WHO Pre-conference workshop
Why and how to approach UHC from a public finance perspective?

Afhea Conference, Rabat, Morocco
25 September 2016
Taking stock of fiscal space for health expansion

Findings from a WHO review
Collaborative work under the « Montreux agenda »

The presentation builds on a series of WHO outputs under development on fiscal space for health.

- A review of evidence (WHO)
- A policy use analysis (WHO)
- A retrospective data analysis (CERDI/WHO)
- A guidance note (WHO/R4D).

- WHO’s programme of work is led by Helene Barroy, Susan Sparkes and Elina Dale under the overall guidance of Joseph Kutzin and Agnes Soucat.
  www.who.int/health_financing

- Financial support from DFID and Republic of Korea.
Presentation outline

• What is fiscal space for health?
• How important is the concept for Africa?
• Review’s analytical framework
• Review’s main findings
• Conclusions.
What is fiscal space for health?

Common definition: the potential to increase public spending for health given a country’s macro-fiscal prospects.

\[
\Delta = GDP_{\text{cap}} \times \text{Exp}_{\text{GDP}} \times \text{Health}_{\text{exp}}
\]

Theoretical sources of fiscal space for health expansion:

- Positive macro-economic conditions
- Budget re-prioritization toward health
- Additional ear-marked funds
- Efficiency improving measures
- (External resources)

How important is the concept for Africa?

Public expenditure for health per capita, unweighted average, in PPP US$ (2014)

- Low level of public expenditure for health per capita in the African region

Why?

- Structural macro-fiscal constraints: 18% revenue-to-GDP ratio
- Mixed budget prioritization toward health: 10%
- Limited capacity from earmarked funds, incl. payroll contributions (≥ 50% labour informality).

Source: GHED, WHO, 2016
Review’s background

Methods:

• Systematic literature review (2000-2016): 35 studies (44 countries, predominantly from the African region)
• Interviews: 19 key informants (10 countries)

Review questions:

• What? What are the main possible sources of fiscal space for health expansion according to country projections?
• How? What can be learnt from methodological approaches used to assess fiscal space expansion?
• How useful? To what extent have analyses served to advance health financing reforms?
## Analytical framework for literature review:

<table>
<thead>
<tr>
<th>Type of analysis</th>
<th>Main indicator used</th>
<th>Expected scope of change in public expenditure for health</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Macro-fiscal conditions</strong></td>
<td>Elasticity analysis of public expenditure for health to GDP</td>
<td>Below/above 1 elasticity</td>
</tr>
<tr>
<td></td>
<td>Multi-factor quantitative assessment of change in public expenditure for health</td>
<td>Below/above 1% of GDP</td>
</tr>
<tr>
<td></td>
<td>Qualitative assessment of macro-fiscal prospects</td>
<td>Other measures of change in public expenditure for health (e.g., per capita)</td>
</tr>
<tr>
<td></td>
<td>Public expenditure for health elasticity scores</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Change in public expenditure for health (absolute terms or relative share)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Qualitative indicator (high, moderate, low)</td>
<td></td>
</tr>
<tr>
<td><strong>2. Prioritization</strong></td>
<td>Comparative analysis using benchmarks/targets</td>
<td>Below/above 5 percentage point change</td>
</tr>
<tr>
<td></td>
<td>Qualitative assessment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Difference to benchmarks/targets</td>
<td></td>
</tr>
<tr>
<td><strong>3. Earmarking</strong></td>
<td>Qualitative assessment</td>
<td>Greater/less than a 1% increase in public spending on health</td>
</tr>
<tr>
<td></td>
<td>Market and political economy assessment</td>
<td>High/low based on political/market feasibility</td>
</tr>
<tr>
<td></td>
<td>Qualitative indicator</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Market share of earmarked source of revenue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Political analysis</td>
<td></td>
</tr>
<tr>
<td><strong>4. Efficiency</strong></td>
<td>Quantitative assessment</td>
<td>Large/moderate/limited relative to current spending</td>
</tr>
<tr>
<td></td>
<td>Mixed methods</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Qualitative assessment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Magnitude of gains in per capita terms</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Savings in absolute terms or in proportion to total health expenditures</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Health outcomes relative to health spending</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Qualitative indicators</td>
<td></td>
</tr>
<tr>
<td><strong>5. External assistance</strong></td>
<td>Comparative analysis using benchmarks</td>
<td>Positive or negative percentage change in public spending for health relative to current allocations</td>
</tr>
<tr>
<td></td>
<td>Quantitative projection</td>
<td></td>
</tr>
</tbody>
</table>
Review’s main findings - concept

