



Increasing Investments in Health Outcomes for the Poor

Second Consultation on Macroeconomics and Health

October 2003

Macroeconomics and Health in Context: Background Summary for Participants



World Health Organization

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1. Introduction

The challenge of positioning health central to development

Health is a prerequisite to having an enjoyable and productive life. Effective interventions and preventive measures to reduce mortality are available today. Societies that have been able to adequately provide these interventions have significantly higher average life expectancies than those who have not. Due to financial constraints and institutional and organisational weaknesses in the health systems, least developed countries and other low income countries have had a particularly difficult time in scaling-up such measures. Though the benefits of good health are shared by all sectors, the onus of increasing access to health care falls to the health sector. The health sector in most countries attempts to develop strategies that combine long-term and short-term goals for health. Experience informs us that placing health in the development agenda requires an integration of successful disease-specific initiatives with system support, maintenance of a broad range of partnerships, and long-term policy reform, across sectors. In most developing countries, however, these linkages between health and poverty have not been fully appreciated and, therefore, health has not been adequately inserted into poverty reduction strategies.

In addition expanding the availability of important preventive and treatment measures, countries are currently faced with the need for a coherent strategy to coordinate health priorities with the numerous development initiatives and health financing mechanisms, including Poverty Reduction Strategy Papers (PRSPs), Heavily Indebted Poor Countries (HIPC) initiatives, Global Alliance for Vaccines and Immunisations (GAVI), and Global Fund for AIDS, TB and Malaria (GFATM). The effective integration of health and health-related investments into these processes is needed for reaching Millennium Development Goals (MDGs) and national health objectives.

The commitment

Governments and the international community have this most important responsibility of protecting the right to health, especially among the poor. By adopting the health-related Millennium Development Goals, countries have expressed the commitment to do this. Thus health outcomes have begun to be recognized as highly relevant to reduce poverty. We know that we can prevent the vast majority of diseases affecting the poor. We know ill health is pushing the poor deeper into poverty and that health must be part of the strategy to reduce poverty. Now, countries want to move forward and are looking for an effective strategy for the better use of resources for health, recognizing the local challenges and conditions that are perpetuating disease and poverty.

In the past, declarations of high-level political commitment have failed to result in concrete actions. For example, in the Abuja Declaration (27 April 2001), African heads of state committed to allocate at least 15% of their annual budget to the health sector. The countries are not on track to meet this goal. To be successful, political and policy leaders must commit to pro-poor health reform, to scale-up effective and cost-effective interventions and to increase the capacity of health and health-related sectors to efficiently utilize additional investments.

The gap

Developing countries and development partners have not converted commitment to invest more in health into sustained, coordinated actions. The toll from preventable diseases continues to be staggering and the poor and marginalized are disproportionately affected. The key constraints to reach the poor are well known. To reduce financial constraints, investments in health of the poor must be scaled-up significantly as calculated by the Commission on Macroeconomics and Health (CMH), increasing both national and foreign financing. Least developed countries are more dependant on external investments when compared to middle income countries. The latter should be mostly focused on prioritizing interventions and improving efficiency.

Removing financial constraints will not be sufficient. Health systems have numerous obstacles to the scaling up of interventions. The so-called absorption capacity of the health sector is underlying the need of improve management of the health delivery system, especially deployment of human resources.

2. Mobilizing coordinated actions

Through the efforts of governments and health partners, there have been well-documented successes in categorical programs in certain parts of the world, such as polio eradication and TB control. In the last five years, important partnerships for disease specific programmes have formed, such as the Global Alliance for Vaccines and Immunization (GAVI), Stop TB, Roll Back Malaria and the Global Fund for AIDS, TB and Malaria.

Control of other diseases, however, continues to be elusive even with increased political and financial commitment. Recently, the United Nations community acknowledged the failure of adequate global provision of anti-retroviral treatment of HIV/AIDS and called for more money and political will to ensure that 3 million HIV-positive people in the developing world have access to anti-retroviral medications by 2005. In other countries, non-communicable diseases have become the most important cause of preventable mortality.

