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Fiscal space and expenditure on health
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Feature: Fiscal space and expenditure on health

Recommended readings:

- Making fiscal space happen: managing fiscal policy in a world of scaled-up aid
- Fiscal space and sustainability: towards a solution for the health sector
- Does debt relief increase fiscal space in Zambia? The MDG implications
- Debt and conditionality: multilateral debt relief initiative and opportunities for expanding policy space

Latest additions:

- Medical tourism: subsidising health care for developed countries
- The effectiveness of a home care program for supporting caregivers of persons with dementia in developing countries: a randomised controlled trial from Goa, India
- Training of HIV/AIDS committees at local government authorities
- Can working with the private for-profit sector improve utilisation of quality health services by the poor? A systematic review of the literature
- Turnover of health professionals in the general hospitals in West Nile region

Announcements

Feature: Fiscal space and expenditure on health

Fiscal space is room in a government's budget that allows it to provide resources for a desired purpose without jeopardising the sustainability of its financial position or the stability of the economy.

Constraints on fiscal space can be generated by donors or recipients. Donors may constrain fiscal space by providing unpredictable amounts of financial aid from a fragmented group of sources that are inefficient for recipient governments to manage. Money committed for short periods of time can also hamper a country's ability to plan its future spending. In addition, conditions attached to aid, such as earmarking money to particular sectors, make it hard for a government to create fiscal space.

Constraints generated by recipients include when a government chooses between using its resources to increase national financial growth or to improve the health of its population. In addition, other sectors can compete with health for resources. It is important not to confuse a

lack of fiscal space with other blockages to scaling up health interventions. These blockages can include health system factors, such as the lack of a skilled health workforce to absorb and effectively use the investment.

There are several different ways in which a government can create such fiscal space. They can increase existing taxes; create new taxes; or make the system that administrates taxation more efficient. However, this may not be possible for countries that already have a high tax rate. Money can be saved through reduced government spending or decreasing inefficiencies in a country's financial system or existing resources can be spent in a more effective way. In addition, resources can be borrowed or grants received, either from domestic or external sources. Finally central banks can print more money which can be lent to the government, although this runs the risk of increasing inflation.

Grants, for example delivered as budget support, are preferable to other methods of increasing fiscal space because they do not come with conditions that can lead to a future reduction of fiscal space. Budget support involves donor funds being taken fully into the recipient government's planning and budget process where they are blended with domestic resources to be spent according to national priorities. However, the shift towards budget support may not necessarily result in increased public expenditure on health unless both governments and donors share a common preference for higher health spending.

With aid funds for health growing, it is important that donors and recipient governments work together to maximise the impact of these resource allocations. For budget support to be effective, it will need to be maintained over an extended period of time to allow for longer term fiscal planning. Alongside this, sector wide plans, that identify funding priorities within health and other sectors, would be valuable.

More information:

- IMF Policy Discussion Paper - Understanding Fiscal Space : www.imf.org/external/pubs/ft/pdp/2005/pdp04.pdf
- Finding Sustainable Fiscal Space for the Health Sector (IMF): www.hlfhealthmdgs.org/HLFPresentationsIII/PeterHeller.ppt
- Eldis Health Systems pages on health sector financing <http://www.eldis.org/go/topics/resource-guides/health-systems/health-sector-financing>

Recommended readings

1. Making fiscal space happen: managing fiscal policy in a world of scaled-up aid

Authors: P.S. Heller; M. Katz; X. Debrun; T. Thomas; T. Koranchelian; I. Adenauer

Publisher: International Monetary Fund , 2006

The G8 countries have committed to double aid flows to developing countries by 2010. Although these funds offer great opportunities to recipient countries, aid inflows of such magnitude pose significant macroeconomic challenges to low income countries (LIC). This paper considers how LICs should manage fiscal policy in a scaled-up aid environment.

The authors highlight several approaches to strengthening fiscal policy management in the context of increased aid inflows; these include self-insurance, assessing short-term financing risks, risk pooling, self-protection and fiscal credibility.

