GFF Country Workshop,
January 28 – February
1, 2018

Domestic Resource Mobilization

How the GFF drives results

Country ownership and leadership

1. **Prioritizing**

- Identifying priority investments to achieve RMNCAH outcomes
- Identifying priority health financing reforms

2. **Coordinated**

- Coordinated implementation
- Reforming financing systems:
  - Complementary financing
  - Efficiency
  - Domestic resources
  - Private sector resources

3. **Learning**

- Strengthening systems to track progress, learn, and course-correct

financing and implementing

Accelerate progress now on the health and wellbeing of women, children, and adolescents

Drive longer-term, transformational changes to health systems, particularly on financing

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Results

- Better sustainable RMNCAH-N outcomes
  - Strengthening systems to sustain RMNCAH-N outcomes
- Increased value-for-money and total volume of financing from:
  - Domestic resources
  - Financing from IDA and IBRD
  - External Financing
  - Private sector resources
- Impoverishment prevented in case of illness

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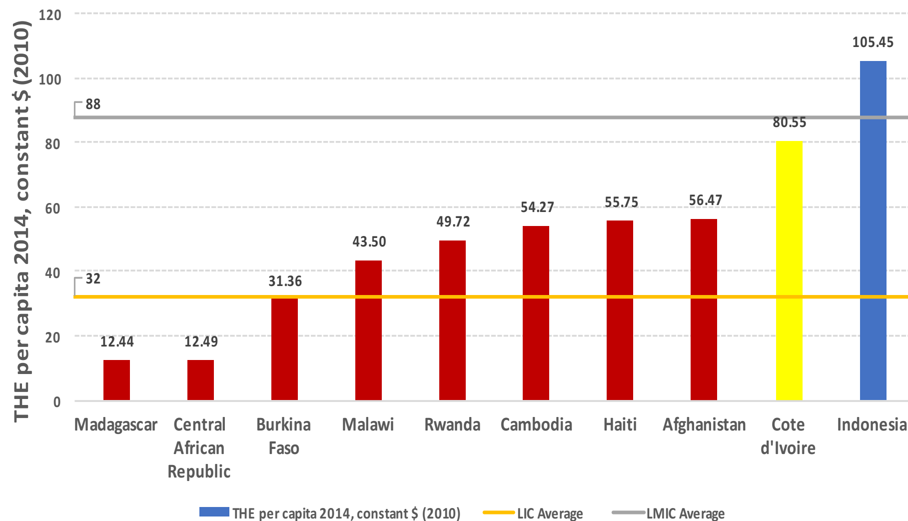
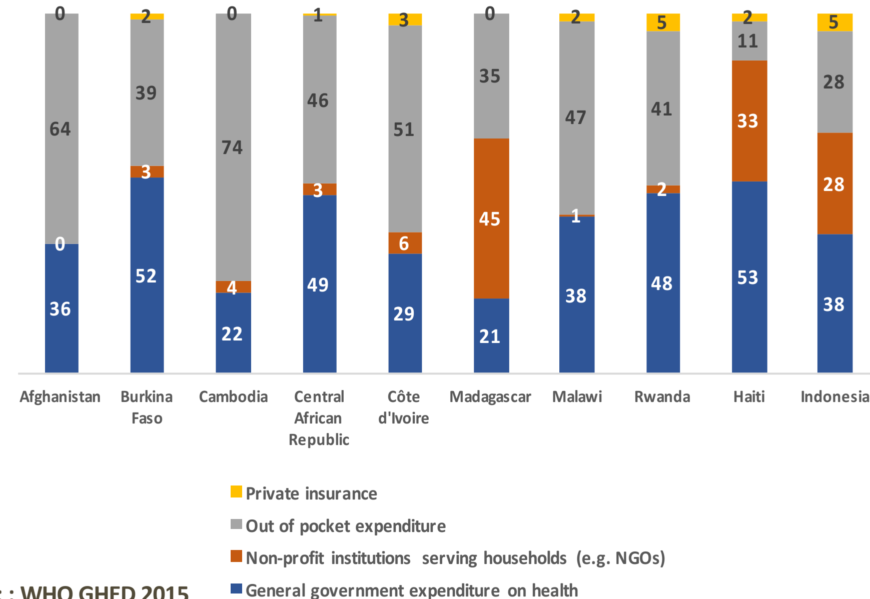
Importance of Domestic Resource Mobilization (DRM)

- Health expenditure per capita is still too low to ensure universal coverage with a core package of needed health services, including RNMCAH – N services
  - McIntryre and Meheus estimated $89 per capita needed in 2014

