

July, 2013

## The Health Sector Budget: Trends in levels of financing, composition and use.

### Overview

The Government of Uganda recognizes the need to invest in the health sector for the benefit of its population and in order to meet the health related Millennium Development Goals (MDG's) and the National Development Plan (NDP) targets. However, financing of the health sector is estimated to reach only 7% of government's domestic budget in FY2013/14 which falls far below the Abuja target of 15% as agreed by Uganda and all other African Union countries in 2001. The health related MDG's and NDP's are not likely to be met if the government does not continue to increase health sector funding. This paper examines sources of funds and trends in a) budget allocations to the health sector b) releases to central government health votes and c) equity considerations of the health budget focusing on regional expenditures and allocations to reproductive health, immunization and child health.

### Background

There are three health related Millennium Development Goals<sup>1</sup> and two more which have health components. The majority of indicators for the MDG's 4, 5 and 6 and the government's health related NDP targets, are unlikely to be met by 2015 unless greater investment is made in the sector.

There are many funding streams for the health sector<sup>2</sup> in Uganda. These include government and various forms of donor support. All funds are vital to the development of the sector and it's important that funds are efficiently utilized to better the health services provided to the population.

### Budget for the health sector

The total government health budget including external financing of Ug Shs 940 billion has been allocated for FY2013/14; of this Ug Shs 248 billion comes from external financing. The government's domestic health budget<sup>3</sup> as a proportion of the total domestic budget has remained between 7% - 10% for the last five years.

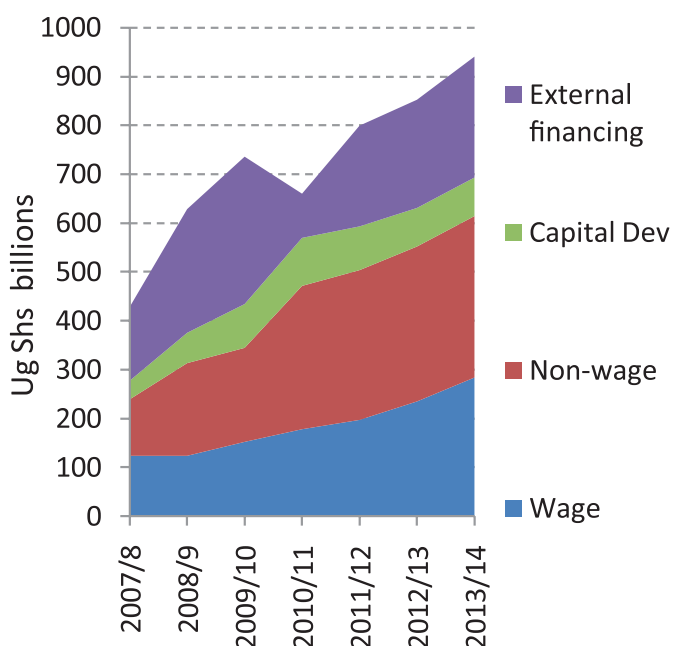
Figure 1 captures the components of the health sector budget since FY 2007/08. The total health budget inclusive of external financing has increased from Ug Shs 428 billion in FY 2007/08 to an estimated Ug Shs 940 billion in FY 2013/14 which is more than a doubling of the health budget in this period (in nominal terms). The domestic health budget stands at Ug Shs 693 billion for FY2013/14 which is again more than twice the budgeted amount in FY2007/08 (in nominal terms).

<sup>1</sup> MDG 4: Reduce child mortality; MDG 5: Improve maternal health; MDG 6: Combat HIV/AIDS, malaria and other diseases

<sup>2</sup> Votes included under the definition of the health sector are the following: Health (014); Uganda Aids Commission (107); Uganda Cancer Institute (114); Uganda Heart Institute (115); Uganda Medical Stores (116); Health Service Commission (134); Uganda Blood Transfusion Service (151); Mulago Hospital Complex (161); Butabika Hospital (162); Regional Referral Hospital (163-176); District NGO Hospitals (501-850); District Primary Health Care (501-850); District Hospitals (501-850); and District Health Sanitation Grant (501-850).

