



## Budget absorption challenges in the Population Health Safety and Management Sub-programme. What are the causes and implications?

### Overview

Over the medium term, the Population Health Safety and Management Sub-programme has complained of gross underfunding which has affected provision of the Minimum Healthcare Package and achievement of the universal health coverage targets. Uganda continues to grapple with inadequate infrastructure and low staffing which have affected progress in achieving the set targets for the National Development Plans (NDP) over the years.

Despite the challenges of underfunding, the sub-programme continues to return released funds to the Consolidated Fund. This has resulted in budgetary distortions with requests to revote the unspent balances, thus negatively impacting on the attainment of set targets over the financial years (FYs).

This policy brief outlines some of the underlying causes of low absorption rates, offers insights into its implications on health service delivery and achievement of the universal health coverage.

### Introduction

The Population Health Safety and Management Sub-programme has persistently registered low health budget absorption rates over the years despite experiencing low budgetary allocations in relation to the Abuja Declaration of allocating 15% of the annual National Budget. All entities are expected to absorb all of the released funds. The low absorption has mainly been driven by poor absorption of development expenditures and wage.

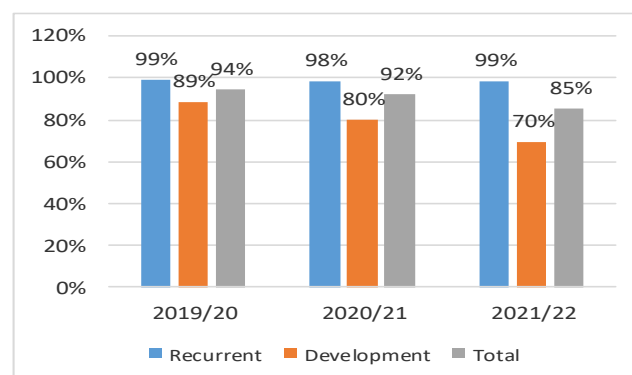
Poor absorption of the development expenditure has mainly been on external financing which always registered shortfalls. The average absorption rate for the last three years was 91% with the highest

### Key Issues

- **Failure to achieve set targets**, as the average sub-programme performance over the last three years was 62% partly due to poor budget execution rates.
- **Poor planning by the implementing agencies** as a number of interventions are implemented without proper preparatory activities, which affects timely execution and absorption of funds.
- **Continuous understaffing** over the years partly due to failure to recruit the planned personnel.
- **Delayed no objections** affects absorption of the released funds on the donor funded projects.

absorption of 94% registered in FY 2019/20 (Figure 1).

**Figure 1: Absorption of released funds FY 2019-20 to FY 2021/22**



*Source: MFPED 2020, 2021 and 2022 BMAU Annual Budget Monitoring Reports*



In FY 2021/22, the development grant registered the lowest absorption<sup>1</sup> of 70%, due to the poor utilization of the external finances at 56% of the released funds.

### Causes of poor absorption

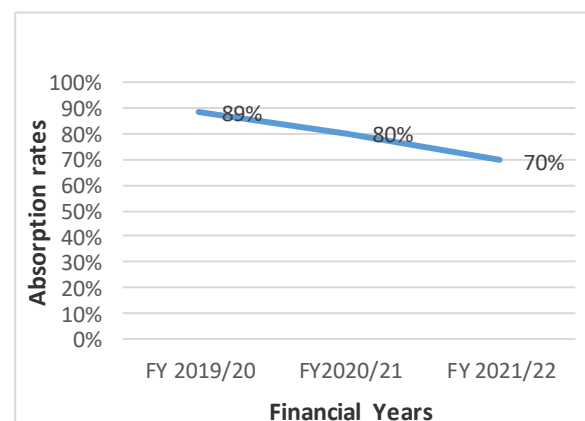
**Poor planning:** Several interventions are implemented without proper preparatory activities which affects timely execution and absorption. For example, in FY 2020/21 the Ministry of Health (MoH) planned to construct port health facilities at various border points to manage epidemics spreading into the country. However, because of poor planning, construction of the Mirama Hill Port facility was yet to take place despite the Ministry commissioning a contractor to undertake the works. This was attributed to the failure of the Ntungamo District Local Government (DLG) to allocate land on which the port health facility would be constructed. Similarly, construction of the port health facility at the Elegu border point had not progressed because the land had squatters. Despite the availability of funds to undertake these projects, they have stalled and therefore affected the absorption of the allocated funds.

**Delayed procurements:** Over the years, procurement delays have been identified as the leading causes of poor performance of the entities under the sub-programme. These have affected the implementation of planned outputs, especially under development grants. The government undertook the upgrade of Health Centre IIs to Health Centre IIIs under the Uganda Intergovernmental Fiscal Transfers (UgIFT). A hybrid procurement process was adopted in which the MoH Lots the construction works and advertises them, receives bids and then the LGs evaluate the services

providers. This arrangement took long to be completed leading to the late award of contracts and therefore poor absorption of funds. In FY 2021/22, these procurements were completed in May 2022 just one month before the end of the FY. In FY 2018/19 and FY 2019/20 contracts were awarded in the third quarter. This affected the timely implementation of these projects resulting in the persistent return of unspent balances and requests to revoke the returned funds, thus causing budgetary distortions.

The absorption of the Development Grant has been on a downward trend and averaged 80% of the available funds (Figure 2).