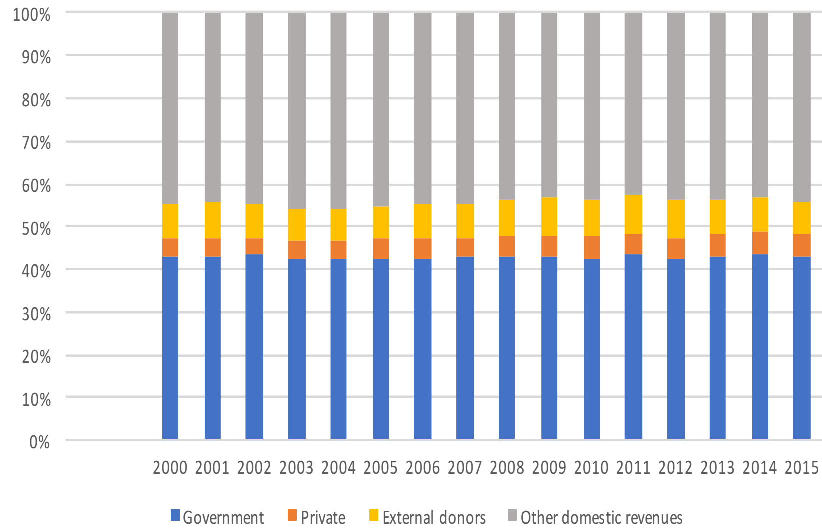


Source: WHO GHED 2015

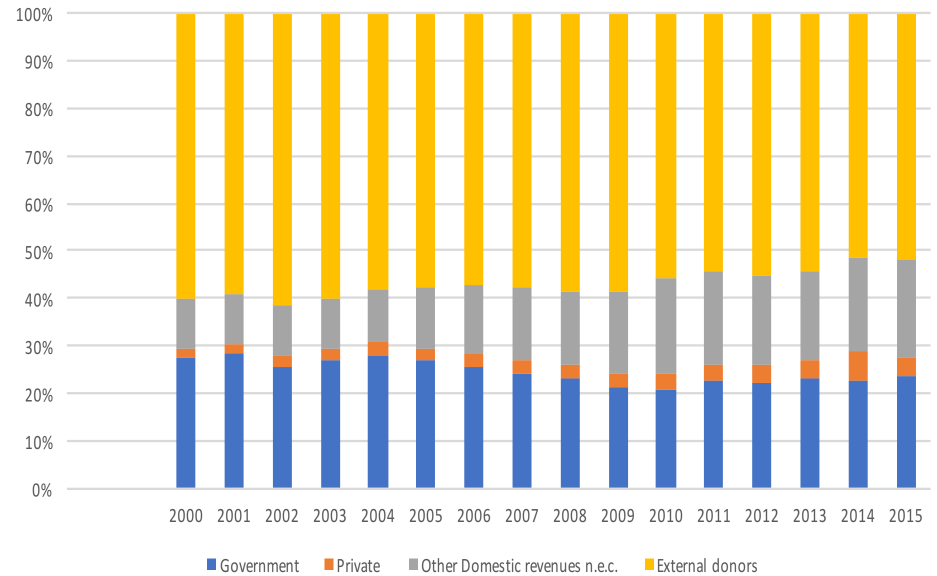


Source: : WHO GHED 2015

DAH constitute a small part of total health expenditure overall, although it varies across countries: lower income countries tend to have a large share



Source: WHO GHED (2017)



Source: WHO GHED (2017)

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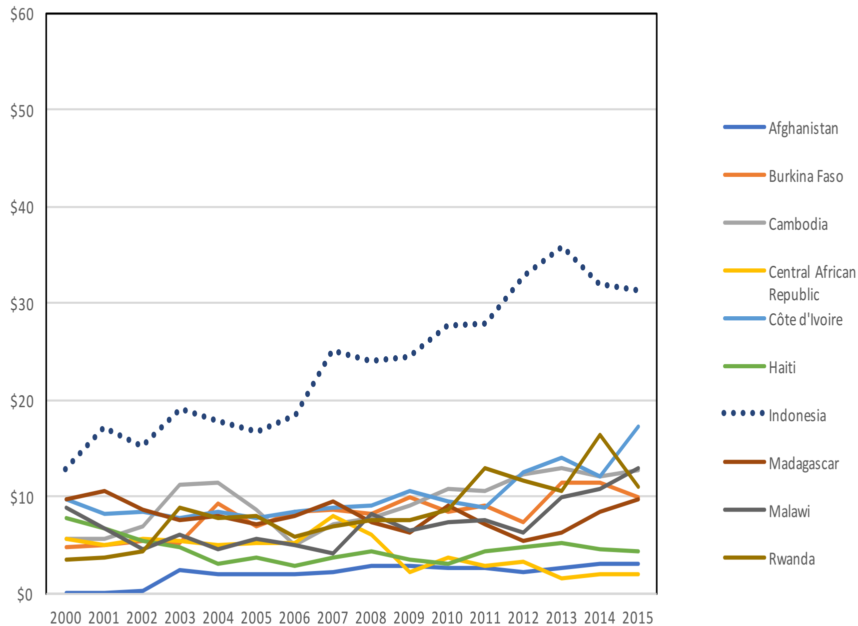
Domestic resources tend to be more predictable, less volatile than external aid, and promotes debt sustainability



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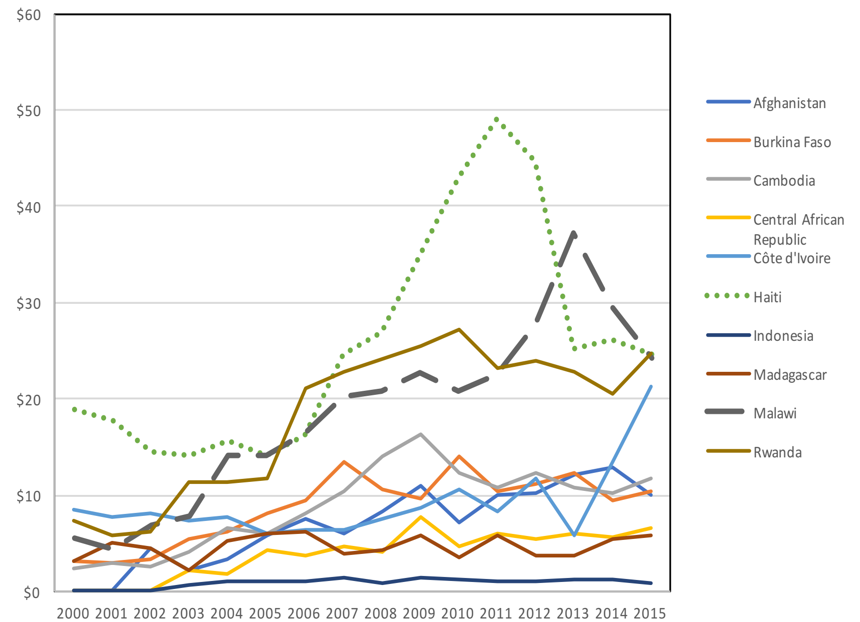

