

THE UGANDA THINK TANK ON AIDS (UTTA)

Session 1, 24th February 2005, Grand Imperial Hotel, Kampala

***“IMPACT OF AIDS FUNDING ON MACRO-ECONOMIC
STABILITY: WHERE IS THE MIDDLE LINE?”***

Summary Synthesis Report

**Uganda AIDS Commission
NADIC
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1.0 UTTA Session 1

1.1 Background to UTTA

Uganda embraced the Think Tank approach to promote innovation and public dialogue on pertinent issues to enhance consensus for a harmonized effective national HIV/AIDS response.

The Uganda Think Tank on AIDS UTTA was established at the end of 2004 through stakeholder consultations and consensus. UTTA is spearheaded by Uganda AIDS Commission and implemented with technical and financial support from various stakeholders through the Uganda HIV/AIDS Partnership. The UTTA technical working group supports UAC in selecting session topics, panel members, discussants and moderators and also in following up on session recommendations.

1.2 UTTA session 1

The first session of the UTTA was organized under the topic **“The impact of HIV/AIDS funding on the country’s macro-economic stability: where is the middle line?”** This was in recognition of the need to increase funding for the national response, inevitably from external response, to scale up the response and more especially to ensure quality care for the infected including universal access to antiretroviral therapy (ART).

It is also acknowledged that increased foreign currency inflows can negatively impact on the country’s development efforts and therefore the need to strategically plan for a middle line to ensure positive outcomes from the two aspects of the development puzzle.

Session Objectives

Considering the impact of the epidemic on the country’s economic and social development, and also the impact of increased foreign currency inflows on the country’s macro-economic stability, the session was meant to:

- Explore the consequences of increased external funding for the national response on the country’s macro-economic stability
- Explore benefits for increased funding to combat AIDS
- Propose (find) ways to sustain increased foreign inflows for AIDS action while maintaining macro economic stability
- Identify gaps in knowledge and make recommendations for appropriate actions

The 1st UTTA Panel

Moderator: Mr Robert Kabushenga, New Vision

Panel members: Mr Keith Muhakanizi, Ministry of Finance and Economic Planning
Dr Sam Okuonzi, National Council for Children
Mr Gabriel Opio, Commissioner UAC 2001/04
Hon. Dr Elioda Tumwesigwe, Chair Parliamentary AIDS Committee

Discussants: Dr Francis Mwesigye, Ministry of Health
Dr G Bahigwa, Economic Policy Research Centre, Makerere University

Participation

The session attracted a range of stakeholders including policy makers, development partners, AIDS Programme Managers, representation from civil society organizations, faith-based organization, networks of people living with HIV/AIDS and the media.

2.0 Background to the session

Poverty fuels the HIV/AIDS epidemic while the epidemic aggravates the poverty situation. Cognizant of this intricate relationship and the high HIV prevalence levels especially in Sub Saharan Africa, global partners are increasing their resource support to the developing world to enable governments respond appropriately.

Cognizant of the need to scale-up efforts to address stagnating prevalence rates and provide care for those already infected and directly affected, the country intensified her resource mobilization efforts resulting in increases in HIV/AIDS funding levels. PEPFAR, MAP and Global Fund schemes illustrate this increased commitment. Indeed, government resources for HIV/AIDS work have been heavily supplemented by external development funding agencies that provide their support through either government budget support systems or individual projects. AIDS has been recognized as a national priority for development and mainstreamed in the Poverty Eradication Action Plan (PEAP).

This increase in HIV/AIDS funding has however generated a debate about the impact of increased donor funds on the country's macroeconomic stability and protection of sector budget ceilings. The assumptions that these new inflows could destabilize the country's economic stability have led the relevant government structures to question the desirability of additional HIV/AIDS funds outside the MTEF yet that magnitude of the required funding cannot be accommodated under current sector ceilings. Several questions have been raised but there is no common understanding as to how to address the situation yet. This debate was the focus of the 1st UTTA.

