UGANDA DEBT NETWORK

January 2022

Review of Performance of Health Sector, FY 2020/21

Policy Brief

CASE STUDY OF 4 DISTRICTS OF APAC, RUBIRIZI, KAPELEBYONG AND KANUNGU

1.0: Background and Introduction

Uganda has made significant progress towards achievement of Universal Health Coverage (UHC), evidenced by an improvement in key health indicators in the country. Data from the FY 2020/21 Annual Health Sector Performance Report reveals that deliveries in health facilities increased from 59% to 62.4%, the proportion of HCIVs offering Comprehensive Emergency Obstetric Care (CEmOC) services (Caesarean section) and blood transfusion increased by 8.5% to 51% (103/203) in 2019/20 from 47% (90/190) in 2018/19; approved posts filled increased from 68% to 74% in 2020/21 and ANC4 coverage increased from 42% to 48.2% in 2020/21. Furthermore, there has also been an increase in the functionality of HCIVs from 41% in 2015/16 to 51% in 2019/20. This progress has been achieved through investments by the Government of Uganda with significant contribution from development partners, whose contribution increased from 26% in 2011/12 to 40% in 2021/22[1].

Despite the above achievements, the performance of some health indicators is still poor. For instance, the Out-of-pocket health expenditure has increased from 38.6% in 2018/19 to 41% in 2020/21, postnatal care attendances have reduced by 30.5%, which is likely to negatively impact on the neonatal outcomes[2]. Likewise, maternal mortality ratio (MMR) in Uganda remains high at a ratio of 375 deaths per 100,000 live births, despite an increase in the proportion of births in facilities and antenatal (ANC) and postnatal (PNC) coverage nationwide[3], under five deaths among 1,000 under 5 admissions have increased from 19 in 2015/16 to 24 in 2019/20, villages /wards with a functional VHT have also declined from 75% in 2015/16 to 40% in 2019/20[4]. The poor performance of some of the above health indicators raises a lot of questions about the sustainability of the gains registered in the sector as well as the feasibility to meet Uganda's ambitious goal of achieving UHC.

2.0: Funding of the Health Sector in Uganda

Overtime, the health sector has registered significant increase in its funding, evidenced by the increased sector allocations from UGX 1,301 Bn in FY 2015/16 to UGX 3,331 Bn in 2021/22[5]. In spite of this increase, the growth in the health sector budget has not kept pace with the growth in the total population, which has rendered these funds inadequate to meet the growing health needs of the population in the country. Public spending on health remains inadequate, with national health spending as a proportion of total government spending estimated at 7% in FY 2021/22[6]. Currently, Uganda's Total Health Expenditure (THE) per capita is estimated at $36.9, which is much lower than that of $86 recommended by the World Health Organisation as a minimum per capita spending in low-income countries if quality of health is to improve in the country[7].

1 Approved Estimates of Revenue and Expenditure, FY 2020/21 and 2021/22: Draft 1: Central Government Votes
2 Annual Heal Sector Performance Report, FY 2020/21
3 Strategic Purchasing for Primary Health Care: Country Fact sheet: Uganda 2020
4 Annual Heal Sector Performance Report, FY 2020/21
5 Approved Estimates of Revenue and Expenditure FY 2015/16 and FY 2021/22
6 Approved Estimates of Revenue and Expenditure FY 2021/22
7 National Health Accounts 2016-2019

2.1: Funding for Health by Institution, FY 2021/22

As indicated in figure 1 below, the largest portion of the health budget 1512.25 billion (i.e 45%) is retained at the centre under the Ministry of Health (MoH) vote. Health grants to local governments, where the bulk of services are delivered constitute only 22% (i.e 735 billion) of
the health budget. Other institutions such as the National Medical Stores take 15% of the total budget (i.e 600.31 billion).

