Health Budget Issues Paper

Introduction

The objective of the health budget issues paper is to provide a platform to help articulate focused dialogue to address issues in the health sector as part of the FY2019/20 Budget Framework Paper process. It does not attempt to identify a definitive list of ‘what’ key sector issues are – as this would undermine ownership and existing processes – but instead it aims to use data and analysis as a basis for sector discussions and support the development of the FY2019/20 Budget Framework Paper (BFP), which is due mid-November 2018.

Sector Outcomes and Service Delivery Challenges

Uganda has spent more on health compared with low-income country and regional averages, yet outputs and outcomes have not been realised at a commensurate level. Uganda has spent approximately one-third more on a per capita basis than other low-income countries and slightly more that East African Community (EAC) peers (Figure 1). While this has resulted in increased investments in health inputs (workforce, medical products and infrastructure), this has not translated into the same degree of health delivery outputs and outcomes (coverage, access and quality of health system performance) as Figure 2 illustrates.

![Figure 1: Total health expenditure (THE) per capita (Int$ PPP) 2014](image1.png)

![Figure 2: Comparative assessment of health dimensions (WHO composite index)](image2.png)


Issue 1: Shortfalls in non-salary decentralised spending

Service delivery constraints at decentralised health facilities point to shortfalls in operational funding, which have been declining in real per capita terms since the early 2000s. Surveys conducted at lower-level health clinics point to weaknesses in health worker knowledge, absenteeism and pharmaceutical supply as key service delivery challenges (Figure 3). Training of health workers, inspection of facilities and provision of medical commodities all rely on non-salary funding, yet non-wage and development spending has declined by 80 per cent from their peak levels in the early 2000s (Figure 4). This suggests that although total sector spending is higher than peers (Figure 1), the targeting of resources to key areas of service delivery is sub-optimal.

1 [https://afro.who.int/publications/state-health-who-african-region](https://afro.who.int/publications/state-health-who-african-region). The scoring in Figure 2 is based on the scoring of a composite indicator in each dimension, as detailed in the appendices of the report.
Resource prioritisation in the health sector is challenging due to misalignment between the budget structure and sector strategy and this could explain the sub-optimal resource allocation. The sector strategy adopts the WHO structure that cannot be easily aligned to the programmes in the budget. This means that both the costing of interventions and strategic planning is undermined and cannot be effectively challenged during the BFP process. The Annual Certificates of Compliance to the NDP ranked the health sector at 50 per cent compliant in its resource allocation process, which could explain the problems of resource targeting experienced at the district level.  

Issue 2: Poor planning and over reliance on external financing for health service delivery

While other EAC countries are investing more domestic resources in order to sustain their health systems, Uganda has relied heavily on external support. Over the past six years, domestic spending per capita among EAC peers has increased US$10 (international PPP) compared with US$5 in Uganda (Figure 5). Similarly, external financing of EAC health systems has remained constant over the same period, while in Uganda this has increased by US$26 (international PPP) on a per capita basis (Figure 6).

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2 Recent work by the Budget Monitoring and Accountability Unit (BMAU) in MoFPED cites several interventions in the sector that are not linked to NDP priorities. The above mismatch could be one of the causes for this.
Just over one-third of external health financing is channelled through government systems, and this remains volatile, unpredictable and related to the late release of GoU counterpart funding. The use of government systems to channel external financing has increased from just under a quarter in 2011 to just over a third in 2015 (Figure 7).3 Despite this increase, there are signs that health commodity financing through the National Medical Stores (NMS) budget is experiencing difficulties. For example, the recent shortages in polio vaccination were cited as being caused by internal procedures requiring NMS to make payments through the IFMIS system.4 Figure 8 illustrates extreme volatility in Global Fund disbursements, which has been – to a large extent – caused by timing inconsistencies of GoU counterpart funding. Both examples illustrate the need to strengthen PFM systems (cash flow planning, payment procedures and accounting) for more efficient financing of health commodities.

The lack of systems and a coherent planning framework to track off-budget commitments is adversely impacting the delivery of key health commodities. Despite, the bulk of external financing being channelled off budget, there is no clear planning, budgeting or reporting framework to

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3 This figure can vary depending on sub sector. For example, it is estimated that approximately 80 per cent of funding for HIV/AIDS is externally provided (USAID, Sustainable Health Financing, 2016).

prevent information asymmetry between donors and government.\textsuperscript{5} This runs a basic risk in that when a donor leaves the country, the government does not sufficiently compensate for the services that have been hitherto provided and/or leaves a gap for a sufficient skills transfer for the provision of commodities for the GoU counterpart to maintain the same levels of service provision.

The case of recent blood shortages is one example of how damaging this can be for service delivery (Figure 7). As PEPFAR pulled resources out of blood provision, units of blood collected dropped significantly. Although, the Uganda Blood Transfusion Service (UBTS) budget was subsequently increased through supplementary funding, the country continues to suffer blood shortages. This has been attributed to inadequate planning and budgeting for blood collection. Apart from the testing algorithm which was costed at US$29, remaining blood collection processes remained unclearly defined and costed. Sufficient skills transfer was not developed in the UBTS to cost blood collection upon the completion of the donor project. This highlights the distortionary effect that off-budget financing has in the sector.

![Figure 9: Blood provision and funding trends (Ush. billion and 000s of units of blood)](image)

Source: BMAU draft policy brief ‘Are blood collection targets a function of budgetary allocations in Uganda?’ (forthcoming)

**Recommendations**

1. **Non-salary funding for districts.** The Ministry of Finance to scale up non-salary resources to districts that meet the relevant performance criteria under the revised conditional grant structure and publish them in the FY2019/20 BFP.

2. **Alignment of health sector strategic plan and budget structures.** The Ministry of Health to provide a roadmap to align the health sector strategic plan, budget and administrative structures and include this in the FY2019/20 BFP.

3. **Calculating a baseline for health commodities vs. donor commitments.** The Ministry of Health to determine a baseline needs assessment and calculate the financing gap for the provision of health commodities in the FY2019/20 BFP.\textsuperscript{6}

\textsuperscript{5} The health sector identified the misalignment of off-budget external financing and sector priorities as one of 14 key challenges listed in the 2016 Annual Sector Performance Report.

\textsuperscript{6} This should start with medium-term projections for USAID, PEPFAR, Global Fund and DFID.
4. **Clear representation of counterpart funding in the MTEF.** The Ministry of Health and National Medical Stores to provide a clearer framework for counterpart funding arrangements in the FY2019/20 BFP, which should be clearly articulated as part of the GoU expenditure ceiling.