



## Unspent balances in the under-funded Health Sector. What are the trends?

### OVERVIEW

The government of Uganda (GoU) has made progress in funding the health sector. Over the last ten years, the sector budget has been on an increasing trend from Ug shs 474.41million in FY 2004/05 to Ug shs 676 billion in FY 2010/11 and Ug shs 1.2trillion in FY 2014/15.

Despite the increments, the sector still remains one of the underfunded taking up 8% of the national budget. This is below the recommended 15% agreed by African countries in Abuja, Nigeria 2001. Despite the fact that budgets are low, funds remain unspent by end of the financial year and often times returned to the Consolidated Fund.

This policy brief analyses trends of unspent funds for the last five financial years (FY 2010/11 to FY 2014/15), implications and recommendations to minimizing this variance. Data is collected from Uganda BOOST, Integrated Financial Management System (IFMS), Legacy systems and various reports including the Annual Budget Performance Reports, Budget Monitoring Reports, and Ministry of Health (MoH) reports

### BACKGROUND

The term “Unspent balances” refers to releases not spent by Local governments, Ministries, Departments and Agencies (MDAs) by the end of the Financial Year (FY). These funds are usually returned to Consolidated Fund in Bank of Uganda (BoU).

During FY 2013/14 unspent balances at central government level accounted for 24.1% of the released national budget<sup>1</sup>. In FY 2014/15, a total

### KEY ISSUES

- The sector failed to spend a cumulative total of shs 243 billion in the last five years.
- Failure to spend allocated funds was often attributed to poor planning, procurement and project implementation delays.
- Failure to spend released funds not only constrained service delivery but also led to loss of lives and contingency liabilities.

of Ug shs 159 billion (exclusive of arrears, taxes and interest payments) remained unutilised<sup>2</sup> by the end of the FY. The Permanent Secretary and Secretary to Treasury, in a letter to all Accounting Officers dated 28th July 2015 noted that “.....Returns to the Uganda Consolidated Fund (UCF) from closed accounts and various Treasury Single Account (TSA) holding accounts amounted to Ug shs 192,927,070,399. This excluded returns from Oil and Railway Levy, Local governments, missions abroad and a number of projects.

A number of health sector votes have struggled to absorb all released funds over the years. In FY 2014/15, the sector (Votes on the IFMS) failed to spend Ug shs 3.2billion<sup>3</sup>. Regional Referral Hospitals failed to spend a total of Ug shs 1.4billion of their development budget while the Uganda Cancer Institute (UCI) returned Ug shs 519million to the UCF at the end of the FY (Table 1). According to the Annual Budget Performance Report (FY 2014/15) under spending was significantly higher at Local Governments than at Central Government level.

<sup>1</sup> MFPED 2015: Absorptive Capacity Constraints: Improving the reliability and efficiency of government resource flows and transactions. March 2015.

<sup>2</sup> Annual Budget Performance Report (FY 2014/15)

<sup>3</sup> For only selected votes. Figure is exclusive of donor and local governments

**Table 1: Unspent balances in the health sector by 30<sup>th</sup> June 2015\***

Financial Year	MDA	Release	Expenditure	Unspent Balances
2014/15	Ministry of Health	50,184,200,413	49,854,010,605	330,189,808
	Uganda Aids Commission	6,956,759,295	6,854,640,445	102,118,850
	Uganda Cancer Institute	11,648,804,796	11,129,422,496	519,382,300
	Uganda Heart Institute	8,533,150,961	8,249,896,512	283,254,449
	National Medical Stores	218,002,390,818	217,703,279,450	299,111,368 <sup>4</sup>
	Health Service Commission	4,319,470,155	4,275,452,964	44,017,191
	Uganda Blood Transfusion Services	6,977,962,312	6,959,928,618	18,033,694
	Mulago Hospital	47,560,073,831	47,312,539,532	247,534,299
	Butabika Hospital	8,623,289,247	8,582,332,768	40,956,479
	Referral Hospitals <sup>5</sup>	13,425,977,260	12,025,656,692	1,400,320,568
	<b>Total</b>	<b>376,232,079,088</b>	<b>372,947,160,082</b>	<b>3,284,919,006</b>
<b>Total</b>		<b>374,533,190,204</b>	<b>365,622,988,845</b>	<b>8,910,201,359</b>