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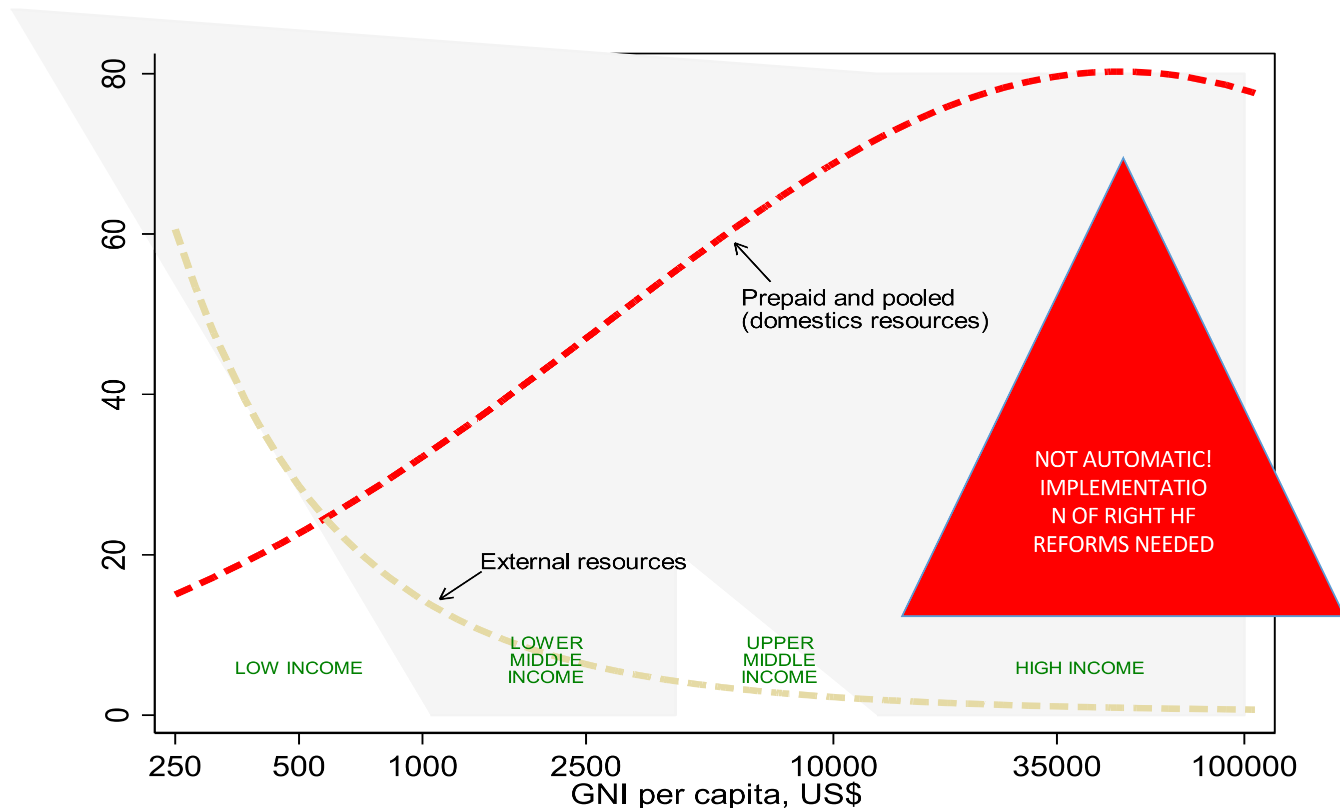
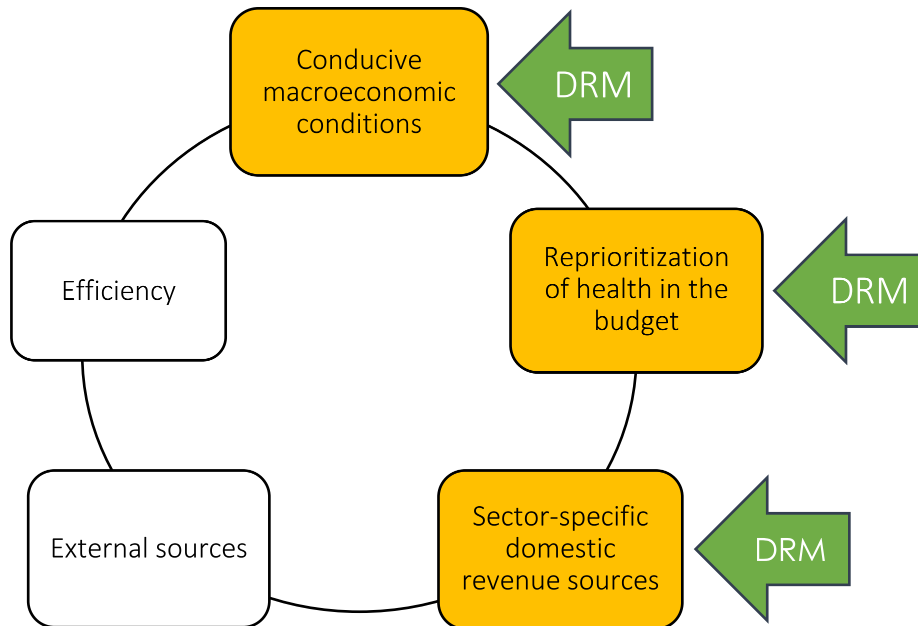
- As countries grow, the composition of finance changes with a shift away from DAH and out-of-pocket to domestic, prepaid and pooled financing



II. DRM an Important part of Fiscal Space for Health

the following slides are from Ajay Tandon et al. from JLN DRM collaborative

DRM is part of the 5 pillars of fiscal space for health



- Fiscal Space "…room in a government´s budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy."
  [Heller (IMF, 2005)]

- Domestic resource mobilization (DRM) refers to public financing from domestic resources.

- DRM is a sub-component of fiscal space.

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Mathematics of Public Spending on Health

GDP
per
Capita

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Mathematics of Public Spending on Health

Public Expenditure Share of GDP x GDP per Capita

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Mathematics of Public Spending on Health

Health Share of Public Expenditure x Public Expenditure Share of GDP x GDP per Capita

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Mathematics of Public Spending on Health

Health Share of Public Expenditure	x	Public Expenditure Share of GDP	x	GDP per Capita	=	Public Expenditure on Health per Capita