<sup>3</sup> In nominal terms

Figure 1<sup>4</sup>: Health sector budget from FY 2007/08 to FY 2013/14<sup>5</sup>



## a) Composition of the health sector budget

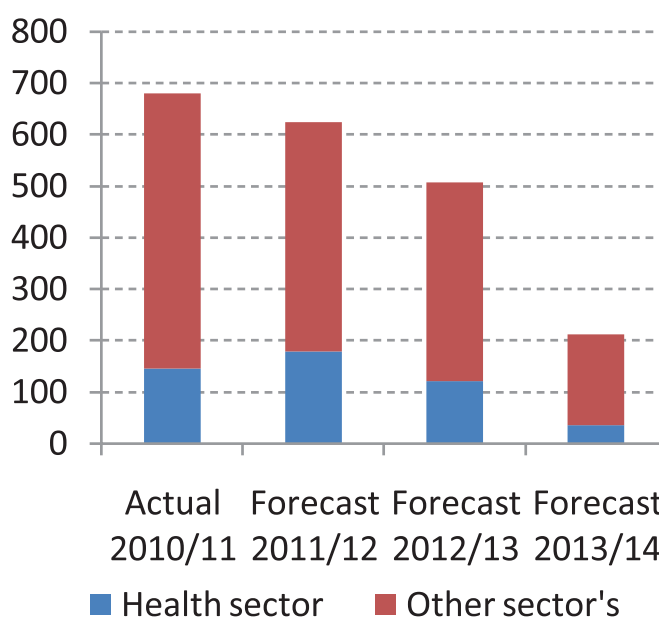
The health sector's recurrent budget<sup>6</sup> which is captured in figure 1 as the 'wage' and 'non-wage' components have increased from Ug Shs 239 billion in FY 2007/08 to an estimated Ug Shs 614 billion in FY 2013/14. The capital development budget<sup>7</sup> has increased from Ug Shs 38 billion in FY 2007/08 to an estimated Ug Shs 79 billion in FY 2013/14. External financing<sup>8</sup> for the health sector was Ug Shs 151 billion in FY 2007/08 and is estimated to increase by around 64% to Ug Shs 248 billion in FY 2013/14.

## b) Off-budget and supplementary funds

Off – budget support captures assistance managed outside of government systems. Figure 2 shows that off-budget support to the health sector in FY2010/11 was around Ug Shs 145 billion. In FY 2013/14, off-

budget support to the health sector is expected to be around Ug Shs 35 billion representing around 20% of the total off-budget support to be received by the government.

Figure 2: Off-budget support for the health sector and other sectors for FY2010/11 to FY2013/14<sup>9</sup>



Supplementary funds are released during the financial year for various reasons such as national emergencies e.g. Ebola outbreak in FY2011/12 or due to poor planning for statutory expenses such as wages and pensions. In FY2011/12 the Central Government health sector votes received around Ug Shs 10 billion in the form of supplementary budgets and this represents around 1.3% of the health sectors approved budget.

## Budget vs. Released funds

Figure 3 shows that for each financial year from FY2009/10 to FY2011/12 the releases to Central Government health votes have been around the budgeted amount. The approved budget represented in figure 3 excludes project support by donors. It can be noted that the release of funds to Central Government health votes in FY2009/10 was greater than the allocated budget; which was due to a revision of the budget during the financial year.

<sup>4</sup> Note: External financing captures project support donor funds; budget support donor funds are captured within capital development, wage and non-wage components.

<sup>5</sup> Source: Background to the Budget FY2013/14 and Approved Estimates of Revenue and Expenditure for FY2008/9 to FY2012/13

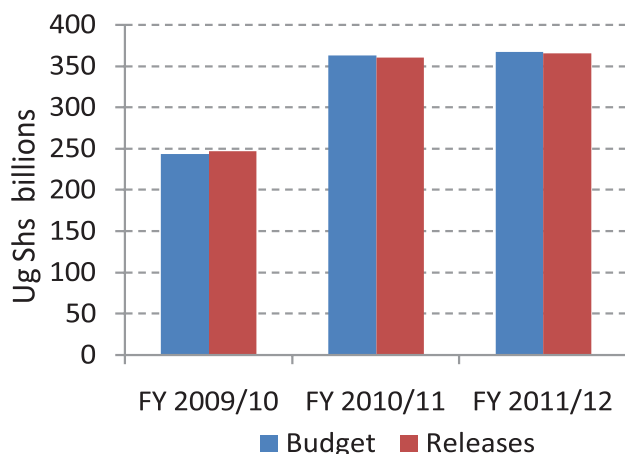
<sup>6</sup> Recurrent budget captures spending on administrative costs i.e. wage component includes the salaries to staff and non-wage component includes the day-to-day items needed to run a health facility e.g. needles, also drugs, monitoring and supervision, allowances, maintenance of machinery, stationary, payment of utility bills etc.