3. The macroeconomics and health process

About 40 countries have begun the follow-up work to the CMH report, guided by the overarching objectives of achieving better health for the poor, increasing investments in health overall, and progressively eliminating non-financial constraints. Countries are driving the process. Recognising the diversity of health, economic, and social situations, placing health in macroeconomics context must accommodate the health priorities, opportunities and obstacles unique to each country. Specifically, governments must

assess their health priorities and evaluate the cost of providing necessary interventions to the poor, in light of the financing mechanisms available internally and externally and the constraints experienced within the institutions.

The work demands a multi-sectoral approach. The implementation of any reform must take into account the cross-sectoral interaction of risk factors for disease. Without the complementary improvement of other sectors such as education, water and sanitation, and environment, countries will be unable to optimize investments in health or achieve national health objectives.

Political commitment to action

What is known is that political commitment must originate from the highest levels of government. At the national level, a *health compact* reflects the strong support of the Ministries of Finance and Planning, along with the Ministry of Health, civil society, donors, development partners, private sector, NGOs and others for the insertion of health investments into the national macroeconomic agenda. The pact would put into motion the super-sectoral oversight of pro-poor policy reforms and allow input and discussion by all stakeholders. In some countries attending this consultation, a National Commission on Macroeconomics and Health has been created to exercise the political oversight of the process. In others, different mechanisms have been identified. Still other countries have expressed the willingness to start analytical studies to better understand the level of financial commitment and the type of reforms necessary for a successful process.

Countries need to take inventory of the ongoing mechanisms and funding initiatives to which investments in the health or health-related sectors can be linked. This includes functioning sectorwide processes such as multi-year national health plans that are periodically updated and budgeted and poverty reduction processes such as PRSPs and Heavily Indebted Poor Countries (HIPC) initiatives, for insertion of increased and more efficient spending on essential health or health-related services.

To move forward countries in collaboration with global partners will have to:

- Analyse country health, social, and development situation, establish national goals based on this analysis and generate strategic options for the allocation of internal resources and increasing the effectiveness of health care delivery at the local level
- Develop a sequenced approach to identifying and addressing institutional and organizational obstacles to efficiently utilizing resources and to the widespread provision of essential health interventions to the poor.
- Ensure accountability and transparency by developing a mechanism of monitoring inputs and outcomes so that management decisions can be effectively made at the local and central levels.

4. The 2nd Consultation on Macroeconomics and Health

This Consultation will provide the unique forum joining together high-level health, finance, and planning decision-makers to work towards a health compact, setting in motion the strategic policy and technical actions that will be needed across sectors. This process will be supported and facilitated by WHO at the country and regional levels

and will require broad coordination among development partners and all stakeholders that are committed to improving the lives of the poor.

During the Consultation, countries will continue and build upon the work that they had begun at the 1st Consultation on National Responses to the CMH report (June 2002) and at local and regional levels. This will be the first opportunity for Ministers of Health, Finance, and Planning to come together to discuss the issues and challenges with each other and with WHO, development partners, donors and others. *What are the challenges that countries face in positioning health centrally in development strategies? What types of support will the countries need in developing and implementing a long-term health investment strategy? How can WHO best collaborate at the regional and country levels?*

WHO resources at country, regional and headquarters levels can be used by the countries to link up with the technical expertise needed for carrying out situational assessments, to generate strategic options for improving the efficiency of health systems, and to identify new tools for health financing and costing of expanded services for the poor.

This is a forum in which countries can share their *experiences* in the macroeconomics and health process and the *opportunities and challenges* that they have faced in positioning health at the centre of development. Countries will *define concrete mechanisms* to set national health priorities and to specify the process towards developing a health investment plan. This process will include the identification of coordinating mechanisms that can oversee progress on planning long-term investments, sequencing pro-poor health reforms and making the necessary analyses on strategic choices, financing options and human resources. Countries will also be able to identify how WHO and other partners can coordinate their activities to support health investments in an effort to achieve MDGs.