Studies understand and apply the concept of fiscal space for health in different ways:

- Some understand fiscal space for health as the overall projected level of funding, start with gap analysis and rely on a resource-generating approach (incl. external resources)

- Others look more through margins for further public spending efforts; therefore they focus on fiscal space for health generation, notably through budget re-prioritization

- A limited number of studies encompass both revenue and expenditure policies as possible modalities of fiscal space for health expansion, incorporating efficient use of existing resources as a possible driver.
Review’s main findings - scope of change

- There is some convergence on the main drivers of fiscal space for health expansion:
  - Positive macro-economic prospects
  - Budget reprioritization
  - Efficiency improving measures.

- Ear-marked, « innovative » mechanisms: marginal gains in comparison with other sources

- Efficiency gains are estimated to be significant, however often not fully quantified.
Fiscal space for health is an efficiency agenda in Africa

DRC 2014 study

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Public expenditure on health (% GDP)</th>
<th>Total public expenditure (% GDP)</th>
<th>Public expenditure on health (% public exp.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Scenario (2013)</td>
<td>0.7</td>
<td>12.5</td>
<td>5.3</td>
</tr>
<tr>
<td>Improved revenue collection</td>
<td>1.1</td>
<td>20.5</td>
<td>5.3</td>
</tr>
<tr>
<td>Budget re-prioritization</td>
<td>1.0</td>
<td>12.5</td>
<td>8.0</td>
</tr>
<tr>
<td>Better Effectiveness and efficiency</td>
<td>1.3</td>
<td>12.5</td>
<td>10.3</td>
</tr>
<tr>
<td>Combined Scenario</td>
<td>1.7</td>
<td>17.0</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Similar observation from Ghana study’s key recommendations:

1. Maintaining the share allocated to the health sector of any new revenue, either from economic growth or improved revenue collection.

2. Ensuring that the full amounts of commitments from all sources are transferred to the NHIF in a timely manner.

3. Optimizing the mobilization of resources within the NHIS.

4. Embarking on a serious strategy of strategic purchasing within the NHIS.

5. Addressing the operational inefficiencies within the NHIS, particularly claims processing bottlenecks.

Review’s main findings - methods

Variations and limitations in methodological approaches used to assess fiscal space for health expansion constraint relevance and applicability for policy reforms:

- Mostly focused on revenue-raising mechanisms, with limited linkages with the overall macro-fiscal constraints
- Most studies present theoretical findings based on qualitative or target-based assessments
- Often disconnected from current and multi-year macro-fiscal frameworks and budgeting process
- Most treat external and domestic sources as equal options
- Limited consideration of political economy and institutional enabling factors.
Review’s findings- study use

The actual use of fiscal space for health studies as an input to policymaking varies widely:

- No direct use for policy dialogue and policy-making
- Advocacy tool for increased resources for the sector (Chad, Ethiopia, Gabon, Uganda)
- Input into health financing reforms and strategies (DRC, Tanzania, Vietnam)
- Basis for dialogue between health and finance ministries (DRC, Ghana)

Most useful when embedded in budgeting cycle, anchored in fiscal frameworks, quantify gains and provide actionable policy recommendations.
What can we take home?

• Fiscal space for health expansion is not only about mobilizing new resources

• Using existing resources differently will also result in freeing up fiscal space for the sector

• A refined approach should be used to assess fiscal space for health in the future to better serve policy-making

• There is a need to mainstream and systematize assessments into budgeting process; to refocus analysis on expenditure-related drivers, and to take into account political and institutional enabling factors.
References


Dale E., Sparkes S., Barroy H.: *How countries have used fiscal space for health analysis?*, WHO/HIS/HGF/Tech.Report 16.7; World Health Organization, forthcoming