

**Advocates Coalition for Development and Environment (ACODE)**

**Concept Paper**

**on**

**Efficiency and Effectiveness of Public Expenditure in Uganda: Evidence from a Public Expenditure Tracking Study in the Health Sector**

By Daniel Lukwago & Darlison Kaija

**1.0 Introduction**

ACODE is undertaking a Public Expenditure Tracking Study (PETS) in the health sector<sup>1</sup>, with the objective of enhancing sound public expenditure management system in Uganda. The PETS is tracing the flow of budgetary resources<sup>2</sup> from the Ministry of Health (MoH) to a sample of health centers for the last three financial years (2006/07, 2007/08, 2008/09 & 2009/10) and will collect information on sources of income for the facilities, expenditures on basic services, and the practices of accountability at various levels<sup>3</sup>. The study involves interviewing the administrators and facility heads to be able to capture the problems they face, how these problems may be resolved, and the quality of primary health care services and impact of the delivery of public services.

The PETS is not be an audit of the public financial management systems but rather focuses on identifying areas of improvements in the efficiency of the administrative system. Similar studies have been carried out in other countries<sup>4</sup> and they seem to have created an impact on the way public funds are used. Therefore, assessing whether the amount of funds appropriated actually reached intended beneficiaries will be as important as the objective of finding out whether the system in place consistently allowed for this amount to reach facilities in a predictable and timely manner, and was accounted for.

The survey will be undertaken from June – September 2010. The sampling details are discussed under the methodology.

**2.0 Background and Rationale**

It is increasingly being acknowledged that there are weak links in the chain from public spending to actually making basic services available to poor people especially in countries with poor accountability and weak institutions (Dehn, Reinikka and Svensson. 2003)<sup>5</sup>. Simply increasing budget allocations to essential services such as health and education is not enough to ensure that quality services are indeed

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<sup>1</sup> The potential for leakage may be greater in the health sector than in other sectors, due to larger non-salary expenditures in health.

<sup>2</sup> Salary and non-salary expenditures from central government to district health offices and health centres

<sup>3</sup> Since public information systems cannot be trusted, a rigorous analytical approach, including collection of primary data, will be done.

<sup>4</sup> Fofach et al (2003), Public Expenditure Performance in Rwanda: *Evidence from a Public Expenditure Tracking Study in the Health and Education Sector*, World Bank, Africa Region Working Paper Series No. 45

<sup>5</sup> Jan Dehn, Ritva Reinikka and Jakob Svensson (2003), *Survey Tools for Assessing Performance in Service Delivery*

delivered (Gupta, Gauri and Khemani. 2004)<sup>6</sup>. Reasons being that: government may spend on the wrong goods or the wrong people. Even when government spends on the right goods or the right people, the money may fail to reach the frontline service provider. Even when the money reaches the frontline service provider (i.e. primary school or health clinic), the incentives to provide the service may be weak. Even if the services are effectively provided, households may not take advantage of them (Dehn, Reinikka and Svensson, 2003).

Empirical evidence (that the impact of public spending on basic health depends upon the overall governance environment) provides an important explanation for the observed weak relationship between public spending and outcomes (Gupta, Gauri and Khemani. 2004). The role of institutions and incentives in the public sector to translate budgeted resources into actual outcomes is therefore vital. These issues are particularly important for the public delivery of basic health services in Uganda.

Despite government commitment to improving health outcomes, health expenditure as a proportion of government's discretionary expenditure has stagnated at around 9.6% during the last ten years, yet the population increase and health care needs have been increasing, hence outstripping the per capita expenditure<sup>7</sup>. Such funding is inadequate to provide the Uganda National Minimum Health Care Package (UNMHC) in all facilities as envisaged: the per capita cost was estimated at USD 41.2 in 2008/09 and will be rising to USD 47.9 in 2011/12; yet budget allocations in the medium term estimation was at USD 12.5 in 2008/09, demonstrating a shortfall of almost USD 29. This trend has important implications for service delivery of health care in Uganda (MoH, 2009<sup>8</sup>).

