



Financing the health sector: Effects of the inadequate non-wage recurrent grant

Overview

The National Health Policy II recommends that a minimum health care package be delivered to all people in Uganda. This package consists of the most cost-effective priority health care interventions and services addressing the high disease burden that is acceptable and affordable within the total resource envelope of the sector. Local Governments (LGs) have the responsibility to deliver majority of frontline health services as they are critical in improving the country's health related indicators through the Primary Health Care (PHC) system.

The Government of Uganda (GoU) over the years has increased funding to the health sector to improve the delivery of the minimum health care package. However, the financing of LG health services is still inadequate. Recurrent budgets under the PHC grant have not improved, and with the construction of new health facilities and upgrading others they have actually declined.

Since FY 2008/09, inadequate financing of the non-wage recurrent budget has been identified by the budget monitoring reports as a key factor crippling healthcare service delivery in Uganda. This policy brief discusses how underfunding the grant affects service delivery, and gives recommendations.

Introduction

The provision of health services is complementary interaction between human resources, infrastructure and medicines. However, these alone without the proper mix of the non-wage recurrent budget greatly affect service delivery. Regional referral hospitals have grappled with the issues of underfunding of the recurrent

Key Issues

1. Inadequate operational costs have resulted into either loss of lives or poor service delivery because of:
 - Poor maintenance of the health infrastructure and equipment that is procured expensively.
 - Absenteeism of health workers because of poor supervision.
 - Failure to refer patients due to absence of functional ambulance services.
2. Persistent domestic arrears among regional referral hospitals

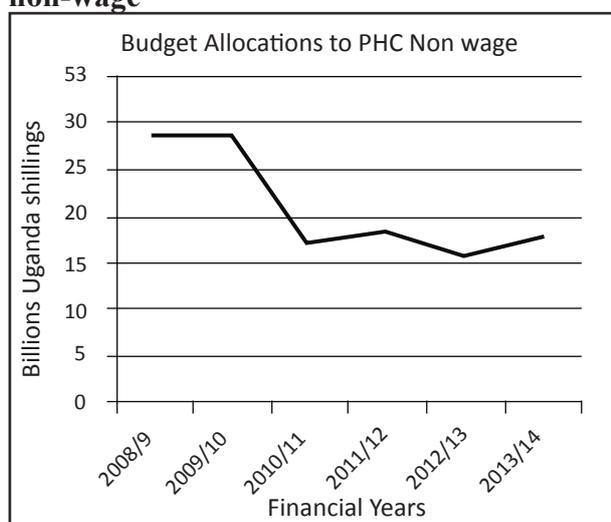
budget which has resulted into arrears especially for utilities overtime.

The non-wage recurrent grant is used for financing of operational and running costs of health facilities and the district health office which among others include; administrative expenses, food supply, medical and office equipment, utilities, cleaning services, material supplies and manufactured goods, training cost, payment of interns, outreaches monitoring, supervision and reporting, and property costs among others.

The Ministry of Health (MoH) Ministerial Policy Statement for FY 2014/15 notes that the budget for the non-wage recurrent expenditure has been declining for the last five financial years (Figure 1). While the prices of goods and services have increased in general by 44%

within the same period. The implication is that the current allocation can only buy 54% of what it could purchase in FY2008/09. It further notes that the prices of utilities (rent, fuel, water and electricity) increased by 20.4% but this has not been matched by increases in the budgets of the health institutions.

Figure 1: Trends in budget allocations to PHC non-wage



Source: MFPE Approved Estimates, various years

A HCII in Kabale district for instance, gets Ug shs 154,960 for PHC non-wage for three months. This does not take into consideration the distance from the main town to the health center, bank charges given that health facilities operate current accounts. This meager amount constrains facilities in service delivery.

The implications of underfunding the non-wage grant to health care service delivery are highlighted below.

a) Loss of lives: The Budget Monitoring Q2 for FY 2011-12 report, noted that survival rate in the neonatal unit at Mulago had fallen primarily due to power shortages. This was so because the hospital could not run on the generator all the time there were power

insurgencies because of the costs involved compared to the allocation for this particular line item. There are also instances where surgical operations have been affected by power surges.

b) Poor service delivery due to various factors namely:

1. Poor maintenance of infrastructure and equipment:

The mismatch between non-wage and development allocations means that the recurrent costs cannot be optimally met. Among the infrastructure that is maintained using the PHC non-wage recurrent expenditure are the ambulances, motor vehicles, motorcycles, and buildings (minor repairs). A number of ambulances were grounded as a result of failure by health facilities and/or LGs to maintain them. This, therefore results into the ever increasing demand to procure new ones without a clear plan to maintain them. Local governments have also failed to maintain equipment acquired under different projects by MoH and donations. In many instances, the funds needed to maintain this equipment is lower than cost of acquiring new ones.