The debate was set at two levels:

- How can we weigh the impact of AIDS funding on economy? What is the positive impact in mitigating the socio-economic consequences of the epidemic against the risks of macro-economic stabilization?
- How can the negative impacts of increased aid flows on macroeconomic stability be mitigated?

3.0 Highlights from presentations and discussions

Situational analysis

- 3.1 HIV/AIDS is still a big challenge in the country. There is stagnation of the national pooled antenatal prevalence rates at about 6% and an observed upward trend at some sites
- 3.2 Young people are increasingly vulnerable to HIV. Some of the reasons for their increased vulnerability include peer pressure, lack of life skills, emerging lifestyles and cultures, breakdown of moral values, unemployment, lack of economic empowerment especially for young girls and women,
- 3.3 There is an orphan crisis, which is largely attributable to AIDS. Uganda has registered over 2 million orphans. It is estimated that 1 in every 7 orphans in Africa is Ugandan.
- 3.4 AIDS care requires a lot of resources especially with the high cost of ART. Lack of affordable and accessible AIDS treatment increases HIV/AIDS related morbidity and mortality, leaves millions of orphans, and creates social-economic devastation.
- 3.5 AIDS treatment should not be regarded as just a moral necessity but a necessary component of economic stabilisation with many returns to economic development in a high HIV prevalence country. HIV/AIDS affects household incomes as the infected find it difficult to work and earn a living. A high proportion of household time and income is spent on treatment, reducing savings for future development. Bereaved families are often left in abject poverty.
- 3.6 There is therefore need to improve the coverage and quality of AIDS services. Prevention programmes including communication for behaviour change, prevention of mother to child transmission (PMTCT), blood safety, vaccine development need to be stepped up.
- 3.7 Many leaders are still afraid of speaking for HIV/AIDS and therefore fail to adequately cater for it in the budgeting process

The financing situation

- 3.8 Worldwide, the estimated cost of AIDS care could reach \$ 14 billion by 2007 and around \$ 22 billion by 2015 to cater for prevention, treatment of OIs and ART. Considering a proportionate share of 2.8% for Uganda, the country requires about \$ 392 million and \$ 616 million in 2007 and 2015 respectively.
- 3.9 In 2004/5, government allocations was Shs 3,491.2 billion of which 54% (shs 1867 billion) was to come from URA, 1% from non-tax revenues and 45% from donor aid (i.e. 28% or Shs 991.4 billion as grants and 17% or Shs 596.1 billion as loans). The health sector and Uganda AIDS commission received Shs 382.7 bn (\$

225 million) which accounts for only 11.3% of the required resources, even less than the Abuja commitment of 15 % government commitment to AIDS response.

- 3.10 For a population of about 26 million people per capita expenditure on health is about \$9 compared to the \$ 28 for the delivery of a minimum health care package excluding ARVs as recommended by MoH. Considering the cost of ARVs, the cost per capita grows close to about \$ 40. This demands an increase in the health sector allocations, which may imply a reduction on the allocations to other sectors in the current MTEF.
- 3.11 AIDS funding is not adequately shared out across the various sectors but is largely channelled through the health sector. This does not only displace funding for other health priorities but also constrains other sectors from responding to the epidemic appropriately.

Increasing funding for the national HIV/AIDS response

Additional AIDS funding Vs macro economic stability: Should we increase funds for AIDS and reduce on other sector? Which sectors? Increased funding for AIDS calls for a sound management system for public resources. There are however challenges of dependency on external aid to respond to HIV/AIDS and capacity limitations that might have implications for scaling up.