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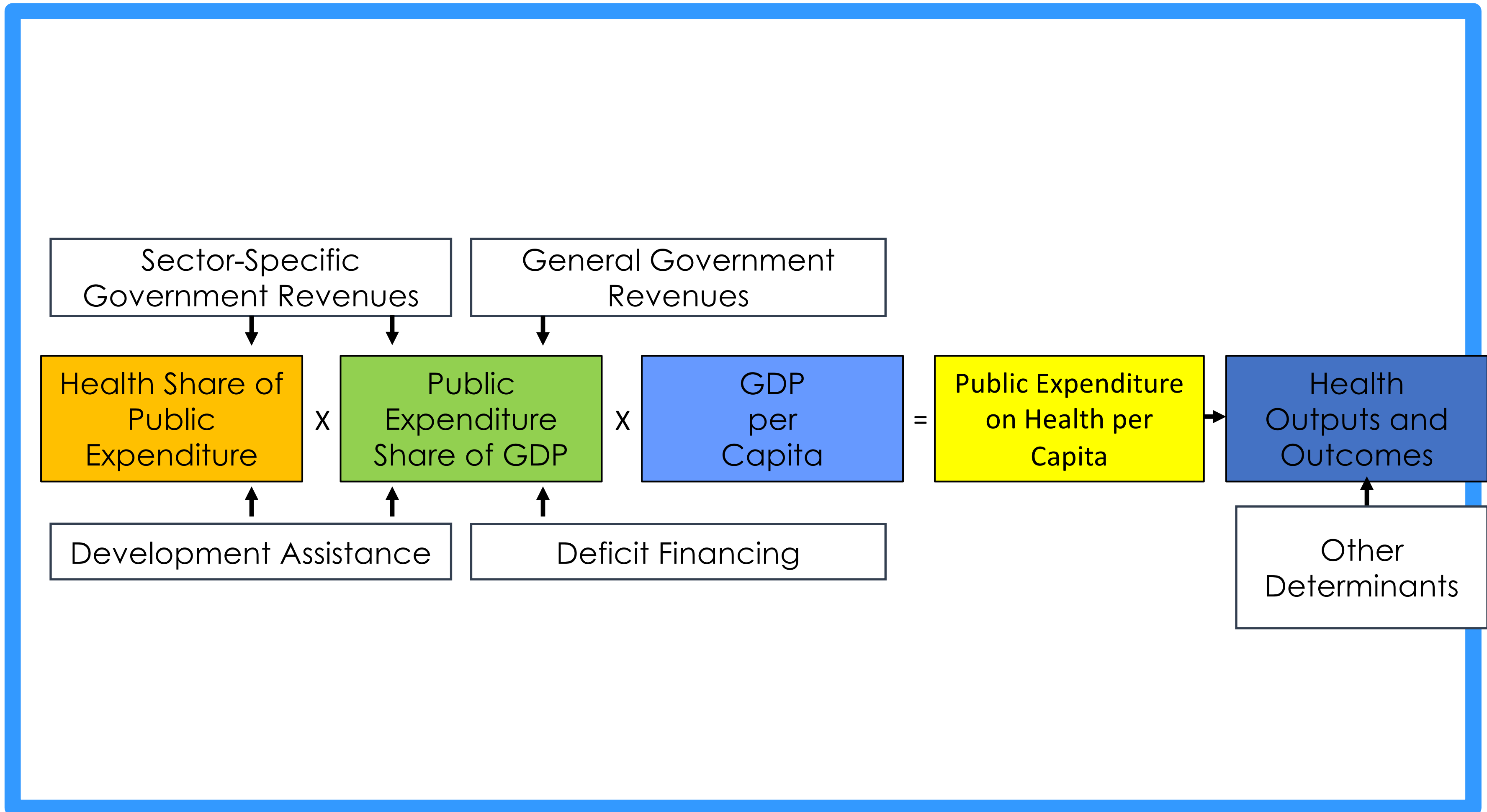
Mathematics of Public Spending on Health



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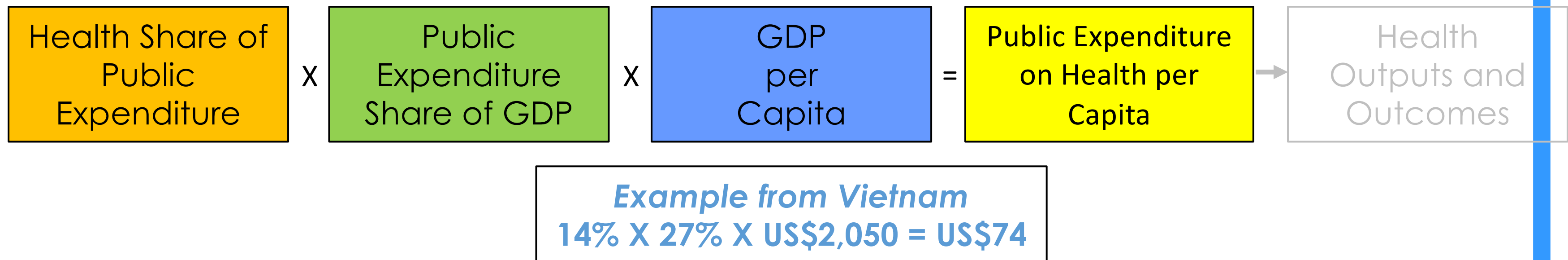
Mathematics of Public Spending on Health



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I. Conducive Macroeconomic Conditions

- Sustained Economic Growth
- Increases in General Government Expenditure
  - New Taxes and Revenue Sources
  - Increasing the revenue base of these taxes
  - Improving the effectiveness of tax collection

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Conducive Macroeconomic Conditions

Example from Vietnam

14% X 27% X US$2,050 = US$74

14% X 27% X US$4,000 = US$151

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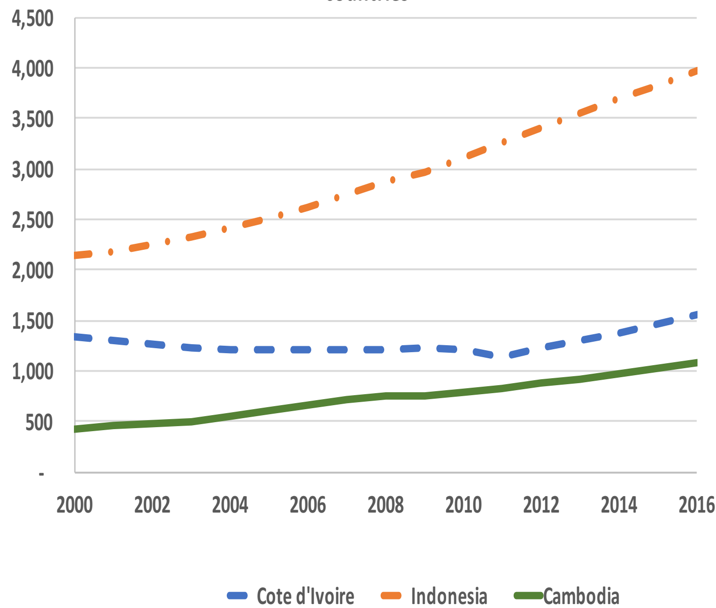
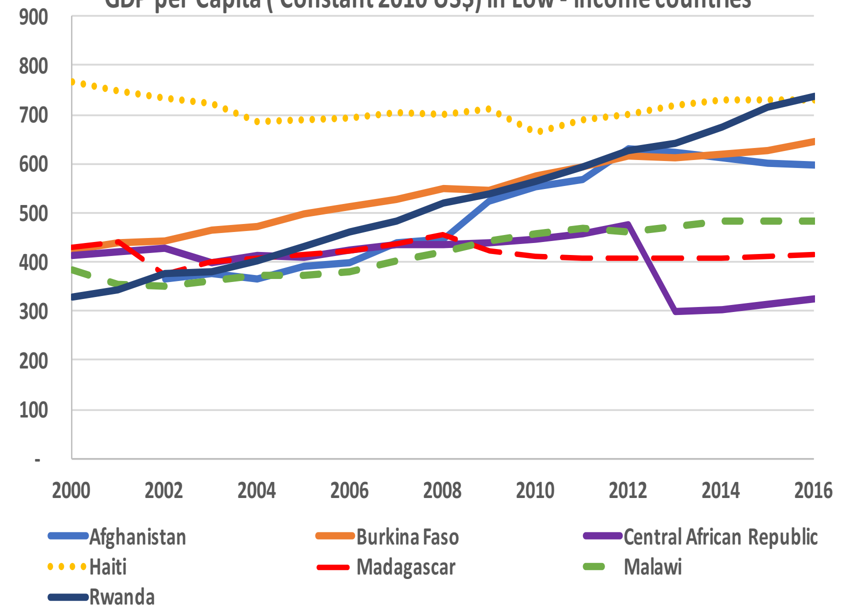
GDP Per Capita, 1995-2015