The challenge of investing in the promotion of people's health will require the commitment of more public resources to the health sectors but more importantly, progress will depend largely on the efficiency in regards to the way resources are mobilized, allocated and used. For instance, the MoH headquarters continues to command a big chunk (over 50%)<sup>9</sup>, of the entire health sector budget, which is bigger than the entire allocation to decentralized services under Local Governments who are the key implementers of most programmes where the majority of the poor live. In addition, funding for national and regional referral hospitals remains inadequate and has remained fairly constant [at less than 20 percent of the entire health sector budget] for the last six years. With meager resources, most health institutions are increasingly finding it difficult to provide reasonable primary healthcare services. The situation is worsened by the weak capacity and corruption at local government levels to implement primary health care services.

There is still doubt whether institutions and incentives in the health sector in Uganda can actually allow large spending programs to effectively deliver basic services to the people. Key questions still persist regarding: what actual outcomes in service delivery can be achieved with the current public spending? Are public resources actually reaching their intended destinations? And how accountable are public service providers to their expected beneficiaries? This study will provide some answers to these questions through the analysis of extensive data on health care expenditures and service delivery processes and outcomes that will be collected through a survey including the central government, local governments and public primary health care facilities in Uganda.

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<sup>6</sup> Monica Das Gupta, Varun Gauri and Stuti Khemani (2004), Decentralized Delivery Of Primary Health Services in Nigeria: *Survey Evidence from the States of Lagos and Kogi*. Development Research Group, the World Bank.

<sup>7</sup> MFPED, (2008, p.90), *National Budget Framework Paper FY 2008/09-2012/2013*, Kampala Uganda.

<sup>8</sup> MoH, (2009), national health policy: Reducing poverty through promoting people's health (draft 2009), Ministry of Health, Kampala Uganda.

<sup>9</sup> According to the MFPED (2009), Draft Estimates of Revenues and Expenditures FY 2009/10, the MoH Headquarters was allocated 50% of the entire health sector budget.

By use of micro-level survey tools<sup>10</sup> (especially the PETS) we shall be able to do a deeper investigation of actual outcomes in service delivery at the frontline and the impact of broader institutions of governance and financing arrangements on these outcomes beyond the aggregative tools of public expenditure analysis<sup>11</sup>.

This PETS exercise will build on previous similar studies that have been undertaken in Uganda to assess the efficiency of public spending flows (see Reinikka and Svensson, 2001<sup>12</sup>; Reinikka and Svensson, 2003<sup>13</sup>; Reinikka and Svensson, 2004<sup>14</sup>). In their 2001 study, Reinikka and Svensson found that on average during 1991-95 schools received only 13 percent of the central government's allocation for the schools' nonwage expenditures. There was considerable variation in grants received across schools that was determined more by the political economy than by efficiency and equity considerations. Larger schools and schools with wealthier parents received a larger share of the intended funds (per student), while schools with a higher share of unqualified teachers received less. These survey findings had a direct impact on policy in Uganda. As evidence on the degree of leakage became public knowledge, the central government enacted a number of changes: It began publishing monthly transfers of public funds to the districts in newspapers, broadcasting them on radio, and requiring schools to post information on inflow of funds. Consequently, when a similar study was conducted again by the same researchers in 2003, they found that on average schools received 82% of central government spending.

### 3.0 Objectives

There are six objectives of this study. These are:

- i. Examine the estimates and actual flow of public funds in health and establish to what extent they reach the primary health care facilities<sup>15</sup>.
- ii. Assessing whether there are delays and leakages in budget transfers within the health sector
- iii. Assessing the level of utilization (absorption capacity) and accountability (financial) of the budget transfers at the health care facility
- iv. Understanding the service provider attitudes and incentives in the provision of public health care services.
- v. Examining the role of key actors and the accountability mechanisms<sup>16</sup> at different levels (at national, local government and community level) in ensuring effective delivery of public health care services.
- vi. Assessing the level of community / citizen participation in demanding for effective delivery of public health care services.
- vii. Increase awareness and civic consciousness about the budget and public expenditure

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<sup>10</sup> These are useful not only at the household or enterprise level but also at the service-provider level to assess the efficiency of public spending and the quality and quantity of services. They both help to obtain policy-relevant information on the *agent* (say, a district education office) and the *principal* (say, ministry of finance or parent-teacher association) and can be used as tools to evaluate the impact of policy changes ( Dehn, Reinikka and Svensson .2003)

<sup>11</sup> This largely depended on desk exercises that rely mainly on data from the central government ministries. These have had limitations on determining the extent that funds reach the facilities that provide services to final consumers.