- 3.12 Increased AIDS funding suggests higher spending on the part of government. It is government's obligation to control, manage and track all expenses and logistics in procurement, delivery and utilisation of foreign aid. As inflows increase, government spending and management consequently increase in volume and complexity; this in turn raises concerns of sustainability of aid flows in terms of human resources, coordination capacity and institutional frameworks and structures.
- 3.13 While AIDS actors emphasize the urgency to scale up the response by all means possible; government financial managers are concerned about the impact of additional funding for AIDS responses. It is anticipated that an increase in AIDS funding suggests the overshooting of sector budget ceilings so as to adequately address AIDS issues and more specifically for the Health sector to initiate and sustain universal AIDS care and treatment programmes
- 3.14 There are various funding mechanisms and these are not harmonized to address a common problem. There is need to streamline parallel AIDS funding initiatives and mechanisms. No funding initiative should seek privileged ownership of the national response programs.

Macro-economic stability

How does the epidemic undermine the process of development, what are the short and long-term impacts of AIDS on the economy? How does increased HIV/AIDS funding jeopardise the results achieved by Uganda's effort on fiscal discipline? Should the country consider long-term AIDS planning or deal with it on a day-to-day basis?

- 3.15 HIV/AIDS affects all levels of development; individually, the household, the community, region and eventually the country. In Uganda the impact of HIV/AIDS deepens existing poverty and creates new pockets of deprivation and need throughout the country. In Uganda, for instance, HIV/AIDS points to a rebalance in age structures with a significant drop among the young generation age 15-19. AIDS related sicknesses and deaths have exacerbated existing skills shortages, absenteeism from work and reduced performance on the job.
- 3.16 In the short term the loss of both skilled and unskilled workers, combined with uncertainties regarding those who are or might be infected reduces productivity across the economy.
- 3.17 In the longer term, whole industries suffer especially those employing migrant workers and salespeople, transportation and other sectors like the military besides the health sector. Even in an industry or office setting that employs a small number of people the effects are striking not because of numbers of the people affected but because of the responsibility they hold.

Financial discipline

How can we as a country ensure that the resources we get are sustainable, add value, are predictable and are not abused? Should these funds be outside MTEF?

- 3.18 Increasing government expenditure not matched by increased domestic revenue causes fiscal deficit. A big budget deficit implies that government will largely depend on foreign aid either in grants and or loans.
- 3.19 Money from donors increases domestic money supply, which in turn increases inflation as money supply will be more than money demand.
- 3.20 An attempt to mop up such funds will increase Treasury bill rates, push up interest rates and deter investment. More so increased foreign currency inflows not backed by economic activity cause depreciation of the shilling making exports expensive.
- 3.21 Whether funds are within or outside the MTEF they impact the country's macro economy. The difference is that funds within the MTEF are easily monitored and quality of output is easy to ascertain. Uganda's experience shows that project monies, which are outside the MTEF, are not easily monitored and quality of output is almost impossible to establish.
- 3.22 In order to guide proper planning and budgeting processes the MTEF identifies broad expenditure centres for a minimum of three years. It is a prerequisite then that the detailed annual budgets fit into this framework. One important characteristic of any budget process is the rigid timeframes. The budget cannot be late it must come out in time so even if one has very pertinent issues, but does not present them before the date, then the campaign is unlikely to be successful.
- 3.23 The best time for lobbying for budgetary considerations is at the beginning of the process. It is much more difficult to lobby successfully after decisions have

been made. If institutions and programmes start lobbying too late, there will definitely be resistance as it might imply taking money away from other programmes to cater for AIDS.

- 3.24 Albeit, it is important to know whom, how and when to lobby. For instance informed and targeted discussions in the relevant sector working group and or relevant Parliamentary Committee might yield. Unfortunately the experience has been that parliamentary committees either lack the expertise or knowledge of authority to suggest changes, they instead accept or reject the budget as a whole.