Source: MFPED, 2015 \*Excludes donor expenditure and local governments

**Table 2: Absorption index ranking 2011/12 to 2013/14**

Financial Year	MDA	Rank
2011/12	National Medical Stores	1
2012/13		5
2013/14		5
2011/12	Uganda Cancer Institute	13
2012/13		20
2013/14		11
2011/12	Ministry of Health	54
2012/13		22
2013/14		36
2011/12	Uganda Blood Transfusion Services	59
2012/13		19
2013/14		39
2011/12	Uganda Aids Commission	55
2012/13		18
2013/14		44
2011/12	Health Service Commission	46
2012/13		44
2013/14		46
2011/12	Uganda Heart Institute	10
2012/13		14
2013/14		59

Source: MFPED, March 2015

The 2015 MFPED Absorptive Capacities Constraints Report ranked, the Ministry of Health (MoH) 36<sup>th</sup> out of 62 MDAs. Table 2 shows the scores of other health sector votes in absorbing released funds.

### Trends of unspent balances in the Health Sector.

By October 2011, a total of Ug shs 3.7billion for the previous FY had not been spent; Ug shs 2.3 billion was unspent in FY 2011/12; Ug shs 26 billion remained unspent in FY 2012/13; Ug shs 18 billion was unspent in 2013/14 and Ug shs 192 billion unspent in FY 2014/15 <sup>6</sup>. Table 3 shows the budget performance the sector over a five year period.

**Table 3: Budget performance of the health sector for FY 2009/10-2014/15) - (Millions Ug shs)**

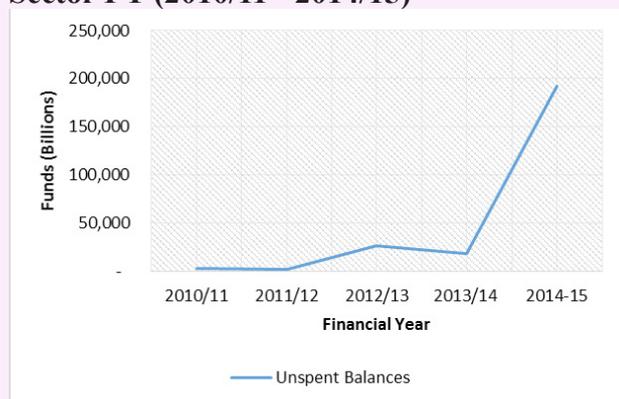
FY	Budget	Release	Expenditure	Unspent balances
2010/11	680,042	579,889	576,129	3,760
2011/12	825,764	619,714	617,370	2,344
2012/13	882,527	1,006,931	980,219	26,712
2013/14	1,144.28	947,155	929,734	17,421
2014-15	1,250.79	1,260,182	1,067,418	192,764
<b>Total</b>	<b>2,390,728</b>	<b>4,413,871</b>	<b>4,170,870</b>	<b>243,001</b>

Source: Annual Budget Performance Reports (FYs 2010 to 2015) & the BOOST

<sup>4</sup> The NMS had Ug shs 6,606,780,055 as unspent balances by 30th June 2015. This was due to failure to update the General Ledger on the IFMS by the vote, it was subsequently updated in July 2015 to the new IFMS balance indicated in Table 1. The MFPED should encourage Votes to ensure timely update of the General Ledger on the IFMS to enable instant reconciliation of online balances by 30th June. It should also enforce IFMS period closures after a specified time frame to eliminate changing balances post period. The capacity of users on the General Ledger Module and operations of the Treasury Single Account (TSA) should be enhanced by the MFPED.

Table 1 shows distribution of unspent funds across selected entities in the health sector.