The poor maintenance of infrastructure and equipment has resulted into:

i. Drug expiry: Local governments can redistribute medicines from facilities where they are underutilized to facilities where they are not enough because of the push system of medicines for HCIIIs and HCIIIs. However, the poor maintenance of vehicles has resulted into failure to move medical supplies that often results in drugs expiring in stores of facilities that are over supplied.

ii. Dilapidation of equipment

The equipment has broken down, and therefore not been utilized or is underutilized.



Grounded ambulances at Nakaseke General Hospital

iii. Failure to refer patients: In the decentralized health care system, lower level health facilities refer patients to higher level facilities for further management. This is difficult because of nonfunctional ambulance services. Often facilities ask patients to buy fuel for referral. Some patients are not able to buy this fuel which results into death. This partly explains why maternal mortality rates have remained stagnant over the years.

2. Absenteeism of health workers: The absence of funds to conduct regular monitoring and supervision of health workers means that health workers are at liberty to report to duty as and when they feel like. This is because district health officers cannot carry out routine checks to ensure proper provision of health services. The semi-annual report for FY 2014/15, noted that a number of health facilities were found without staff at the facility, while other staff came to work as late as 10:00am.

c) Unending arrears among referral

hospitals: Hospitals have continued to grapple with arrears especially for utilities.

Table 1: Domestic arrears for selected Hospitals

| HOSPITAL | June 2014 | June 2013 |
|-------------------|---------------|---------------|
| Mulago Hospital | 2,061,558,817 | 1,704,626,602 |
| Butabika Hospital | 2,689,244 | 50,895,698 |
| Arua RRH | 42,038,550 | 42,038,550 |
| Hoima RRH | 24,198,822 | 12,211,262 |
| Jinja RRH | 821,384,282 | 509,831,792 |
| Kabale RRH | 13,329,254 | 32,460,821 |
| Masaka RRH | 88,937,450 | 141,846,386 |
| Mbale RRH | 266,412,236 | 252,252,984 |
| Lira RRH | 3,144,629 | 107,638,353 |
| Mbarara RRH | 979,056,740 | 979,461,176 |
| Naguru RRH | 15,440,299 | 4,151,249 |

Source: MFPED consolidated final accounts RRH-Regional Referral Hospital

New buildings have been constructed and new equipment procured which require both power and cleaning. Some health facilities chose to ration water and lighting as ways of saving, in light of the inadequate funding. Part of the rationing includes irregular cleaning of the wards. Whereas this seems to be a cost effective way of reducing costs for cleaning, it increases the infection spread among patients which increases the curative costs of patients and stock outs of medicines in health facilities.

Table 1 shows that utility arrears are ever increasing as a result of rising unit cost and increased investment in infrastructure.

d) Pressure on curative expenditure: The inadequate resources, have led to focus being put on preventive mechanisms. The non-wage recurrent expenditure used to carry

out sensitization through outreaches, health awareness programs, health education among others is limited. Of recent, there has been a rise in the number of non-communicable diseases partly because people are not aware of the preventive measures.

Conclusion

The underfunding of the recurrent non-wage grant has grave effects on service delivery resulting into loss of lives in some cases and poor service delivery. It has constrained achievement of the desired health outcomes despite the increased funding in other health grants.

Recommendations

1. The GoU should increase funding to the health sector. The formula for the grant allocation needs to be revised to factor in other variables such as inflation.
2. The MoH should fast track the implementation of the national ambulance system. Under the system, local governments and regions shall be provided with information systems and ambulances to improve on referrals country wide.
3. The MoH should set up a minimum allocation for each level of health facility while controlling the creation of new health facilities and upgrading other health centres.
4. Local governments should strengthen their internal management and accountability mechanisms to ensure that allocated funds are put to proper use. District managers who fail to apprehend facility in-charges that have misappropriated funds should be punished.

5. MoH should increase funding to the regional medical workshops and expand them to include a unit for maintenance of the ambulances as part of the equipment.

References

1. BMAU: Quarter 2 Budget monitoring Report FY 2011/2.
2. BMAU: Quarterly Budget Monitoring Reports FY 2013/14
3. BMAU: Semi-Annual Budget Monitoring Report FY 2014/15
4. MoH: Annual Health Sector Performance Report FY 2013/14
5. MoH: Ministerial Policy Statement FY 2014/15

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