The Consultation will commence with the assembly of three working groups which will participate in a structured discussion under three thematic foci: 1) How to Improve the Effectiveness of the Health Delivery Systems and Monitor Outcomes; 2) How to Make Health Central in the Country Macroeconomic Framework and Increase Allocation of Resources to Health; and 3) How to Increase Predictability of External Funding and Increased Co-ordination with Partners, which correspond to CMH Working Group reports 5, 3 and 6, respectively. These three foci will be carried forward and will be the foundation for the subsequent days of the consultation. The following pages provide a summary of the issues relevant to the three foci as well as potential questions to guide discussion.

5. Summary of Working Group Issues

Working Group 1: How to improve the effectiveness of the health delivery systems and monitor outcomes

Overview based on the work of CMH Working Group 5

- In a costing analysis done by WG5 for 83 countries with per capita GNP below \$1200, the spending required to ensure necessary strengthening at all levels of the health system would be 40-52 billion dollars annually by 2015.
- There are a limited number of diseases that account for most of the avoidable mortality among the poor in developing countries.
- Each country, based on their social and development situations, will have their own health priorities, which will change as countries develop economically.
- Interventions exist that are effective in treating and preventing the priority conditions but are not currently available or accessible to most of the poor. Based on health priorities, countries need to determine the range of interventions and the sequencing of expanded coverage and introduction of new interventions.
- Numerous institutional and organisational barriers exist at all levels to expanding health care access to the poor. These constraints have been placed in three broad categories including constraints on demand, constraints on delivery, and overall strategic constraints. Barriers are financial and non-financial in nature, but all prevent the efficient absorption and utilization of funds.
- Essential elements of systemic reform include a local health care delivery structure that is well-equipped and staffed with effective, motivated health workers, categorical programs to provide technical and financial resources, and effective management with a well integrated surveillance and monitoring system.
- Need development of mechanisms to monitor the effective use of resources at local and central levels

Issues for deliberation

- What tools and resources are available for collecting epidemiological data and costing expansion of coverage of priority interventions? To what extent is data able to be disaggregated by income groups so that disease impact on the poor is better described?
- What are the realistic choices on allocation of funds for improving health if the increase in additional resource mobilization is not realized? What technical support can countries expect from WHO and other partners in doing this?
- What are the most important constraints in the health system (e.g., adequately trained staff, poor management, medication supply, access to facilities, political instability, corruption, poor governance)?
 - ♦ Which constraints are susceptible to short term financial solutions?
 - ♦ Which constraints will require more long-term strategies
 - ♦ How will sequencing of reforms be determined?
- What are options for monitoring systems and what outcomes could be monitored? How will these outcomes translate into action by decision-makers at the local level?

- What resources and tools can WHO provide to assist countries in terms of surveillance, health information systems, costing tools, and in progressively implementing institutional reforms?

Working Group 2: How to make health central in the country macroeconomic framework and increase internal allocation of resources to health

Overview based on the work of CMH Working Group 3

- The CMH suggested that most countries with low levels of public health spending could raise 1-2% of GDP more for health.
- Investments in health should be geared towards attainment of specific national and global health objectives, especially for the poor, and linked to ongoing poverty reduction initiatives
- Countries need to match methods of financing to its population groups, using general budgetary revenue to fill in gaps in providing public goods and essential health care and subsidize the poor.
- A coherent strategy to integrate health care for various population groups can increase spending on health, facilitate the pooling of risks, improve quality, and achieve gains in efficiency and quality – as well as provide the framework for discussion with civil society, the medical professions, NGOs and donors.
- Current social, political and fiscal policies contribute to the inefficiencies of health sector expenditures and reallocation of funds from “unproductive expenditures”, such as revenues lost through tax concessions and investment incentives, may provide additional resources for the health sector.
- Community financing schemes could improve coverage for excluded populations, ensure ownership of health care provision, and decentralize health care responsibilities. Such schemes should be supported with training and management techniques by government, donors, and NGOs.
- Explore Public–Private partnerships as approaches to increasing access to health care. Currently, significant financing for health comes from out-of-pocket payment by poor families. Options for decreasing financial risk for the poor and increasing equity in access to health care must be explored.