The adoption of such fiscal policies depends on a country's capacity for implementation. If donors and countries are to facilitate the implementation of a higher level of aid-financed spending programmes the following institutional changes are needed:

- a strengthening of donor efforts in LICs
- efforts by recipient countries to facilitate donor coordination and strengthen aid management
- a medium-term perspective on the fiscal framework
- a strengthening of the institutional mechanisms for monetary and fiscal policy coordination
- development of a capacity for independent audits of the fiscal policy framework

Available online at: <http://www.eldis.org/go/topics/resource-guides/health-systems&id=24381&type=Document>

2. Fiscal space and sustainability: towards a solution for the health sector

Authors: ; High-level Forum on the Health MDGs

Publisher: High-Level Forum on the Health Millennium Development Goals (MDGs), 2005

Donor commitments to individual countries remain short-term and highly conditional and do not come close to reflecting the global promises of increased aid, while donor disbursement performance remains volatile and unreliable. This paper discusses options for addressing aid commitment, aid predictability, and budget management issues that are critical to tackling this problem.

It examines:

- What can be done to encourage governments to reflect donor promises of increased aid in their expenditure plans?
- How can longer-term commitments be reconciled with aid effectiveness?
- Should external aid support the government plan?
- How can the costs of aid volatility be reduced?
- How can countries insure against donor non-performance?

The paper details options for addressing these issues, and their benefits, constraints and disadvantages. For instance, in response to how countries can reduce the costs of aid volatility which disrupts the implementation of expenditure programmes, the paper suggests possible solutions including: improve aid monitoring; improve government absorptive capacity through capacity building, decentralised management, public expenditure management reforms; and donors use simpler, harmonised procedures to deliver aid based on those used by national governments

Available online at: <http://www.eldis.org/go/topics/resource-guides/health-systems&id=35800&type=Document>

3. Does debt relief increase fiscal space in Zambia? The MDG implications

Authors: J. Weeks; T. McKinley

Publisher: UNDP International Poverty Centre , 2006

This country study from the UNDP's International Poverty Centre examines fiscal policy in Zambia, particularly how expenditure and taxation could be used to accelerate growth and reduce poverty. Drawing on results from a national study, the paper finds that:

- The Zambian government has little opportunity to choose its own fiscal policies, and is restricted by an array of external conditionalities
- HIPC debt relief will result in less fiscal space, rather than more
- projected G8 debt relief will only marginally expand fiscal space
- under the assumption of moderate economic growth, additional financing equivalent to 8.8% of GDP would be needed to expand government expenditures so as to reach the MDGs.

The authors recommend:

- a diversified strategy of increasing tax revenue, expanding the fiscal deficit and obtaining more ODA to finance these expenditures
- core elements of an expansionary macro framework, to accommodate slightly higher inflation rates, to foster lower real rates of interest rates and to entail purposeful management of the exchange rate.

Available online at: <http://www.eldis.org/go/topics/resource-guides/health-systems&id=24290&type=Document>

4. Debt and conditionality: multilateral debt relief initiative and opportunities for expanding policy space

Authors: C. Tan

Publisher: Third World Network , 2007

Following the G8 meeting at Gleneagles in 2005, the Multilateral Debt Relief Initiative (MDRI) was introduced, aiming to cancel 100 percent of eligible debt stock owed by eligible countries to international financial institutions. This paper examines the key aspects of the MDRI and considers the opportunities this framework creates for indebted countries to expand their policy space.

The paper argues that one of the significant constraints on national policy space in developing countries over the past two decades has been the impact of the debt overhang in these countries. These restrictions on national policy space have been exacerbated by conditional debt relief operations, notably under the Highly Indebted Poor Countries Initiative (HIPC), and conditions attached to debt rescheduling, such as those undertaken by the Paris Club creditors. The paper finds that this conditionality has continued under the MDRI, where there has been no real expansion of policy space nor reduction in the conditionalities attached to stabilisation or adjustment programmes.

Despite these conditions of debt relief, the paper argues that post-debt countries enjoy more policy space in several ways:

- debt relief frees up fiscal space previously occupied by debt service, as more resources are now available to the government budget to fund economic growth and poverty reduction
- the expanded policy space which accompanies debt relief can facilitate greater government autonomy on how those resources can be utilised
- without the constraints of a structural adjustment programme, governments will enjoy more freedom to choose from various options in their macroeconomic policy, social policies, and medium- and longer-term development policies and strategies
- governments will now have more freedom to choose from a wider range of financing options for project and national development plans from a variety of different sources

The paper concludes that the developing countries should take advantage of this increased policy space and seek alternative financing options which do not impose economic conditionality.