Figure 1: Health Sector Allocation by Institution FY 2021/22 (UGX Billions)

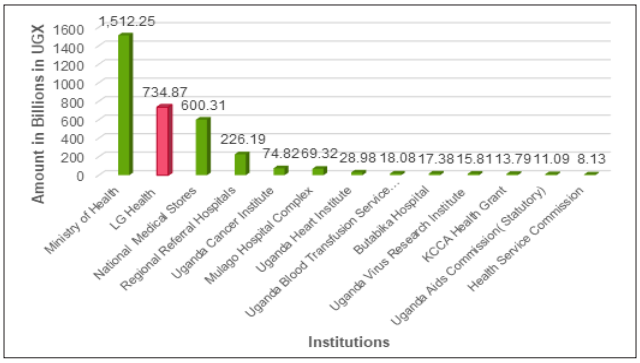
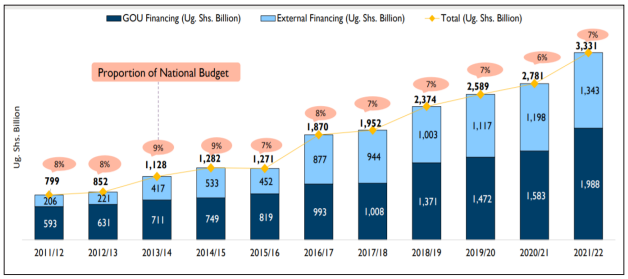


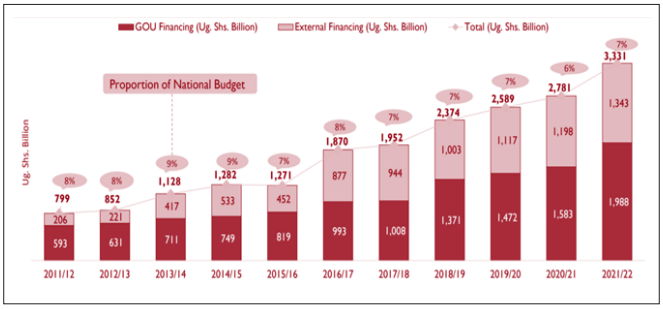
Figure 2: Trends in Financing the Health Budget (i.e % share by source), FY 2011/12-FY 2021/22



2.2: Trends in Health financing

Over the last 10 years, there has been a significant increase in the health sector budget by 317% from UGX 799 billion in FY 2011/12 to UGX 3,331 billion in FY 2021/22. Despite this increase, the health budget allocation as a proportion of the national budget has decreased from 8% in FY 2011/12 to 7 % in FY 2021/22. This implies low prioritisation of health by the government.

Figure 3: Growth in health budget, in monetary terms and as a percentage of total government budget



The share of domestic/GoU financing to the total health budget has decreased by 14% from 74% in FY 2011/12 (i.e 593 Bn) to 60% in FY 2021/22 (i.e 1988 Bn). On the other hand, the share of external financing to the total health budget has increased by 14% in same period from 26% in FY 2011/12 (i.e 206 Bn) to 40% in 2021/22 (i.e 1343 Bn).

In the last 4 years however, there has been an 8% decline in the share of external financing from 48% (944 Bn) in 2017/18 to 40% in 2021/22 (1343 Bn). In FY 2020/21, Government of Uganda (GoU) contributed 57% of the health budget (1,583 Bn), of which 1,377.89 Bn is allocated to recurrent expenditure and 205.290 Bn to development expenditure. This implies that 87% of GoU contribution to the health budget of FY 2020/21 is allocated to recurrent expenditure, implying the development component of the health budget is largely funded by Health Development Partners.

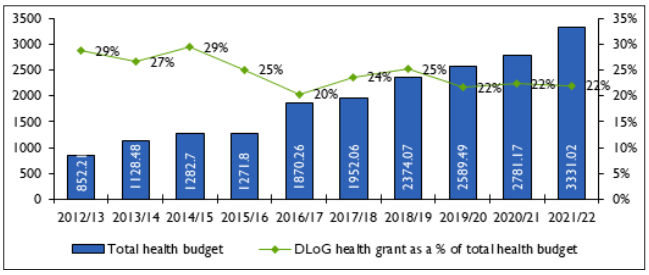
2.3: Health Financing for Local Governments in Uganda

In 2016, the government of Uganda initiated a multi-year reform programme for intergovernmental fiscal transfers that aimed at increasing the adequacy, equity, and efficiency of transfers to local governments. Inspite of this reform, the share of health grants as a percentage of

the total health budget has decreased from 29% in 2014/15 to 22% in FY 2021/22[8], implying that the government (Ministry of Health) is prioritizing less financing of district health budgets.