Issues for deliberation

- What are the available health financing mechanisms in each country?
 - ◆ General and ear-marked taxes, Social insurance, Private insurance, Community financing, Users’ fees, etc.
- How can the financing mechanisms be reconciled with national health goals, the country’s capacity to raise additional funds, and the socioeconomic make-up of the population? How can economic policy be made more conducive to greater allocations to health?
- Acknowledging that mobilization of additional resources may be limited, what are the opportunities for achieving greater efficiency in the resources currently allocated to the health sector? What are the social, political, and economic constraints (policy and institutional) to efficient health investments? How can resources be reallocated from “unproductive expenditures” to health and health-related sectors?

- What are the options for institutional mechanisms to ensure a multi-sectoral approach to the production of health outcomes. How will this be linked to the work of development partners, private sector and NGOs? Who should be the principal advocates for health within the government and lead the development of the health investment plan?
- What are potential ongoing sectorwide initiatives that are available for insertion of increased and more efficient spending health, linked to achieving national goals and MDGs?
 - ◆ Sector Wide Approaches to Health Development (SWAPs), Periodic multi-year national health planning and budgeting, Poverty Reduction Strategy Papers (PRSPs), Heavily Indebted Poor Countries (HIPC) Initiatives, etc.
- What are the respective roles of public and private sector in financing and delivery of health care services? How can countries align the goals of the private sector to national and global health objectives?
- What are the alternate financing options for middle income countries, such as expansion health delivery outsourcing and encouraging competition by private providers?
- What role can National Health Accounts play in monitoring the health expenditures and their efficiency? How can this inform policy?

Working Group 3: How to increase predictability of external funding and coordination of partners

Overview based on the work of CMH Working Group 6

- WG6 estimated that donor assistance should increase to \$27 billion annually by 2007 and \$38 billion annually by 2015.
- The trends in development assistance to countries and where these resources have been targeted within the health system needs to be assessed.
- Donors and countries should apply more comprehensive and results-oriented approaches to development assistance, with a sharper focus on poverty reduction.
- Disease-control programmes and global health initiatives should redirect emphasis from global or regional targets to allow more flexibility in priority-setting at the country level.
- The variety of financing mechanisms can bring about inefficient, unpredictable allocation of resources, leading to the reduction of the impact of external funding
- Improved harmonization and convergence of initiatives will require partners to reform funding mechanisms and project objectives to be more responsive to local needs. Countries would benefit from the increased flexibility of targeting resources to diseases of the poor
- Effectiveness of this assistance can be limited under stringent technical and reporting requirements and can put undue pressures on limited human resources and institutional capacity. Monitoring should be based on sectoral performance.

Issues for deliberation

- What trends in the flow of development assistance have we seen over the last few years?
- How can we harmonize external partner objectives with national health priorities?

- What is the best strategy to coordinate the activities and objectives of the numerous donors and development partners at all levels? How can developing countries be assured that external assistance will be available to support a viable investment plan comprised of needed systemic reforms and domestic mobilisation of resources?
- How can we limit donor conditionalities that put undue pressures on limited human resources and institutional capacity in countries?
- What proportion of development assistance should be used for global public goods, including technical and managerial knowledge goods?
- How can country level stakeholders maintain ownership over health initiatives while ensuring accountability to donors?
- What are options to address country-level constraints to the use of donor funds such as insufficient number of or inadequately trained professional staff and managers or weak or absent monitoring and reporting systems?
- Are there examples of effective donor coordination mechanisms in countries?