<sup>12</sup> *Explaining Leakage of Public Funds* (October 2001). World Bank Policy Research Working Paper No. 2709

<sup>13</sup> *The power of information: Evidence from a newspaper campaign to reduce capture*, Working Paper, IIES, Stockholm University

<sup>14</sup> *Local Capture: Evidence from a Central Government Transfer Program in Uganda*, The Quarterly Journal of Economics, vol. 119 (2): 679-705.

<sup>15</sup> capture information on per capita expenditure

<sup>16</sup> Decision making within the policy and legal framework

Given these objectives the study will exclusively focus on the performance of public health facilities, focusing both on the supply and demand side determinants of actual outcomes (improved health indicators<sup>17</sup>). It is important to note that the study is neither designed to address issues of public-private partnership in delivering basic services nor issues of household demand and responsiveness to public initiatives.

## **4.0 Methodology**

### **4.1 Overview of the Methods**

Three approaches will be utilized in this study; that of Public Expenditure Tracking Survey (PETS), Focus Group Discussions with key informants, and a review of documents. PETS are quantitative exercises that involve tracking the flow of resources from origin to destination with the intention of determining the location and scale of anomaly. This study is intended to track funds (wage, non-wage and Development expenditure) and materials to the districts and health units irrespective of the source, and identify how it is spent. An analysis of the extent to which resources are equitably allocated and efficiently utilized will be done. In the process of tracking, the research team will examine the manner in which resources are disbursed and used to identify any efficiency gaps. Equitable resource use will be examined based on the approach to resource allocation and use. For example, the team will determine on what basis funds are disbursed to lower levels and across health units. Collecting information on monetary flows at different allocation levels will shed light on the efficacy of public spending. Tracking the flows will help to spot eventual leakages in the system and lack of efficacy in the use of resources by comparing budget allocations with actual spending. Analysing efficiency of expenditures financed by external aid may be of particular importance to donors, in helping them ensure that their support for specific projects is coherent with domestic policy objectives. Getting demand related information is key to understanding the participation of the health committees and communities in determining outcomes.

Data will be collected from the sources of funding including; Ministry of Finance, Planning and Economic Development (MFPED), Ministry of Health (MoH), Development Partners and Non-Governmental Organizations to ascertain the amount that was approved and disbursed to the districts for health sector support. Discussions will be held with key officials in the MoH to ascertain the resource allocation formula, how it is determined, whether the amount approved is in line with this formula and reasons for any kind of variation between what was approved and released to the districts, and the health units. Data will be collected from the district and health units and this will include sources of funds, amounts received, expenditures, and the practices of accountability. Information from MoH and MFPED will be collected before moving to the districts and health units. However, information from other funders will be collected after getting information from the districts and health units given that we do not have a list of other funders a priori. There will be a follow up through to the other sources of funding after visiting the districts and health units in order to confirm the exact amounts of money released to the districts and health units.

The study will include both government and private-not-for-profit health facilities. In-depth interviews will be carried out with key actors mainly administrators and facility heads. Focus group discussions will be held mainly with members of the health committees, community leaders and service users at the health units. Finally, the team will review government policy documents, financial and non-financial statements, and other relevant reports.

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<sup>17</sup> Such as: OPD utilization; DPT 3 Pentavalent Vaccine Coverage, Deliveries taking place in health facilities, proportion of approved posts filled by trained health workers, proportion of facilities with stock-out of 5 tracer medicines & supplies and contraceptive rate

The methodology will involve five key steps: (1) Consultations with the staff from the Ministry of Health (MoH), UBOS and MFPED to ensure ownership and technical soundness of the findings. The research team will hold meetings with officials from these institutions to discuss the institutional framework, the research design, and methodology for collecting and analyzing the data, (2) sampling and questionnaire design, (3) Methodology workshop (4) survey implementation and (5) analysis, report writing, and constructive engagement with health facility heads, district officials, Ministry of Health officials, Ministry of Finance, Planning and Economic Development officials, communities and other key actors in the health sector.