For the period 2019/20 to 2021/22, the share of district health grants to the total health budget has stagnated at 22%, which is contrary to the intergovernmental fiscal transfers' objective of increasing adequacy of health transfers to districts.

Figure 4: DLGs health grants as a percentage of total health budget allocations, FY 2012/13-FY 2021/22

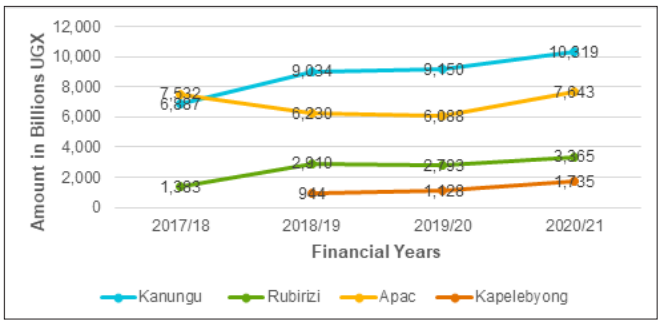


2.3.1: Financing health budgets in Apac, Rubirizi, Kanungu and Kapelebyong districts.

Generally, allocations towards health budgets in the four districts of Apac, Kanungu, Rubirizi and Kapelebong have been steadily increasing over the last 4 years. Likewise, the share of the health budget to the total district budget has slightly increased in most of the 4 districts under review. For instance, the share of Kanungu heath budget to the total district budget increased by 2% from 22.3% in FY 2019/20 to 24.3% in FY 2020/21. In Apac district, the share of the health budget increased by 0.7% in the same period. Kapelebyong district registered the largest increase in the share of the health budget, which increased by 5.5% from 9.3% in 2019/20 to 14.6% in 2020/21. While the share of the health budget increased slightly in all the 3 districts above, that of Rubirizi district declined by 0.10% in the same period. The recent increase in the health budget is mainly attributed to the outbreak of the Covid-19 pandemic.

8 Approved Estimates of Revenue and Expenditure, Volume 1 &2, (FYs 2012/12-20

Figure 5: Trends in Financing of District health budgets (Kanungu, Apac, Rubirizi and Kapelebyong), FY 2017/18-2020/21, in UGX millions



2.3.2: Financing Local Government Health Budgets by type and by source

The development health expenditure in the 4 districts of Apac, Kapelebyong, Rubirizi and Kanungu is very low (see **table 1** below). In FY 2020/21, Kapelebyong district registered the lowest proportion of health development expenditure with only 10.3% of health expenditure going towards the development component. Rubirizi on the other hand registered the highest proportion, with its health development budget financed to the tune of 45.7% in the same period.

In terms of revenue sources, in all the 4 districts reviewed, the contribution of local revenue towards the district health expenditure was less than 1% in FY 2020/21. In all the 4 districts, central government transfers constitute the largest portion of health expenditure, with all the districts depending on over 90% of their health expenditure from this revenue source, with districts such as Rubirizi and Kanungu spending up to 98.3% and 98.5% respectively of their health expenditure from central government transfers. This implies that all the 4 districts are implementing central government priorities in the health sector and may not be able to implement all their unique local health priorities given their low local revenue base.

Table 1: Financing of District health expenditure % (by source), FY 2020/21

District	Health Devt Expenditure %	Health recurrent Expenditure %	Local revenue	Central Govt transfers	External support
Apac	31.6%	68.4%	0.48%	95.7%	3.8%
Rubirizi	45.7%	54.3%	0.09%	98.3%	1.6%
Kapelebyong	10.3%	89.7%	0.11%	94.7%	5.3%
Kanungu	15.5%	84.5%	0.08%	98.5%	1.5%

3.0: Health Budget Expenditure Performance

3.1: National Health Budget Performance, FY 2020/21

Overall, the health sector registered a budget performance of 92% in FY 2020/21, a reduction of 4% from 96% in FY 2019/20. The decline was mainly attributed to the poor performance of externally financed health projects in the country. The budget performance for all externally funded projects in the sector declined from 91% in FY 2019/20 to 73% in FY 2020/21.

