the share of health allocation as a percentage of total health

allocation has grown over time from 35 percent in 2006 to 71 percent in 2019. In table 2, health expenditure as a percentage of total general government expenditure and total provincial allocation as a percentage of health allocation is presented.

**Table 2: Health expenditure allocation as a % of total government expenditure**

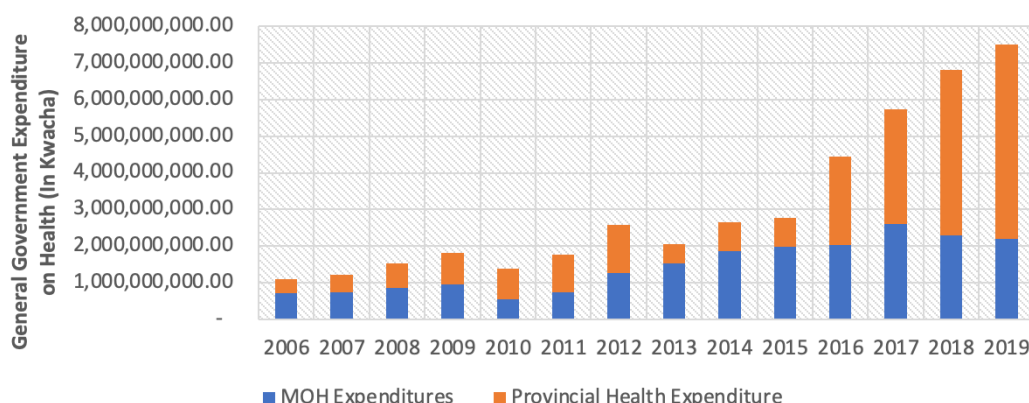
Year	% of health expenditures to total expenditures	Total provincial allocation as % of health allocation
2006	11%	35%
2007	10%	39%
2008	11%	44%
2009	12%	48%
2010	8%	60%
2011	9%	59%
2012	9%	51%
2013	6%	26%
2014	6%	30%
2015	7%	28%
2016	8%	54%
2017	9%	55%
2018	10%	66%
2019	9%	71%

The government of Zambia continues to direct more health resources to the health sector, especially at the provincial level. This is indicated in figure 5. The growth in allocation to health is evidently skewed towards the provincial level. The provinces that have received increased allocation to health include, Lusaka, Eastern, Copperbelt and Luapula provinces among others as indicated in figure 6.

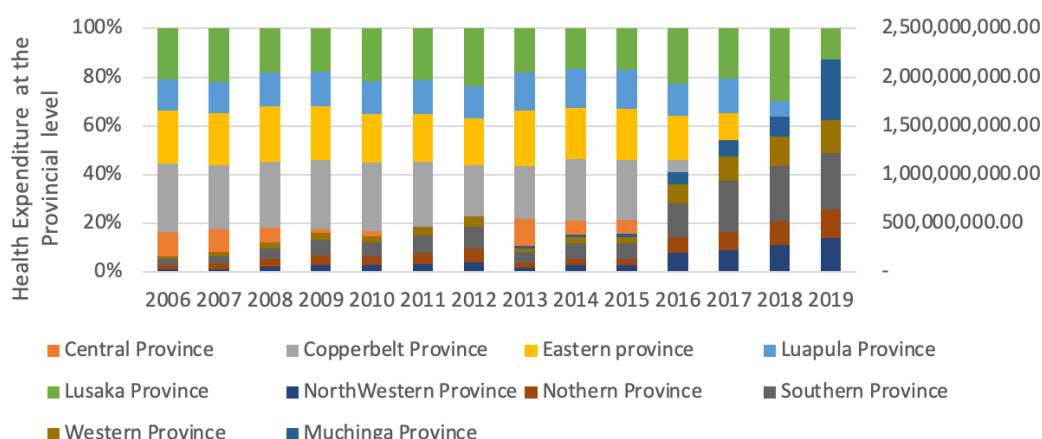


Photo: UNICEF

**Figure 5: General government expenditure on health at national and provincial level**



**Figure 6: General government expenditure on health at the provinces**



**Performance of health financing in Zambia against the rest of African region**

Table 3 shows the comparison of Zambia with the average of the WHO African Region and the best and worst performers in the region in 2021.

**Table 3: Comparison of health financing performance: Zambia vs African region**

Indicator	Zambia	Average for the world	Best performer in Africa	Worst performer in Africa
1. Current Health Expenditure per capita (Current US \$)	53.4	1,177.2	Seychelles (726.91)	Burundi (16.4)
2. Current health expenditure (% of GDP)	5.6	10.9	Lesotho (11.78)	Benin (2.59)
3. Domestic General Government Health Expenditure (% of General Government Expenditure)	7.2	NA	South Africa (15.29)	South Sudan (2.1)
4. External Health Expenditure per capita (current US \$)	22.6	2.5	Mauritius (1.1)	Lesotho (35.7)
5. Out-of-pocket expenditure (% of current health expenditure)	8.8	16.4	Botswana (4.6)	Nigeria (74.7)
6. UHC service coverage index (2021)	56	68	Seychelles (75)	Somalia (27)