



POLICY BRIEF

Funding National Response to HIV/AIDS

Background

Uganda has had positive economic growth with real GDP averaging 6% per annum for over a decade because of the prudent economic measures taken by government in implementing the Poverty Eradication Action Plan (PEAP). Within this context, the health sector budget as a percentage of the total government budget has grown from 7% in FY1997/98 to 12% by FY2001/02 and has remained fairly constant. Although government funds most of the health spending, external funding still forms a significant component of health expenditures; in 2006 about 28.5 percent of total health spending was funded by external sources and under Medium Term Expenditure Framework (MTEF) it is projected that the contribution from donor funds will still be at 28.5%. HIV/AIDS resources are captured under the health sector budget.

The National Strategic Plan (NSP) for HIV/AIDS 2007/8-2011/12 is focusing on three thematic priority service areas namely: prevention, care and treatment and social support that are to be supported by a strengthened service delivery system and structure in order to ensure quality, equity and timely service provision. Following its integration in the national response in 2004, provision of antiretroviral treatment has become a very significant component of the strategy in the NSP and it is projected to account for over 90% of the resources required for care and treatment programmes in the national response to the epidemic. Like most programmes of government, the national response to HIV/AIDS has continued to rely heavily on donor funding.

Against the above background, there was a concern that the inflow of donor support for AIDS might have adverse effects on the economy. Consequently, in 2007, "Assessing the Macroeconomic Impact of HIV/AIDS in Uganda" study was commissioned to study, among others, the impact of HIV/AIDS on the national economy and sectors in Uganda, the extent to which the provision of anti-retro viral treatment (ART) would have in reversing the negative impacts of HIV/AIDS and the likely impact of ART provision on the macro economy of the country.

Findings from Macro-economic Impact Assessment (2007-09) and Related Studies

- Although information is generally lacking on spending of external HIV/AIDS funds in the country, data collected for the period 2004/05 and 2006/07 indicated that (i) nearly 60% of donor funds went directly or indirectly to procurement of external goods and services (ii) treatment took over 41% of the funds spent externally (iii) 95% of the treatment costs were spent outside the country.

- Under the NSP, expenditures for care and treatment is about 39% of the overall budget; within care and treatment budget line, ART is projected to account for over 90% of the resources; hence it is projected that 60% of total funds HIV/AIDS programme expenditure is expected to go on imports. Therefore there was no significant impact on national economy caused by HIV resource inflow.
- The NSP for HIV/AIDS 2007/8-2011/12 has projected that these annual expenditures will continue to rise further from US\$ 276 million in FY2007/08 to US\$ 511 million in FY2011/12.
- The annual spending on the national HIV/AIDS programmes in Uganda increased from US\$ 38 million in FY2003/04 (before the introduction of ART in the national response) to an estimated US\$ 170 million in FY2006/07 (when universal access to ART was being targeted)
- While over 1,000,000 Ugandans are living with HIV and about 130,000 new infections occur every year, to-date only 170,000 people out of an estimated 350,000 persons that are eligible to receive ART are on the treatment.
- The annual cost of providing ART to a patient in Uganda in a year is US\$ 500 but the national per capita expenditure on health as a whole is only US \$25. For the 170,000 patients, the annual cost is at US\$ 85 million which is about UGX 170 billion which is 23.2% of the total budget for health of UGX 732.7 billion in FY2009/10 which is to cover the entire population of 28 million people. If ART is provided to all the 350,000 eligible persons, then the country must have at least US\$ 175 million annually; this is more than half the health sector budget of UGX 732.7 billion which is about US\$ 360 million for FY2009/10.
- Therefore, the continuing donor funding is necessity to fund the HIV/AIDS programme. In relation to domestic revenues, in the absence of donor funds if the country keeps the same level of HIV/AIDS programme planned under NSP, then the total spending would be 15% of domestic revenue which is neither realistic nor sustainable.
- The optimal funding scenarios for provision of ART are those in which donors contribute 85% funding and ART is provided increasing from current level of 170,000 but does not reach universal coverage; the worst case scenario is that in which donors contribute no funding for ART and government which provides 100% funding does not support provision of ART.