4.0 UTTA Session 1 Recommendations

- 4.1 There is need for sustained vibrant and candid political leadership and commitment at all levels. Political leaders should speak out for HIV/AIDS and translate this commitment into resource mobilization through budgetary allocations and monitor resource utilization
- 4.2 Revisit sector budget ceilings. The country needs to reassess its priorities and relocate its resources optimally. Through the MTEF process, allocate AIDS funding to the sectors responsible for the various interventions. This calls for consideration of a few extra percentage increments in the sector ceilings in the short run as the government explores ways to accommodate the cost required to put up a strong and sustainable response to the epidemic in the long run.
- 4.3 Mainstream AIDS in development processes to share HIV/AIDS funding across sectors depending on respective sector responses and to reduce the burden on the health sector. With the guidance of the the Uganda AIDS Commission, all sectors should identify sector specific HIV/AIDS interventions within their mandates and present their proposals indicating the resource requirements. The Uganda AIDS commission should follow up and make necessary clarifications with the Ministry of Finance before cabinet decides on allocations for each ministry/ department
- 4.4 Increase the health sector budget ceilings and explore alternative sources of local funding such as social Health Insurance and Micro-health/ community health insurance.
- 4.5 There is need to streamline parallel AIDS funding initiatives and mechanisms. Uganda as a case country should have a clear system established demanding all stakeholders, donors and development partners to work within a common framework for harmony in planning and budgeting, implementation and reporting cycles.
- 4.6 Develop strategies that ensure that information on disbursements and accountability is available and is centrally managed to increase efficiency in resource utilization
- 4.7 Explore off shore procurements for commodities such as ARVs and laboratory equipment, which account for a big proportion of the required AIDS funding. For instance, money for ARVs, drugs for OIs, TB and STIs as well as equipment and technical assistance should be spent externally and will then not affect our economy. This might as well address the issues of currency deflation/inflation brought about by increased foreign currency inflows
- 4.8 Increase efficiency of AIDS funding and strengthen capacity for monitoring utilisation of the funds received and disbursed. It is important to establish the correlation of the flow of funds and related resources with the scope and quality of AIDS services. Loans should be discouraged and so as to reduce further the proportion of the fiscal deficit financed by borrowing. More grants should be sought and spent cost effectively.

- 4.9 The central bank should be able to handle dollar inflow fluctuations without the need for allowing them in since we don't know when we might need them.
- 4.10 Consider the establishment an AIDS sector in the national budgeting process
- 4.11 Undertake more quantitative studies to get more evidence-based arguments in support of or against increased HIV/AIDS funding and the impact on macro economic stability.

5.0 Conclusion

5.1 The country's response is at cross-roads; stagnating prevalence rates can potentially tip either side. This demands for a scaled and sustained response that in turn demands for adequate and sustained resources. The level of funding needed cannot be sustained from local resources and therefore the need to mobilize for foreign resources.

5.2 It is acknowledged that increased foreign currency in flows negatively impact on the country's macro-economic stability and consequently on development efforts. Yet under development is cited among factors that fuel the epidemic which the impacts of the impacts also hamper economic development efforts at carious levels.

5.3 The Think Tank session however established a number of policy and programmatic approaches that can address this situation in the short and long-term perspectives. These could be explored to ensure an adequately resource effective national HIV/AIDS response in the context of increased national development.

Synthesis Report compiled by Prof. J Rwomushana, Elizabeth Mushabe, Rosemary Kindyomunda

THE 2nd SESSION OF THE UGANDA THINK TANK ON AIDS
Grand Imperial Hotel, 29th June 2005, 9.00am