Generally, funding of the health sector is dominated by key projects such as Global Fund, GAVI and Uganda Reproductive Maternal Child Improvement Project (URMCHIP). Global Fund alone takes an entire 58.7% of the total on-budget project funding, making it the biggest project in the health sector. However, inspite of their large share, the financial performance of these projects is quite poor. For instance, in FY 2020/21, the Global Fund project inspite of receiving only 46% of its approved budget, managed to spend only 72% of these funds. Likewise, the URMCHIP (which is the second largest on-budget health project) despite receiving 73% of the approved budget, only managed to spend 72% of these resources.

3.1.1: Key health projects that are lagging behind in performance

By end of FY 2020/21, some vital health projects were reported to be lagging behind in terms of physical and financial performance. Some of these projects are highlighted below:

a. Project 1: Construction and Equipping of the International Specialized Hospital in Uganda.

Project Title: construction and equipping of the international specialised hospital in Uganda.
Start Date: 2019/20
End Date: 30/06/2020
Forecast Disbursement FY 2020/21: USD 249.9 million.
Actual Disbursement FY 2020/21: USD 57.9 million.
Progress / Remarks: construction work is at 23%. work has stalled due to the request for redesigning and lack of finances by contractor. So work is way behind scheduled. The developer is responsible for 100% funding and will run the facility for 8 years before hand over to government.

This project was scheduled to start in FY 2019/20 and end by 30th June 2020. However, over 16 months after the project end date, this project is still lagging behind, with only 23% of the expected funds (i.e USD

57.9 million out of the projected USD 249.9 million) having been disbursed. The poor performance is largely attributed to lack of financial resources by the contractor, who is 100% responsible for funding of the facility.

b. Project 2: Construction of 138 Health Centre IIIs in sub counties without any health facility

Project Title: Construction Of 138 Health Centres IIIs In subcounties without city health facility.
Start Date: 2020/21
End Date: 2024/25
Forecast Disbursement FY 2020/21: Ugx 276 Billion.
Actual Disbursement FY 2020/21: 0
Progress / Remarks: Funding goes directly to district LGs but in the FY 2020/21, there was no construction made . 12 HC IIIs will be constructed in the FY 2021/22.

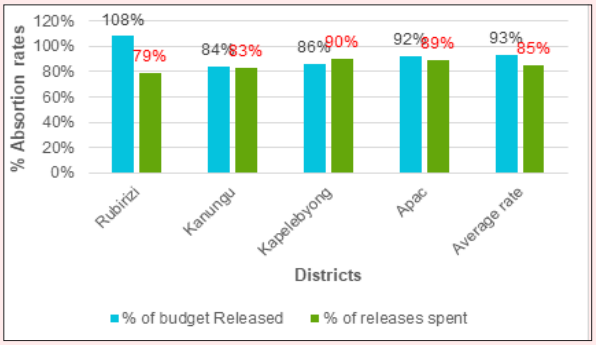
This project was expected to have started in FY 2020/21. Although this project is expected to end at the end of FY 2024/25, no funds have been disbursed yet for this project hence no Health Centre IIIs were constructed last FY under this project despite the urgent need for HCIIIs.

3.2: Budget performance at District level

3.2.2: District Budget Absorption (Kanungu, Apac, Rubirizi and Kapelebyong)

Generally, the proportion of health budgets released at district level was relatively high in FY 2020/21. On average, 93% of the approved FY 2020/21 health budgets of the four districts of Rubirizi, Kapelebyong, Apac and Kanungu were released (see figure 6 below) by the end of the FY. Inspite of this, the health budget absorption rates in the 4 districts remained relatively low in the same period, performing at an average rate of 85%. For instance, in Rubirizi district, although 108% of the total approved health budget was released in FY 2020/21, only 79% of these releases were spent by the end of the FY. Other districts of Kanungu, Apac and Kapelebyong absorbed 83%, 89% and 90% respectively of their total health releases in the same period. Therefore, none of the 4 districts under review absorbed all their health budget by end of FY 2020/21.