FINANCING SCENARIOS & IMPLICATIONS ON GDP GROWTH RATES

Donor funding has positive impact on growth

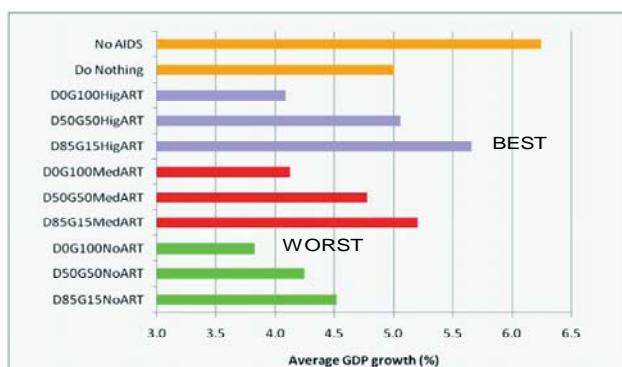
Provision of ART has positive impact on growth

Little difference between Medium and High ART scenarios

Best funding scenario is D85G15HighART

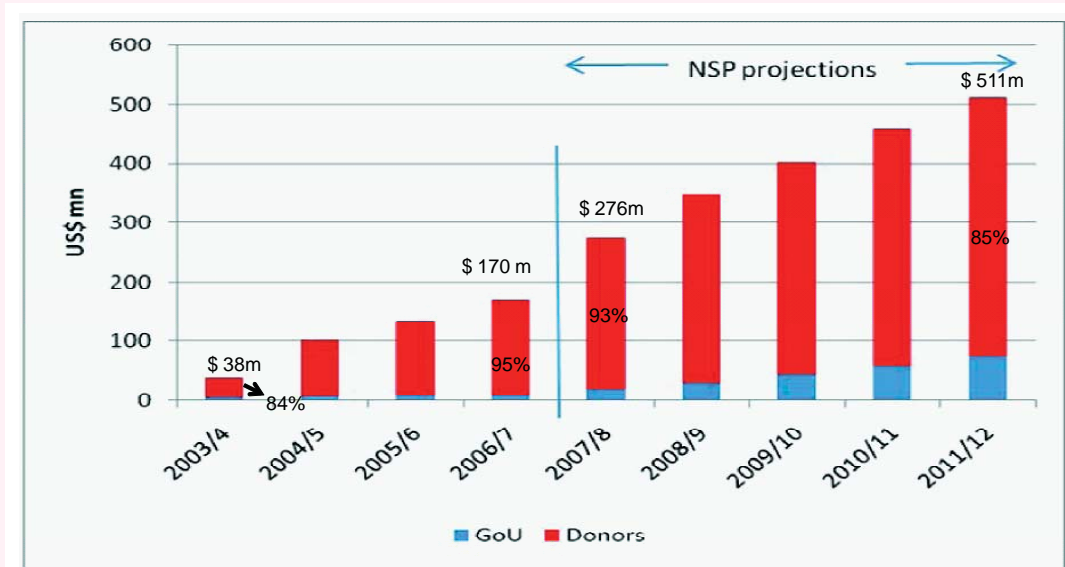
Followed by
 •D85G15MedART and
 •D50G50HighART