## **4.2 Data Type and Source**

### **4.2.1 Approvals and releases: Ministry of Finance, Planning and Economic Development**

The study will collect information on the amount approved for the health sector and amount released to Ministry of Health and the districts for the preceding three financial years (2006/07, 2007/08 and 2008/09). The emphasis of this study is FY 2008/09 but information for earlier years will be good for a trend analysis.

### **4.2.2 Receipts and releases: Ministry of Health**

The study will collect information on the amount received by the Ministry of Health and amount released to the districts and health units and the material items<sup>18</sup>. The team will establish whether this is in accordance with the resource allocation formula for the preceding three financial years. The study will examine the capacities in budget formulation, execution and Monitoring and Evaluation with a view of identifying gaps and opportunities for strengthening.

### **4.2.3 Receipts, releases, and use of funds and materials: District**

The study will analyze receipts, releases, and use of funds and materials for the preceding three financial years at the districts. The study team will obtain the amount and sources of funds and materials at the district. For each source, the team will obtain releases to the district. The team will confirm the proportion of the funds reaching the district confers for each of the sources and ascertain expected uses of each of the funds and proportions. The team will also establish how the funds or materials were distributed to the lower units and whether funds or materials were used as expected (expected versus actual allocation). It will also establish the availability of personnel at the district.

### **4.2.4 Receipts, releases and use of funds and materials: Health unit**

The study team will obtain the amount and sources of funds and materials. For each source, the team will get information on releases to the health unit. Attempts will be made to obtain documentary evidence. The team will confirm the proportion of the funds reaching the health unit confers for each source and ascertain the expected uses of each of the funds and proportions and the actual expenditures. The survey will collect information on other sources of income for the facilities, expenditures on basic services, and the practices of accountability. Facility-level data will be linked to data collected from the district and MoH on the governance environment and financing arrangements based on the resource allocation formula used by the MoH. This will be complemented with qualitative data. The team will engage in discussions with the administrators and facility heads on the problems they face, how these problems could be resolved, and the quality and impact of the delivery of public services. Furthermore, interviews with patients present at the health facilities and focus group discussions with community leaders about

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<sup>18</sup> Including drugs, EHMS kits, beds, mattresses, vehicles, maternal health products, reproductive health items and solar energy packages

their perspectives on health care delivery will be conducted. The study will analyze human resources with a focus on capacities for the office bearers to perform their roles, the number of staff involved, any gaps, and the extent to which staff members are put to use. The study will establish the availability of personnel at the health facilities. Table 1 shows a summary of the expected information at different levels.

**Table 1: Resources expected to be tracked at district and health unit**

	Ministry of Finance, Planning and Economic Development	Ministry of Health and other actors/funding agencies	District	Health unit
<b>Funds and materials</b>				
Receipts			✓	✓
Releases to lower levels	✓	✓	✓	
Actual use of receipts			✓	✓
<b>Human Resources</b>				
Availability of personnel			✓	✓
Capacity of Staff		✓	✓	✓

*Source: Author's formulation from existing literature*

#### 4.2.5 Document Review

The study will make use of reports that give information that will feed into this study. The key documents to be reviewed during this study include;

- Annual Health Sector Performance Reports
- Budget performance reports
- Budget monitoring reports
- District documents (development plan, annual budgets and budget performance reports)
- Annual Assessment of Minimum Conditions and Performance Measures for Local Governments
- Public Expenditure Review on Health by the World Bank
- Governing Health Service Delivery in Uganda: A tracking Study of Drug Delivery Mechanisms by EPRC
- Health Sector Strategic Paper