Source: WDI 2017



Source: WDI 2017

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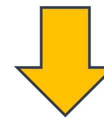
General Government Revenues

- "Direct" taxes (generally more progressive)
  - Personal income taxes.
  - Corporate taxes.
  - Property/wealth taxes.
- "Indirect" taxes (generally less progressive)
  - Sales/excise taxes.
  - Value-added taxes.
  - Import/export taxes.
- Other sources of government revenue
  - Natural resources.
  - Grants (e.g., foreign aid).
  - Public enterprises.



Income classification	Total revenue	Direct taxes	Indirect taxes	Grants
Low income	21%	7%	9%	4%
Lower middle income	30%	9%	12%	2%
Upper middle income	32%	10%	12%	2%
High income	39%	19%	12%	0.2%

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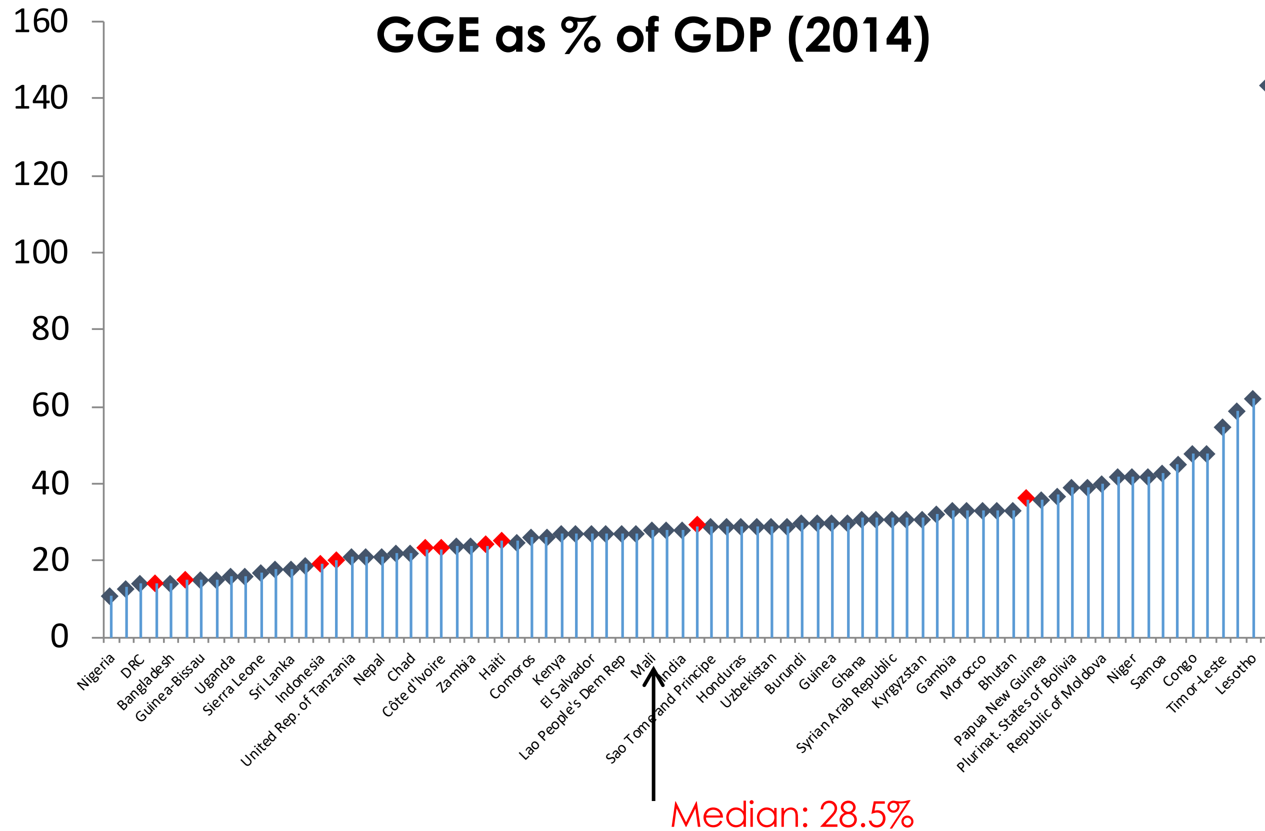
Government expenditure as a share of GDP



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Conducive Macroeconomic Conditions

Example from Vietnam
14% X 27% X US$2,050 = US$74
14% X 27% X US$4,000 = US$151
14% X 35% X US$4,000 = US$196

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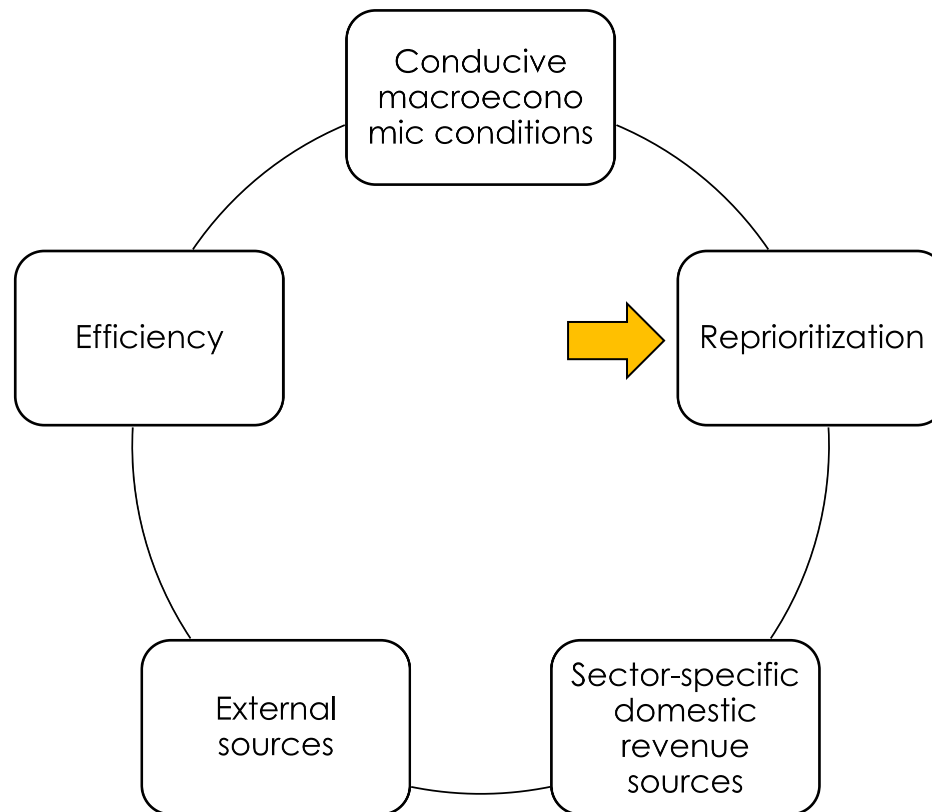
Five Pillars of Fiscal Space for Health