ATTENDANCE LIST

	Name	Organisation
1.	Dr Francis Rumumi	MoH, Dept. of Planning
2.	Kabugo Rosemary	UAC
3.	Bakulumpagi Abubakar	UBO
4.	Dick Muhwezi	TASO – Uganda
5.	James Kigozi	UAC
6.	Khaukha George	PHA
7.	Steven Mondo	RDF NGO
8.	Kyomugisha Grace	UTV
9.	Rwakijuma Ivan	AAACPA
10.	Sam Okuonzi	NCC
11.	Nsaano George	UAC
12.	Keith Muhakanizi	Ministry of Finance
13.	Elijah Kirumira	GIMS
14.	Mugisha Joseph	W.A.R
15.	Ibrahim Kasozi	YODEFO Uganda
16.	Echodu William E	YODEFO Uganda
17.	Manjit Kaur	Hospice Africa – Uganda Chapter
18.	Dr Hitimana Lukanika	AIC
19.	Dr Miph Musoke	UVRI
20.	Matthew Lubuulwa	Ministry of Finance
21.	Joseph Musoke	UNASO
22.	Kiirya Stephen	UACP/CHAI
23.	Dr Juliet Bataringaya	WHO
24.	Prof. P.E.Mugambi	Uganda National Academy of Science
25.	Kabishanga E.	Hew Horizons
26.	Muhereza Alfred	Elderly Welfare
27.	Wandera Cephas	UACP/TRN
28.	Rose Nalwadda	UAC
29.	Rose Mary Nakijoba	Kitovu Mobile
30.	Ronald Kiberu S	MoFPED
31.	Dr Sam Orach	UCMB (UCS)
32.	Nosa Orobato	UPHOLD
33.	Okwero Peter	World Bank
34.	Twinomujuni Collin	MoTTI
35.	Med Makumbi	AIM
36.	Sakwa Brian	Self
37.	Thomson Odoki	UWESO
38.	Kizito Godfrey	FICCU
39.	Bazil Bataringaya	FICCU
40.	Klas Rasmusson	Embassy of Sweden
41.	Wantate David	UNHCR
42.	Gray Abel	MIHV
43.	Kiguli Herbert	Education Service Committee
44.	Olive Kigongo	Uganda National Council of Commerce and Industry

	Name	Organisation
45.	Inge Tack	UNAIDS
46.	Mpungu-Godfrey	UYP
47.	Erasmus Robert Oukos	USCWO
48.	Edward Mugimba	MoGLSD
49.	Bwanika Richard	GUFFI Consult
50.	Jane Rose Ngonzi	Movement Secretariat
51.	Catherine Barasa	Ministry of Education & Sports
52.	Judith Nabukeera.S	I.G.G
53.	Robbinah Ssempembwa	UNICEF
54.	Paul Bogere	Min of Public Service
55.	Joyce Namulondo K	UAC
56.	Dr E Tumwesigye	Parliament
57.	Sarah Busulwa	EWM
58.	Kafenye Israel	Parliament
59.	Nakiyemba J.L	Hunger Free World
60.	Wandera Vincent	GOSSACE
61.	Menyha Alex	Private Sector
62.	Masembe Joel	U.O.C
63.	Edoku Vincent	Caritas Uganda, UCS Nsambya
64.	Dr Bulamu	Parliament of Uganda
65.	Gabriel Opio	UAC Commissioner
66.	Paul Dover	SIDA
67.	Rachel K Sebudde	World Bank
68.	Mbogo Adam	YODETO
69.	Lunnama Zuula	YODETO
70.	Anne F Luziraa	MoWLE
71.	Diego Angemi	MoFPED
72.	Julie Gipwola	Office of the President
73.	Justine Kazungu	Office of the President
74.	Dr Sana M Geresam	WFP
75.	Maj. Dr. Godfrey Bwire	MOD – UPDF
76.	Herbert Mugumya	Save the Children
77.	Nassanga Leila	UAN
78.	Bagonza J.F.	Health Service Commission
79.	Mwesigye Joel	Scripture Union of Uganda
80.	Nigisi Tikehun	Mama FM
81.	Bestina Maguru	UMWA
82.	Margaret Kyeyune	MoFA
83.	Mwesigwa Martin	NUDIPU
84.	Byenkya Julius A.	UACP/UAC
85.	Wandera W Ouma	The Monitor
86.	Godfrey Bahigwa	EPRC, MUK
87.	Ms F.K.Nabirye	Public Service Commission
88.	Dragulu Vale	MoWLE
89.	Capt. Matovu	Parliament