#### 4.3 Sampling

We propose to use a sample survey methodology. In practice, we shall use a combination of randomness and deliberate selection of districts and health facilities that are diverse with respect to key characteristics. Data will be collected from a sample of 8 districts out of 80 districts that existed before 2006/07<sup>19</sup>. A multi-stage stratified random sampling process has been employed to select the 8 districts from the four regions. The districts within each region have been categorized as best and worst performing according to the Annual Health Sector Performance Report (2008/09) and the Annual Assessment of Minimum Conditions and Performance Measures for Local Governments (2007/08). Two districts have been

<sup>19</sup> In case any of the sampled districts has been divided into more than one district after FY 2008/9, these will be considered as one district in this study.

selected from each region where one district is randomly selected from the best performing districts and one district from the worst performing districts. The sampling of the health facilities within the selected districts will depend on the number of health units in each of the districts. A list of health units per district will be updated and confirmed during the methodology workshop. In consultation with the districts, a decision will be made on whether the study should consider collecting information from all the sub-counties and one or two facilities of each level with representation of government and NGO or a specified number of sub-counties be selected and the study covers all the health units in these selected sub-counties.

The sample is based on the following criterion:

- Not more than two HCs from each sub-county in the district.
- Followed the chain of health service delivery i.e. health centres that fall under the Health Sub-District
- Balance between urban and rural
- Balance between hard to reach and accessible facilities
- Consider both Government and NGO (not for profit).

Table 2 shows the selected districts and number of health facilities by category

**Table 2: Sample Districts and number of health facilities by category for the PETS study**

District	Health Facility	Government	NGO (Private-not-for-Profit)	Total
Kampala	Hospital	-	-	
	HC IV	03		03
	HC III	10		10
	HC II	08		08
	<b>Total</b>	<b>21</b>		<b>21</b>
NEBBI	Hospital	01	01	02
	HC IV	01		01
	HC III	10	02	12
	HC II	06	02	10
	<b>Total</b>	<b>18</b>	<b>5</b>	<b>23</b>
Rukungiri	Hospital		01	01
	HC IV	02	01	03
	HC III	05	02	07
	HC II	10	02	12
	<b>Total</b>	<b>27</b>	<b>06</b>	<b>23</b>
Mbale	Hospital			
	HC IV	02		02
	HC III	11	01	12
	HC II	08	01	09
	<b>Total</b>	<b>21</b>	<b>02</b>	<b>23</b>
Kamuli	Hospital	01	01	02
	HC IV	02		02
	HC III	10		10
	HC II	05	05	10

	<b>Total</b>	<b>18</b>	<b>06</b>	<b>24</b>
Ntungamo	Hospital	1	0	1
	HC IV	3		3
	HC III	8	1	9
	HC II	9	1	10
	<b>Total</b>	<b>23</b>	<b>3</b>	<b>23</b>
Moroto	Hospital	01	1	2
	HC IV	0	0	0
	HC III	05	3	08
	HC II	05	0	05
	<b>Total</b>	<b>11</b>	<b>04</b>	<b>15</b>
Luwero	Hospital			
	HC IV	03		03
	HC III	09	01	10
	HC II	09	01	10
	<b>Total</b>	<b>21</b>	<b>2</b>	<b>23</b>

#### 4.4 Survey Instruments

The study will make use of a survey instrument to act as a basis for specific objectives. To conduct an analysis of public and non-public resources received, allocated and expended in health in the district, the resource tracking questionnaire will be the primary tool. At the health facilities, this will be complimented with an in-depth interview guide that will identify the institutional support needed for ensuring effective participation, transparency and accountability in the budgeting process and also capture the demand aspects of health service delivery. The survey instrument and the in-depth interview guide will be developed through an iterative process of discussions among the research team, MoH, UBOS and officials from the selected local governments. A methodology workshop<sup>20</sup> will be held at Colline Hotel in Mukono for the team to have a common understanding of the study and also to discuss the survey instruments. This will immediately be followed with pre-testing of the tools in Kayunga.