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- Increasing the share of government expenditures on health -- often a key signal of overall government commitment to health – can be key for fiscal space.
- Pits health against competing priorities: e.g., other sectors such as education, infrastructure, agriculture, etc.
- Key challenge being that health is often perceived by ministries of finance/planning as being inefficient and non-productive.

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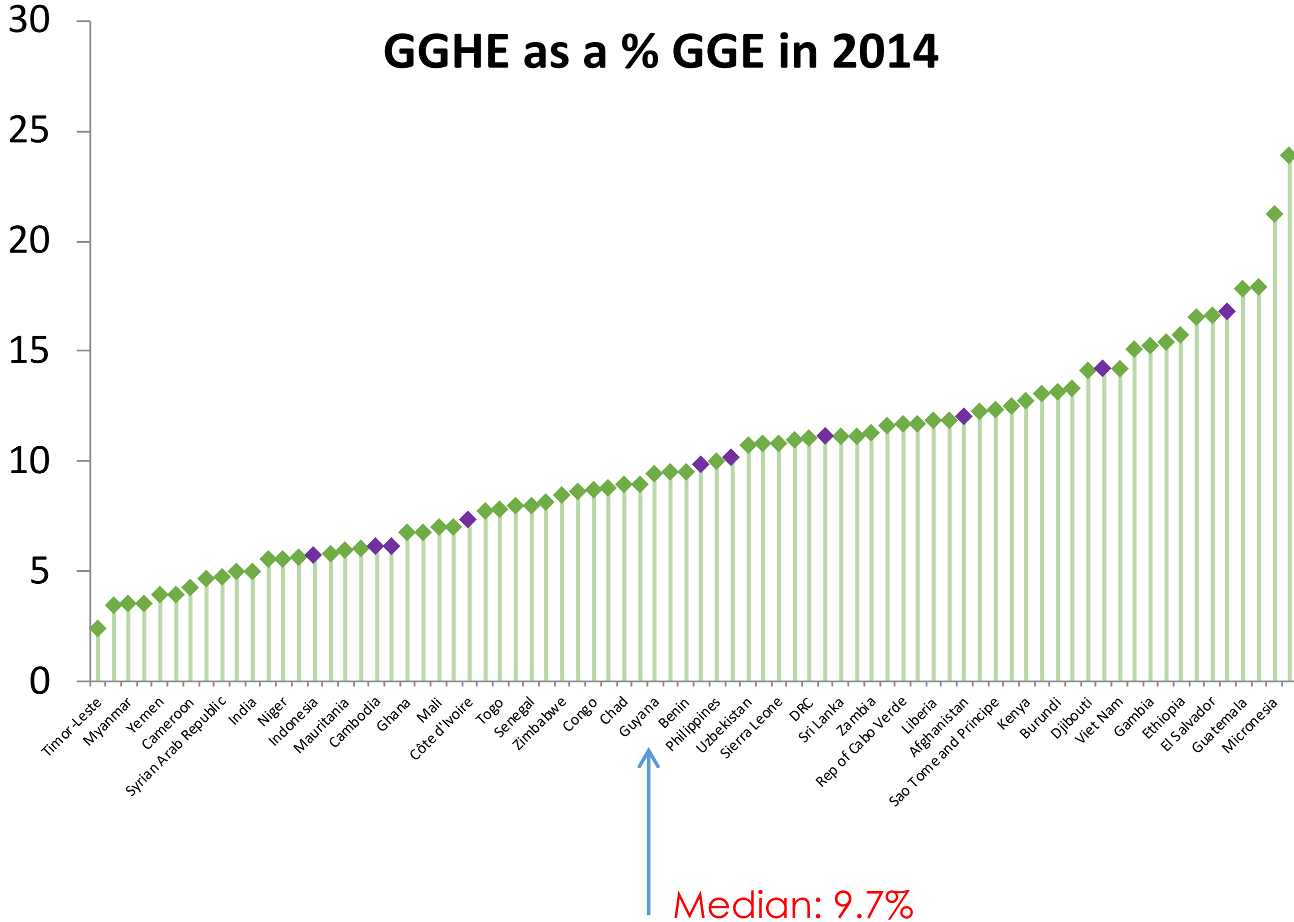
Government priority to health: GGHE/GGE – a few GFF countries spend less than the median in LMICs