**Figure 1: Unspent balances of the Health Sector FY (2010/11 - 2014/15)**



Source: Annual Budget Performance Reports (FYs 2010 to 2015)

Analysis of sector expenditure indicates that the amount of unspent funds have been increasing over the last five years (Fig1). A total of Ug shs 243 billion was not spent for in the last five years giving an annual average of Ug shs 48 billion annually for the last five years. Failure to absorb funds was often attributed to; poor planning, delays in; procurement, disbursements and implementation. A number of entities failed to undertake procurement in a timely manner, for example GAVI failed to achieve and utilise most of the donor funds since FY 2013/14 to date. Cases of late disbursements from MFPED were noted; during FY 2014/15 all Regional Referral Hospitals received their 3rd and 4th quarter funds, two weeks late.

### Implications of failing to spend allocated funds

**1. Loss of lives;** According to the Auditor General's Report FY 2014/15, a total of Ug shs 5.8 billion was not spent under the Global Fund project-Tuberculosis component. Uganda is among the high burden TB countries in the World hence a number of Ugandans have continued to lose their lives

to this deadly disease. The World Health Organisation (WHO) noted that a total of 4,500 Ugandans died due to TB in 2014. During FY 2013/14, only 3% of the Global Alliance for Vaccines Initiative (GAVI) budget was expended leaving enormous stock outs of the Pneumococcal Vaccine. According to the Pneumonia and Diarrhoea Progress Report 2014, over 24,000 under-fives lost their lives to Pneumonia and Diarrhoea in 2013.

- 2. Failing to spend severely affects service delivery** in a number of ways. For example, failure to distribute necessary pharmaceuticals to health centres led to medical stock outs in all public health facilities. At Local government level, construction and renovation of health facilities are often incomplete yet funds are returned to the consolidated fund. For example in Maddu HCIII, Gomba district the staff house which was planned for completion in FY 2014/15 was incomplete yet a total of Ug shs 38.8 million was returned to Consolidation Fund.
- 3. Failure to achieve planned outputs and development plans.** By the end of FY 2014/15, the Uganda Cancer Institute (UCI) had unspent balances of over Ug shs 446million from their development budget yet a number of outputs including procurement of specialised machinery and construction of a radiotherapy bunker were outstanding. These two activities were rolled over to the subsequent financial year (FY2015/16).
- 4. Distortion of planning activities and losses in the real-time value for money;** The Public Finance Management Act further requires votes that return money to UCF to revise their annual work plans, procurement and recruitment plans in view of unspent funds. This contributes to loss

<sup>5</sup> Development Project 1004 (Excludes recurrent Budget)

<sup>6</sup> Annual Budget Performance Report

of time and resources as activities have to be rescheduled. In some instances, delayed implementation is overtaken by changes in policy, for example, during FY 2012/13; a number of communities lost out on the benefits of having a nearby Health Centre II due to redirection of government priorities and policies on construction of HCIIIs.

- 5. Contingency liability and exchange rate losses resulting from delayed implementation of projects:** Some of the rolled over projects include Uganda Health Systems Strengthening Project (UHSSP) and Support to Mulago Hospital Rehabilitation among others under MoH. As a result, the GoU components have been affected by exchange rate losses thus increasing the project costs.

## CONCLUSION

The sector has over the years complained of limited funding, however, this brief has highlighted a consistent failure to absorb released funds. The sector failed to spend an average of Ug shs 48 billion annually for the last five years. This has been attributed to poor planning, and delays in release of funds, procurement and implementation. Failure to utilise funds is very costly and has partly contributed to loss of lives. The MoH needs to improve on its planning and execution of work plans to ensure full utilisation of released funds.

## RECOMMENDATIONS

- The MFPED should reprimand Accounting Officers and project managers that fail to utilise released funds. These Accounting Officers should not be re-appointed in the subsequent years.
- The MFPED, MoH, PPDA and Ministry of Local Government (MoLG) should conduct regular mentorship, and capacity building sessions in planning, procurement and project management to improve on absorption of resources.

- The MFPED should adhere to the budget circular release timelines. The health sector votes should submit the quarterly warrants to MFPED in a timely manner to facilitate release of funds.
- The MFPED, development committee should enforce strict adherence to project timelines. Project time extensions should be discouraged.

## REFERENCES

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