

Module 11: Uses, Benefits, and Examples of Budget Analysis

Activity D: Budget analysis exercise

You have a strong interest on national health sector spending and wish to know how this spending compares to other sectors in your country's budget. To understand this, you decide to identify key relevant budget and policy materials, such as the Health Vote, or the Ministry of Health's Budget Statements, provincial, regional or district health budget statements if available, costed health strategic plans, health annual reports etc and analyze to identify spending patterns. Once you have gathered and scrutinised the available financing documents, perform the following analysis:

1. Make a chart showing health expenditure nominal amounts of spending in the medium term (the previous three years).
2. Calculate the health budget as a share of total governmental budget for each year.
3. Write out your observations of what is happening. Is the absolute amount increasing or decreasing? Is the percentage share increasing or decreasing?
4. Convert total health ministry's allocation to real terms over the past three years. Is the allocation keeping up with inflation?
5. Calculate real growth rate for the health ministry for each year.
6. When you consider inflation, is the allocation actually increasing or decreasing?
7. Calculate average annual real growth rate for the health ministry over medium term.
8. Generally, what is happening to the health ministry's budget over the medium term?
9. What recommendation(s) would you make to the health and finance ministers regarding your observation of this health budget trends?

The corresponding spreadsheet shows how your analysis should be organized, ensuring the right flow of information for correct calculation. The first tab shows all the information to be captured for budget analysis, using malaria as an example. The second tab in the spreadsheet already contains formulae, so once all the budget data are entered in the top section of the spreadsheet the formulae will automatically do the calculations, saving your time in this exercise.

The corresponding Cheat Sheet for Basic Budget Analysis includes the formulas needed to make the above calculations.