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Reprioritization

Example from Vietnam

14% X 27% X US$2,050 = US$74

14% X 27% X US$4,000 = US$151

14% X 35% X US$4,000 = US$196

20% X 35% X US$4,000 = US$280

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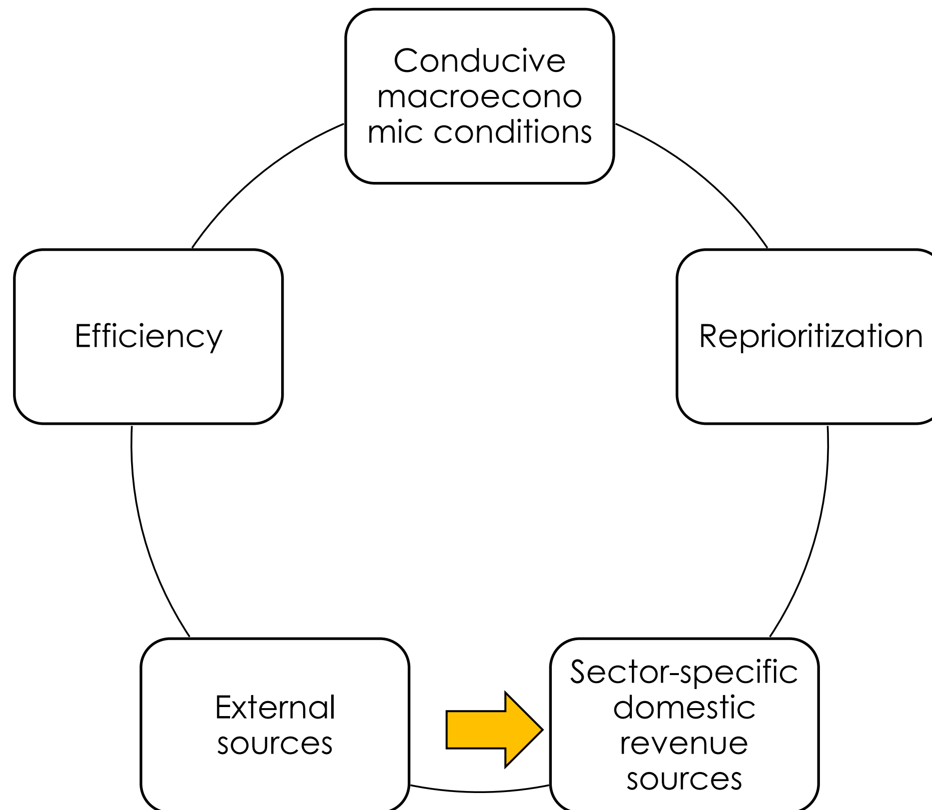
Five Pillars of Fiscal Space for Health



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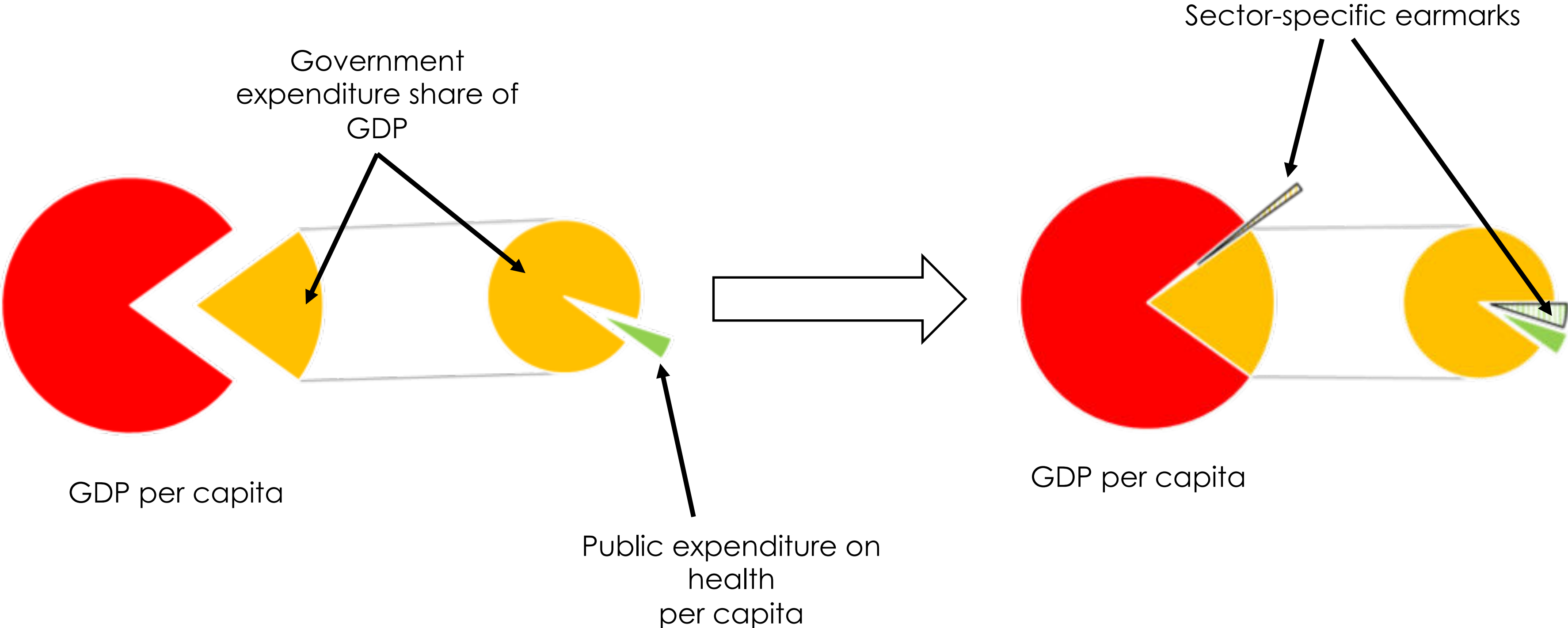
Sector-Specific Revenue Sources for Fiscal Space



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Sector-Specific Sources of Revenue: Earmarked Payroll Taxes

Social health insurance share of total health spending	
Monaco	87%
Czech Republic	78%
Croatia	78%
Netherlands	73%
Japan	72%
France	71%
Estonia	69%
Slovenia	69%
Luxemburg	68%
Germany	68%

- Social health insurance (SHI) often introduced as a way to collect additional revenues for health, especially from employers.
- Increasing contribution rates from formal sector often a key fiscal space question.
- Challenge in implementing mandates and collecting contributions in economies with large levels of informality.
- Interplay: social health insurance and informality.

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Sector-Specific Sources of Revenue: Non-Payroll Earmarks

- Use of "sin taxes" on tobacco and alcohol increasingly prevalent for financing health.
- Justified often both from a health and fiscal perspective, despite being regressive.
- Other forms of innovative "financing": earmarking of other taxes such as VAT; natural resource revenue earmarks, etc.
- Impact on revenues can vary, dependent on elasticity of response, including impact on smuggling.

- Impact on revenues can vary, dependent on "elasticity" of response.
- Not clear what is behind growing trend towards earmarking revenues, especially in health sector; earmarking revenues to reprioritize sector?
- Most forms of earmarking unpopular with ministries of finance: introduces rigidities in allocations across sectors.

