Countries that are considering earmarking for the health sector should address the following key questions. This checklist can guide discussions among health and finance policy-makers about when earmarking might be useful and how to structure an earmarking policy to ensure positive results and minimize distortions.

### Support for the expenditure purpose
- Does the policy or programme to be funded with the earmark support the country’s broader development objectives?
- Does the policy or programme to be funded with the earmark have broad-based support and commitment from politicians, policy-makers and the public?
- Were finance authorities part of the discussions from an early stage?

### Definition of the expenditure purpose
- Is the policy or programme to be funded with the earmark defined narrowly enough for the earmark to be enforced and broadly enough to be flexible?
- Does the expenditure purpose help advance certain health sector priorities without detracting from others?

### Alternative revenue sources
- Can revenue needs for the policy or programme be met through the existing budget process?
- Have alternative sources been explored for their revenue-raising potential?

### Impact on health sector efficiency and equity
- Will the earmark improve or inhibit the government’s ability to manage health expenditure, including implementing strategic purchasing approaches?
- Will the earmark facilitate pooling of health funds or introduce fragmentation and limit the ability to pool health funds across sources, leading to equity concerns?

### Spending flexibility
- Are mechanisms in place to ensure efficient spending of earmarked revenues?
- Can earmarked revenues be spent flexibly within the expenditure purpose, or are restrictions in place related to line-item budgets or other PFM rules?
- Can unspent earmarked revenues be carried forward into the next fiscal year?

### Time horizon
- Will the earmark be temporary or permanent?
- If the earmark is intended to be temporary, will it come with a “sunset clause,” mandatory periodic reviews or a transition plan?
- Will the revenue source be sustainable relative to the intended expenditure purpose?

### Revenue–expenditure link
- Does the policy or programme to be funded with the earmark have sufficiently diversified revenue sources so it will not completely depend on the earmarked revenue?
- Will a release valve or contingency option be put in place to reallocate earmarked funds if other urgent needs or priorities arise?
- Are expenditure management mechanisms in place to prevent overspending?

### Fiscal and public financial management (PFM) impact
- Will the earmark improve or impede the efficiency of budget allocations?
- Will the earmark mitigate or exacerbate distortions or inefficiencies in the underlying revenue source?
- Will the earmark mitigate or exacerbate the equity impacts of the underlying revenue source?
- Have simulations and scenario testing been done to analyse:
  - impact on the health sector budget
  - impact on the total government budget
  - broader fiscal, economic and social impact
- Will the above analyses be updated periodically?

### Managing earmarked funds
- Will the funds flow through the treasury or a consolidated fund into an extrabudgetary fund, or will they go directly to an implementing agency?
- Will the institution that spends the earmarked revenues be prepared for the inflow of funds?
- Will a reserve fund or contingency fund be created to manage revenues in excess of expenditure needs?

### Accountability
- Have assessments been conducted at all levels of the system to ensure sufficient capacity to manage and monitor the flow of earmarked funds?
- Can earmarked revenues be accounted for at every step, from collection to expenditure?
- How will the institution that spends the earmarked revenues be accountable for results or outcomes?