Available online at: <http://www.eldis.org/go/topics/resource-guides/health-systems&id=34228&type=Document>

Latest additions from the Health systems resource guide

1. Medical tourism: subsidising health care for developed countries

Authors: N. M. Vijay

Publisher: Third World Network , 2007

This article, produced by the Third World Network, looks at the impact of medical tourism in India. In this instance, medical tourism refers to the practice where people from rich nations travel to poorer countries to obtain medical care. The article focuses on the impact of medical tourism on local people's access to health care. It argues that due to the medical tourism boom, private hospitals are expanding and demand more human resources. Qualified medical professionals from the public sector and small towns or hospitals are attracted to urban health centres, and this means that there are fewer available to care for local populations living in rural areas.

The paper also highlights other problems that are exacerbated by medical tourism. For

instance a lack of proper medical waste management systems and accountability of private hospitals has resulted in medical waste being dumped into rivers or seas. The article concludes that India should not promote medical tourism and the government should focus its efforts on ensuring that the basic health care needs of all of its citizens are met.

Available online at: <http://www.eldis.org/go/topics/resource-guides/health-systems&id=38009&type=Document>

2. The effectiveness of a home care program for supporting caregivers of persons with dementia in developing countries: a randomised controlled trial from Goa, India

Authors: A. Dias; M.E. Dewey; J. D'Souza

Publisher: Public Library of Science Medicine , 2008

This paper presents the results of a trial evaluating the effectiveness of a community based intervention for persons with dementia and their caregivers. The study was conducted in Goa, on the west coast of India, and aimed to develop and evaluate the effectiveness of a home based intervention in reducing caregiver burden, promoting caregiver mental health and reducing behavioural problems in elderly persons with dementia.

Information about dementia was widely disseminated through handouts, newspaper articles and through private and public health services. Concerned relatives and older people were urged to contact a special help line. Probable cases of dementia were also identified with the help of key informants (doctors, priests, health workers, local leaders). All probable cases were examined by a trained clinician to confirm the diagnosis of dementia. The principal caregiver, as identified by the family, was enrolled for the trial. The principal caregiver was generally the spouse, although in some instances another family member was the principal caregiver, particularly when the spouse was not in a position to care.

Available online at: <http://www.eldis.org/go/topics/resource-guides/health-systems&id=37783&type=Document>

3. Training of HIV/AIDS committees at local government authorities

Publisher: Tanzania Commission for AIDS, 2007

Tanzania is one of the countries hardest hit by the HIV/AIDS epidemic. The Tanzania Commission for AIDS was established as part of the government response to the HIV epidemic. This manual is part of the Tanzania Commission for AIDS strategic plan to coordinate and strengthen the efforts of stakeholders involved in the fight against HIV/AIDS. It is intended as a training manual for local government authorities.

Step –by-step instructions are provided including background information; methodology; activities; training materials and assessment. Modules look at:

1. Advocacy
2. Basic facts, prevention and control of HIV/AIDS
3. Socio-cultural factors and concepts
4. Team building, leadership and partnership
5. Resource management
6. Participatory HIV/AIDS planning
7. Participatory monitoring and evaluation
8. Proposal writing and assessment
9. Report writing skills
10. Communication and facilitation

Available online at: <http://www.eldis.org/go/topics/resource-guides/health-systems&id=37615&type=Document>

4. Can working with the private for-profit sector improve utilisation of quality health services by the poor? A systematic review of the literature

Authors: E. Patouillard; C. A. Goodman; K. G. Hanson; A. J. Mills

Publisher: International Journal for Equity in Health, 2007

This paper published in the International Journal for Equity in Health reviews the literature on the effectiveness of interventions that involve working with private for-profit providers to expand access to quality health services for poor and disadvantaged populations. Interventions include social marketing, use of vouchers, pre-packaging of drugs, franchising, training, regulation and contracting-out health services.

The paper finds few studies that provide evidence on the impact of private sector interventions on quality and/or utilisation of care by the poor. The data indicate that poor people make significant use of the private sector to access health services but the quality of services they receive is at best variable. It is, however, evident that many interventions have worked successfully in poor communities. The authors conclude that better evidence of the equity impact of interventions working with the private sector is needed for more robust conclusions to be drawn.