**Figure 2: Trend in the absorption of the Development Grant**



*Source: BMAU Monitoring Reports FY 2019/20-2021/22*

**Long recruitment processes for the central votes:** Every FY, the MoH and referral hospitals return billions of shillings to the consolidated fund due to lengthy recruitment processes. During the period under review, a total of Ug shs 32.185 billion (bn) was returned to the fund due to the failure to recruit the planned number of health workers. The figure would have been even higher had it not been for the enhancement of salaries for health workers. The requirement by the Ministry of Public Service (MoPS) that entities must first pay three months of

<sup>1</sup> In this policy brief absorption rates are defined as the percentage expenditure of the released funds



the financial year, and project the unutilized wage is a bottleneck to the recruitment process. This makes the recruitment processes start late and by the time it's concluded, the financial year is, thus causing poor absorption of the wage grant.

**Inadequate capacity of contractors:** Contracts are awarded to contractors that often lack the capacity to undertake the works. The construction of the Multipurpose Oncology Centre at the Uganda Cancer Institute, for example, was at 65% despite spending over 100% of its time due to the inadequate capacity of the contractor to implement the planned works.

**Delayed no objections:** Absorption of the donor funds under the Development Grant is always affected by donor constraints. This is especially concerning the delays to grant no-objections at every stage of the implementation process. Absorption of the development funds was noted to be higher in projects which are fully funded by the Government of Uganda compared to those that are co-funded by the Development Partners due to these constraints. Under the Spanish Debt SWAP, the government undertook to rehabilitate Kawolo and Busolwe General Hospitals, however, due to donor constraints, the rehabilitation of Busolwe Hospital had not started by end of the FY 2021/22 yet funds to undertake the projects have been available over the last six years.

Delayed no-objections also affected the timely rehabilitation of the Kayunga and Yumbe hospitals, especially at the onset of the project. Relatedly the construction of the oncology centre in Northern Uganda has faced challenges related to delayed payments due to donor constraints.

### Implications of poor absorption

**Failure to achieve set targets:** The average performance of the sub-programme over the last three years was 62% with the highest performance of 69% registered in FY 2020/21 partly due to poor

budget execution rates. Poor absorption means that planned outputs are not financed. This, therefore, results in failure to attain the planned outcome targets. The BMAU report for FY 2021/22 indicates that outcomes related to institutional maternal mortality rate, institutional under-five mortality rate, reduction in non-communicable diseases, percentage of cancer patients under effective treatment, and proportion of the population with access to social insurance were not met. The sub-programme in the same year achieved only 58% of the set targets.

**Mischarges:** Due to poor planning and failure to implement planned outputs, there are often mischarges by entities in an attempt to utilize the released funds. For instance, mischarges characterized by abuse of counterpart funding under various interventions including Maternal and Child Health interventions were noted. On the other hand, the Uganda Cancer Institute (UCI) mischarged over Ug shs 120 million from its development project towards office operations which were recurrent activities in nature.

In FY 2019/20 the MoH mischarged funds under the Strengthening Capacity of Regional Referral Hospitals Project amounting to Ug shs 2.7bn and paid it to Ms ELSMED EAST AFRICA LTD as an advance payment for the supply of emergency medical care equipment under COVID-19.

**Flouting of Public Financial Management Act (PFMA):** The MoH on several occasions flouted the PFMA through frequent loading of development funds onto Letters of Credit to secure the monies from being returned to the consolidated fund. This normally happens when the procurement process is concluded late and service providers want assurance that funds will be available to pay them once they deliver.

**Continuous understaffing:** The poor absorption of funds contributes to the sub-programme's continued understaffing. This affects healthcare service delivery as existing health workers are overloaded.



Limited staff at health facilities means that less attention is given to quality health care and public health interventions.

## Conclusion

Poor absorption of released funds continues to be a challenge in budget execution and could even become bigger unless the issues raised in this policy brief are addressed. There is a need to review the recruitment guidelines, undertake proper planning, and build the capacity of institutional planners. Relatedly, set limits within which no-objections are provided by the development partners to ensure smooth implementation of planned targets and thereby improve absorption of the released funds.

## Recommendations

- The Accounting Officers of the Ministries, Departments and Agencies, and the Human Capital Development Programme Working Group should take a deliberate effort to ensure all their planners are empowered with proper planning and sequencing skills to ensure projects follow a proper results chain to achieve the overarching development goals.
- The Ministry of Public Service (MoPS) guidelines on compulsory scrutiny and submission of the wage for the first two or three months of the financial year before approving recruitment requests of Votes should be revised to allow for timely recruitment of health workers.
- The Ministry of Finance, Planning and Economic Development (MFPED) should ring-fence the wage for fresh recruitment so that the recruitment process starts as soon as the National Budget Framework is approved by Parliament.

- The MoH and LGs should first secure land for the planned projects before embarking on procuring contractors to avoid delayed implementation of projects.
- The Ministry of Lands, Housing and Urban Development should fast track the changes to the land law to prioritize availability of land for government projects.
- Implementing partners (donors) should work with the MoH and MFPED to improve donor disbursement procedures by setting maximum time limits for responses at all stages of financial management and ensuring that no-objections are timely to ensure smooth compliance with the procedures.

## References

- MFPED 2020, Health Sector Annual Budget Monitoring Report FY 2019/20
- MFPED 2021, Health Sector Annual Budget Monitoring Report FY 2019/20MFPED 2022
- Human Capital Development Programme Annual Budget Monitoring Report FY 2021/22

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