<sup>7</sup> Capital development budget includes the construction/rehabilitation of health facilities and the procurement of medical equipment

<sup>8</sup> Includes both project and budget support

<sup>9</sup> Source: Report on Loans, Grants and Guarantees FY2012/13-2011/12, Ministry of Finance

**Figure 3:** Budget and releases to Central Government health votes for FY2009/10 to FY2011/12<sup>10</sup>



## Equity considerations for the health budget

Equity considerations cover a) regional per capita releases b) budget for reproductive health c) budget for immunization and d) budget for child health.

### a) Regional per capita releases

Poverty is more prevalent in the North (46.2%) and East (24.3%) compared to the West (21.8%) and Central (10.7%)<sup>11</sup> regions. For greater equity more funds should be spent in poorer regions such as the north and the east. Per capita releases to local governments for the health sector in the four regions in Uganda in FY2011/12 are shown in table 1.

**Table 1:** Per capita releases to the health sector by region for FY2011/12

Region	Per capita releases for the health sector (Ug Shs)	Proportion of the population living in poverty
Central	1,120	10.7
Eastern	1,017	24.3
Northern	4,887	46.2
Western	1,653	21.8

Source: Ministry of Finance and UBOS population estimates

The Central and Eastern regions receive almost similar amounts per capita at Ug Shs 1,120 and Ug Shs 1,017 respectively and the Western region receives slightly more per capita at Ug Shs 1,653.

<sup>10</sup> Source: Information Financial Management System; Ministry of Finance

<sup>11</sup> Uganda Bureau of Statistics: Statistical Abstract; 2012

However the Northern region receives substantially more at around Ug Shs 4,887 per capita on health due to the receipt of Peace Recovery Development Plan funds to rebuild the region after the war.

### b) Reproductive health

Table 2 show's that the recurrent budget allocated by the government to reproductive health has increased from Ug Shs 143million in FY2011/12 to an expected Ug Shs 267million in FY2013/14; this is an increase of around 87%. There has been a doubling of the budget allocated by the government for the purchase of reproductive health commodities such as contraceptives between FY2011/12 and FY2013/14. Donor<sup>12</sup> funding for reproductive health has also increased, from Ug Shs 38.1 billion in FY2011/12 to an expected Ug Shs 84.4 billion in FY2013/14.

**Table 2:** Budget allocation for reproductive health for FY2011/12-FY2013/14

	Government		Donors	Total
	Recurrent (Ug Shs billions)	Commodities (Ug Shs billions)	Ug Shs billions	Ug Shs billions
FY2011/12	0.143	8.6	38.1	46.8
FY2012/13	0.200	18.9	38.1	57.2
FY2013/14 <sup>13</sup>	0.267	17.9	66.2	84.4

Source: Ministry of Health

### c) Immunization

The Expanded Programme on Immunization (EPI) has the goal to make essential vaccines available to all children. Funding allocation for EPI from government was Ug Shs 1billion for FY2011/12 and FY2012/13 and is expected to be the same for FY2013/14. The allocation is inadequate given the high population growth rate in Uganda<sup>13</sup>. However in FY2011/12 only Ug Shs 890million was received from the government for EPI meaning a substantial shortfall of around Ug Shs 110million. In FY2011/12 an additional Ug Shs 5.7billion was received from donors for a mass measles campaign and scale up of immunization for HPV.<sup>14</sup>

<sup>12</sup> Donors refers to USAID, UNFPA and DFID only

<sup>13</sup> Figures for FY2013/14 are indicative

<sup>14</sup> Fertility rate per woman is 6.1 (2011) <sup>15</sup> Human Papilloma Virus

## d) Child health

Child health covers disease prevention and treatment for newborns and under-5's and the promotion of early childhood development. Funds allocated for child health in FY2012/13 were Ug Shs 102million and an estimated Ug Shs 213million for FY2013/14. However in FY2012/13 only Ug Shs 48million was released by the government.

### Conclusions

The government over the years has increased funding to the health sector (in nominal terms) but this has not been sufficient and there is still low per capita funds budgeted for healthcare for the Ugandan population. This has worsened with reduced donor funding.

There is also inequality in health budgeting as the eastern region, the second poorest region, had the lowest per capita releases for health. However gender responsive health budgeting is improving although still inadequate.

**Recommendations** Increase government funding to the health sector with more focus on:

1. Wages as poor pay is limiting staff retention
2. Immunization to ensure universal coverage
3. Child health; and
4. The eastern region for more equitable service delivery.

### References:

Ministry of Finance, Planning and Economic Development: Approved Estimates of Revenue and Expenditure (Recurrent and Development); various years

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