#### 4.5 Research Team

The PETS will be carried out by a team comprised of ACODE staff and counterpart researchers. Specifically, the following expertise has been assembled to form the study team:

Mr. Godber Tumushabe will oversee the execution of the project. Mr. Daniel Lukwago will handle the day to day activities of the study, arrange logistics for the entire project, and participate in consultation, data collection, analysis, report writing and dissemination. Dr. Darlison Kaija will provide overall leadership and undertake quality control through the entire study in addition to participating in consultations, designing of the survey instruments, data collection, analysis, writing of the study reports, and dissemination. Her expertise in health economics, Public Expenditure Tracking Surveys, survey design and implementation, data management and analysis is important for this particular study. Similarly, Dr. Magidu Nyende and Mr. Gerald Twijukye will participate in consultations, designing of the survey instruments, data collection, analysis, writing of the study reports, and dissemination. Their

<sup>20</sup> This will involve researchers, key district leaders (CAO & Health Director), central government officials (MFPED- BMAU, UBOS, MoH) and research assistants from the selected 8 districts

extensive knowledge and experience in Public Expenditure Tracking Surveys, health delivery systems in Uganda and participatory approaches of data collection and analysis will add value to the overall study.

In addition to the research team, there will be a team of 24 research assistants (3 per district) that will support the actual field data collection from the various health units in the selected districts. The research assistants have experience in data collection and most of them are involved in the local council monitoring project carried out by ACODE. The research team will collect data through review of records, reports, documents and interviews; and conduct follow-up in cases where data would be incomplete.

#### **4.6 Analysis, report writing and constructive engagement**

The analysis of the data will be done by the 4 researchers on the study team (Darlison, Magidu, Daniel and Gerald). The analysis of the quantitative data will be done using STATA software. Analysis of qualitative data will be an on-going process, taking place throughout the data collection process. Emerging themes will be identified as the data collection exercise continues and thematic analysis will be done. During the analysis and report writing, it will be important to involve key actors at the districts and MoH in some form of constructive engagement. This will make sure that any gaps in the data are addressed before the final reports are completed.

#### **4.7 Dissemination of Results**

The research team will be able to provide policy recommendations on two key issues: priority areas for efficiency gains in resource allocation and expenditure within health sector taking into account district development plan targets; and priority areas for increased public sector capacity building, in the districts, in order to increase efficient use and coordination of public, private and non-governmental resources for equitable health service delivery. Efforts will be made to communicate the results in ways that are effective in terms of improving the system for allocating and transferring of public resources. The results will be shared with all stakeholders in the districts covered and at national level.

#### **5.0 Expected Outputs**

- We shall collect useful data on frontline service provision to help policymaking, supervision and generate “client power” and strengthen “voice”.
- The findings from the study are intended to inform the formulation of reforms to improve the effectiveness of budget spending and the impact on the intended beneficiaries.
- A comprehensive survey/ research report will be produced in ACODE policy research series
- A policy briefing paper targeting different stakeholders will be produced and disseminated.

#### **6.0 Time Frame**

	<b>Activity</b>	<b>Date</b>	<b>Responsible Person</b>
1.	Developing, discussion and approval of concept paper	1 <sup>st</sup> week, March	
2.	Development, discussion and approval of ToRs for the survey	1 <sup>st</sup> week, April	
3.	Identification and hiring of Researcher Team members	2 <sup>nd</sup> Week, April	
4.	Developing, discussion and agreement on the research methodology and tool	3 <sup>rd</sup> Week April	
5.	Methodology workshop <sup>21</sup>	11 <sup>th</sup> -12 <sup>th</sup> May	
6.	Fielding testing of the research instrument/s	13-15 <sup>th</sup> May	

<sup>21</sup> To include: DDHS, central government officials (MFPED & MoH), Researchers & Research Assistants (3 per district).

7.	Collecting information from the center (MFPED, MoH)	June	
8.	Undertaking field work activities	June - July	
9.	Review and analysis of field data and information	August	
10.	Discussion of 1 <sup>st</sup> Draft Report	1 <sup>st</sup> Week, Sept	
11.	Validation and district feedback information	3 <sup>rd</sup> Week, Sept	
12.	Finalization of Research Report and production of policy briefing paper	1 <sup>st</sup> Week, Oct	
13.	Publication and Dissemination of the research report	3 <sup>rd</sup> Week, Oct	