DISPATCH

Ugandan officials negotiate Global Fund grants

Government limits on health-sector spending may jeapordise funding agreement

Charles Wendo reporting from Kampala

Ugandan health and finance officials are in fresh negotiations over the future of grants from the Global Fund to fight HIV/AIDS, Tuberculosis, and Malaria. Last month, the Ministry of Finance declared that, with effect from July this year, all donor project funds, including the Global Fund's grants, would have to fit within fixed sector ceilings. Such ceilings mean that public-sector spending has a fixed limit. Therefore, if a sector receives any new funds that were not initially budgeted for, it forfeits a similar amount from the government coffers.

The new plan announced by the Ministry of Finance deviates from the current arrangement in which money from the Global Fund falls outside the health-sector ceiling. According to an agreement signed last year, the Ministry of Finance is supposed to receive the funds as a project grant independent of the health-sector expenditure limits. The Ministry of Health can then spend the money on Global Fund-approved programmes.

However, from July, 2004, this situation will change and Global Fund grants will be included in health-spending budgets. It is not yet certain how this is going to affect the inflow from the Global Fund. Whereas health officials fear that this might restrict the amount of grant available to them in future, finance officials say there is room for negotiation to expand the ceiling.

The director of economic monitoring in the Ministry of Finance, Keith Muhakanizi, said this change affects donor projects in all ministries, not only that of health. It would help the Ministry of Finance to effectively monitor and control public spending in order to stabilise the macroeconomy. "We want to have one budget so that we know all the money that the government is getting and how it is affecting the economy", he said.

Health officials worry that for a sector that is severely underfunded, such restrictions will jeopardise service delivery. Uganda's per capita public-health spending is below US$12, far below the $27 recommended by WHO.

"We are still negotiating for an increase in the ceiling so that we have more resources", said Mike Mukula, Minister of State for Health.

Mukula does not agree that increasing health expenditure can destabilise the macroeconomy. Instead he thinks if the government puts more money into health, then the economy will grow faster. He argues that a population that is not healthy cannot develop a nation. "If you have a parent caring for children who are suffering from malaria all the time, production will definitely go down", he said.

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The position of the Global Fund is that grants can be released only if they add to whatever governments are already spending on health. During a visit to Uganda at the end of November executive director Richard Feachem asserted that the grants cannot be used to save any government resources.

Grace Murindwa, a principal health planner in the Ministry of Health, thinks the ceiling needs to be raised sufficiently in order to accommodate the Global Fund grant. However, he fears that finance officials might not raise the ceiling substantially, thus locking out some grants.

"The Global Fund [grants] for the next financial year may be at risk unless we negotiate higher ceilings. If they don't raise it, we shall be in trouble", he said.

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Ugandan government has promised free drugs for AIDS patients

For the current financial year, the budget for health is about $180 million. And so far, the Global Fund has approved for Uganda $137 million, signed a grant agreement for $36 million, and disbursed $287 029. These funds alone may exceed the current health ceiling.

Should the new arrangements interrupt the flow of grants from the Global Fund, then the lives of thousands of patients could be at risk. The Ministry of Health has already promised free antiretroviral treatment to AIDS patients, most of whom cannot afford the treatment on their own. In Uganda a triple antiretroviral combination costs at least $30 per patient per month. Comparatively, the average expenditure of Ugandans on all necessities of life is estimated at about $15 per person per month, according to a recent household survey.

One option the ministry is considering is to buy drugs and equipment outside Uganda so that the grant has no direct effect on the amount of cash in circulation. "Part of the grant can come in as goods, not cash", Murindwa said.