Available online at: <http://www.eldis.org/go/topics/resource-guides/health-systems&id=36996&type=Document>

5. Turnover of health professionals in the general hospitals in West Nile region

Authors: O. Paul

Publisher: Health Policy and Development Journal, 2008

This paper, published in Health Policy and Development journal, compares the attrition rates of health professionals in three private not-for-profit and three government general hospitals in West Nile Region, Uganda, between 1999 and 2004. It also examines the destination to which the health professionals were lost, the reasons for their leaving and the source of new staff.

The paper finds that the annual attrition rate of health professionals are high especially in private hospitals. The most frequent reasons for attrition are poor conditions of service, low pay and poor relationships between the staff and the managers. Most replacements come from training institutions, which impacts on the quality of services in terms of the skills needed for service delivery.

The paper offers recommendations to the Ministry of Health. These include to:

- offer well managed additional monetary incentives to health workers service in the rural areas
- put more funds into the health sector in order to fill in staffing gaps
- invest funds in training of health service managers for better management of health service.

Available online at: <http://www.eldis.org/go/topics/resource-guides/health-systems&id=36839&type=Document>

See the complete list of latest additions at: www.eldis.org/healthsystems

Announcements

Conference: 16th Cochrane Colloquium - evidence in the era of globalisation, 3 - 7 October 2008, Freiburg, Germany

The Cochrane Colloquium 2008 will provide an opportunity to interact with central players active in evidence-based health care, global knowledge management and systematic reviews. Participants will be able to catch up on current international developments and perspectives and attend workshops to delve further into individual topics.

The delegate registration fee is 800 Euros.

For more information about the conference programme and how to register, please use the full details link: <http://www.eldis.org/go/topics/resource-guides/health/health-events-and-announcements&id=38279&type=Item>

Conference: HIA08 - 9th International Health Impact Assessment Conference 'Health Impact Assessment and Sustainable Well-being', 9-10 October 2008, Liverpool Marriott City Centre Hotel, UK

This conference, organised by IMPACT at the University of Liverpool, will provide an international forum to debate and discuss a wide range of perspectives in Health Impact Assessment and to explore the role of HIA across a range of sectors. It will:

- provide practical opportunities to increase knowledge and understanding of HIA
- showcase HIA work being undertaken in the UK and Ireland and internationally

- consider and demonstrate the evidence for the effectiveness of HIA
- provide opportunities to network with international delegates and speakers.

Conference themes will include:

- HIA and sustainable well-being
- Well-being impact assessment
- Spirituality in HIA
- Strategic environmental assessment
- Healthy urban planning
- Quantification in HIA
- HIA methodology
- Capacity building and quality assurance
- Looking forward to the future

The pre-conference training workshops will be held on 8 October at Blackburne House Conference Centre in Liverpool. These are only open to delegates attending the conference and the cost is included in the delegate registration fee, which is £210. The workshops will include:

- Basic training in HIA
- Mental well-being impact assessment
- Quantification of health impacts in HIA

For more information regarding the conference programme, who should attend and how to register online, please follow the full details link: <http://www.eldis.org/go/topics/resource-guides/health/health-events-and-announcements&id=38250&type=Item>

See the complete list of announcements at: <http://www.eldis.org/go/topics/resource-guides/health/health-events-and-announcements>

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The IDS Health and Development Information team promotes health and equity in developing countries through the provision of high quality, accessible information to policymakers and practitioners. IDS Health and Development Information currently has three flagship products:

- Health Resource Guide - <http://www.eldis.org/health/index.htm>
- Health Systems Resource Guide - <http://www.eldis.org/healthsystems/index.htm>
- HIV and AIDS Resource Guide - <http://www.eldis.org/go/topics/resource-guides/hiv-and-aids>

The HRC provides access to technical assistance and information for the Department for International Development (DFID UK), and its partners, in support of pro-poor health

policies as well as health systems, service delivery and public health topics and programmes.

Eldis currently includes descriptions and links to over 4,500 organisations and over 22,000 full-text online documents covering development and environmental issues. It can be searched or browsed free over the Internet.

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Contact details:

Matt Jones
IDS Health Development Information Team
Institute of Development Studies, Sussex
Brighton BN1 9RE, UK

Email: m.jones@ids.ac.uk

Tel: 44 1273 877 540

Fax: 44 1273 621202