Figure 6: Releases Vs Absorption of health budgets for Selected Districts (%), FY 2020/21



4.0: Key Challenges in the delivery of health service interventions in Apac, Kanungu, Kapelebyong, and Rubirizi districts

- **Delays in constituting and approving District Service Commissions (DSCs):** All the 4 districts reviewed were unable to spend all their wage expenditure by end of FY 2020/21, due to delays in constituting a District Service Commission (DSC), hence the delays in recruitment of staff in the health department. Districts such as Kapelebyong have not had a DSC for the last 3 years hence have been returning funds meant for recruitment of staff for the last 3 years.

- **Inadequate knowledge on the use of IFMS and PBS.** Although all districts and high-volume health facilities are required to use the Integrated Financial Management Systems (IFMS) and Program Budgeting System (PBS) for their financial transactions, some of the officers in the district lack adequate knowledge and skills to effectively use these systems. Inspite of the trainings conducted by MoFPED, there are still challenges in most of the districts on how to effectively use these systems. For instance, the constant system upgrades by MoFPED have made it a bit hard for these districts to effectively use it.
    - Kapelebyong district is operating under a 2G network, yet the IFMS system requires a 4G network.
    - In Kanungu district, the IFMS system was off for 2 weeks last financial year, which affected timely processing of payments and implementation of planned activities.
- **Delayed procurement:** In all the districts reviewed, delayed procurement is reported as one of the challenges affecting timely absorption of health funds. While all the districts are required to undertake e-procurement, districts such as Kanungu have reported a number of challenges using this system. For instance, service providers are required to use this system yet most of them are ignorant about the system. In addition, some procurements have been centralised, making it difficult for the district staff to effectively supervise the contractors.
    - In Rubirizi district, B& B contractor currently has about 8 government contracts in other districts but was given all the contracts in Rubirizi under centralised procurement to upgrade health facilities in FY 2020/21. This has caused delays in executing construction works in the district.
    - In Kapelebyong district, the new directive of using the army brigade to undertake public construction projects is contributing to delays in the procurement process. In addition, there are no guidelines on how to implement this directive since the districts are still using the old procurement law.
- ***Limited financial management capacity:*** Since all health facilities below the level of Health Centre IV do not have accountants, the health facility in-charges, who are the accounting officers are required to take on this role. However, majority lack financial management skills, which has resulted into production of untimely and unsatisfactory accountability reports for the facilities.
- Although districts and health facilities are required to conduct monitoring and support supervision on a quarterly basis, there is no facilitation for medial officers and DHT to conduct this exercise. This has affected the delivery of quality health services in the districts.

6.0: Key Policy Recommendations

GoU needs to step up its efforts of mobilising resources, particularly from domestic sources to bridge this funding gap in the health sector if the aspirations stated in the National Development Plan III are to be realised. For instance, the district will have to earmark particular revenue sources to finance particular health programs. For instance, the government should enforce compliance to the implementation of the 1% HIV/AIDS mainstreaming (by all MDALGs) to generate funds to finance HIV/AIDS activities.

To urgently address staffing gaps in the 4 districts, the process of constituting a District Service Commissions should be expedited in all districts to enable them recruit staff in the

health department. This will also improve the overall district absorption since the biggest portion of unspent funds is for wage. In addition, the staffing structure at district and facility level should be reviewed and revised to cater for cater for changes in population. For instance, all health center IVs should have an accountant to help in the financial management process. In the absence of accountant in Health facilities, all Accounting Officers including health center in-charges should be trained in financial management skills for effective management of facility finances.

The Ministry of Finance should organise frequent trainings and orientations for staff on the use of the IFMS and PBS system, particularly, after system upgrades have been done. All internet systems for all districts should also be upgraded to 4G, particularly Kapelebyong district that is still using 2G network.

On procurement processes, when conducting centralized procurement, the Ministry of Health should work closely with relevant local governments to conduct due deligence on the selected companies to ensure that they have adequate capacity to undertake timely and quality works in the districts. This will avoid the use of companies such that already have multiple contracts in other districts to avoid excessive delays. For instance, they should be consulted to provide details of the equipment needed as well as the actual specifications. For the procurement of equipment in lower facilities, the government should ensure consult the facilities to obtain details of the equipment needed as well as the actual specifications. This will ensure that the needs of these facilities are catered for

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