WORST Scenarios
 •D0G100NoART and
 •D0G100HighART



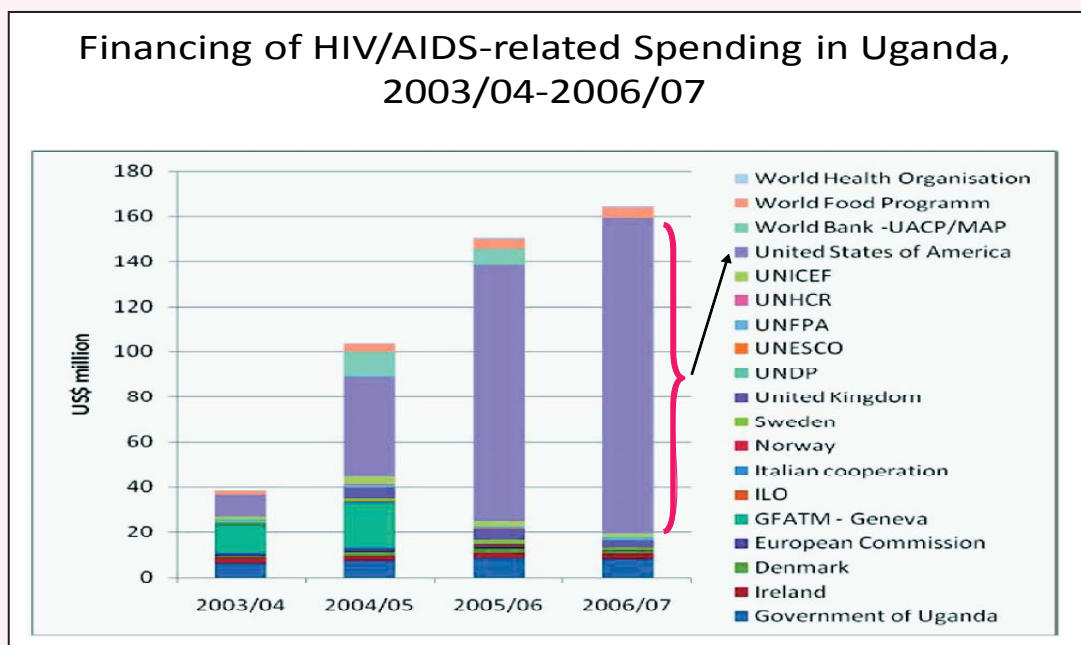
DONOR FUNDING FOR ART IS A NECESSITY

- In FY2003/04, the contribution of government to HIV/AIDS programme was 0.6%. It rose to 1.5% in FY2006/7 and based on the NSP will be 3.0% of GDP in 2011/12.
- Government contribution in the HIV/AIDS spending between FY2003/04 and FY2006/07 rose from about US\$ 6 million to US\$ 8 million per annum. The NSP projects that this will increase further between FY2007/08 and FY2011/12 from US\$ 19 million to US\$ 75 million. In percentage terms, the actual government contribution represented a decline from 16% to 5% of total spending between FY2003/04 and FY2006/07 although based on NSP projections, by FY2011/12 the proportion will increase from about to 15%.



Total Spending on HIV/AIDS Programmes (US\$ million)

- Since FY2005/06, USA government has been the major and dominant funder for the national HIV/AIDS response. It has (a) provided over US\$ 1.2 billion to combat HIV/AIDS in Uganda since 2004; (b) contributed more than the combined contribution of all the other funders even when government funding was included in the period FY2005/6 and FY2006/07; (c) committed to spend about \$280m in 2009 towards the national response.



Policy Implications

- It is necessary for government to integrate HIV/AIDS in the planning and budgeting process of sectors and local governments with clear indicators for monitoring; the private sector should similarly be encouraged to integrate HIV/AIDS in their investment plans.
- Development partners who fund HIV/AIDS programmes outside budget support should be requested to give their budget and expenditures in order for government to develop a comprehensive funding scenario for the national response. Similarly NGOs and the private sector should be requested to provide details of their programmes and funding support to Uganda AIDS Commission.
- Government and civil society should strengthen their oversight roles in transparency and accountability of resources provided for HIV/AIDS programme in order to improve on efficiency of current resource use.
- Government should engage the different stakeholders in discussing how resources should be mobilized internally in order to ensure that government contribution (with or without donors) is not only sustained but increased.
- Government should expedite policies and services that provide alternatives for funding (e.g. National Health Insurance Schemes) and those that will help curb further spread of HIV in the country.



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Uganda AIDS Commission and
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