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Examples of "Innovative Financing"

Option	Countries
Tax on remittances	Mexico, Kenya
Financial transaction tax	Argentina, Brazil, Zambia
Value-added tax	Ghana
Turnover tax on mobile phones	Gabon
Airline ticket levy	Cameroon, Congo, Madagascar, Mali, Mauritius, Niger
Excise tax on extractive industries	Botswana (mining)
Sin taxes	Philippines, Thailand,

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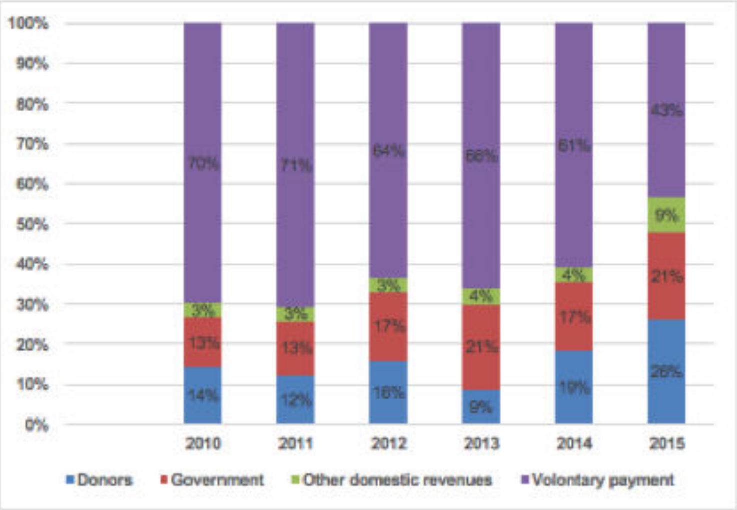
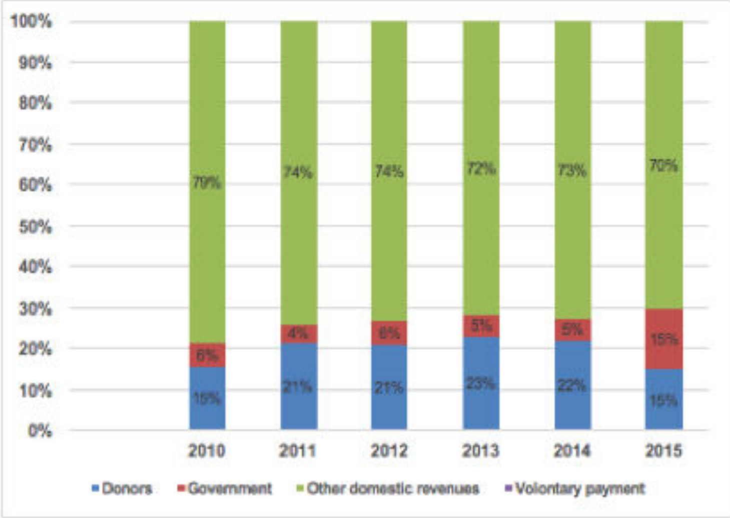
Potential for DRM in your Country

Sources of Current health expenditure



Source: WHO GHED (2017)

Sources of Current health expenditure



Source: WHO GHED (2017)

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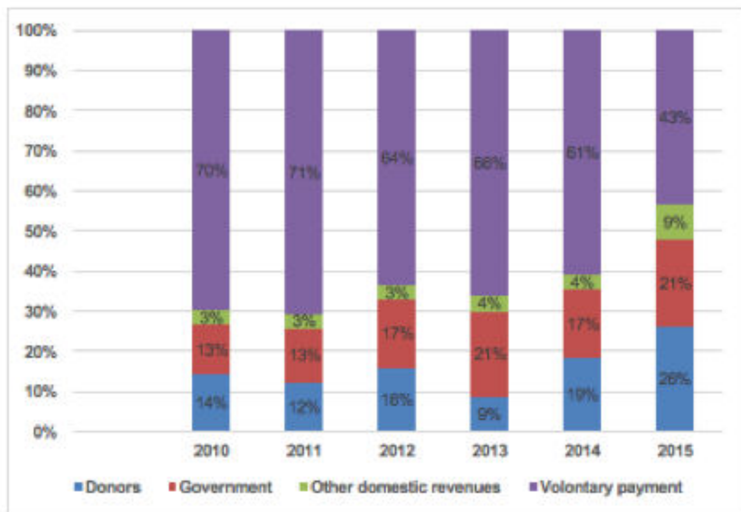
Potential for DRM in your Country

Côte d'Ivoire

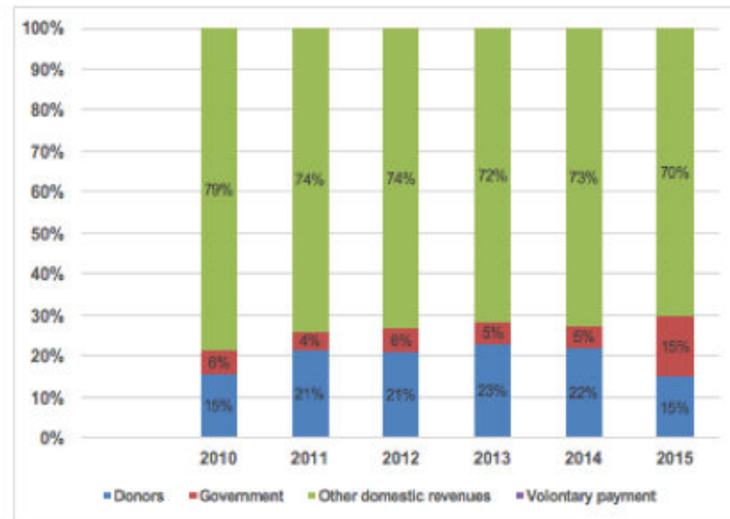
Sources of Current health expenditure



Source: WHO GHED (2017)

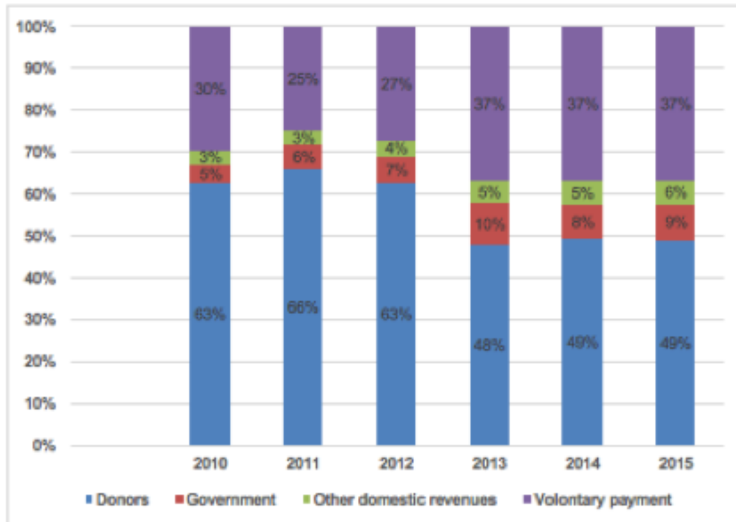
Afghanistan

Sources of Current health expenditure



Source: WHO GHED (2017)

Potential for DRM in your Country



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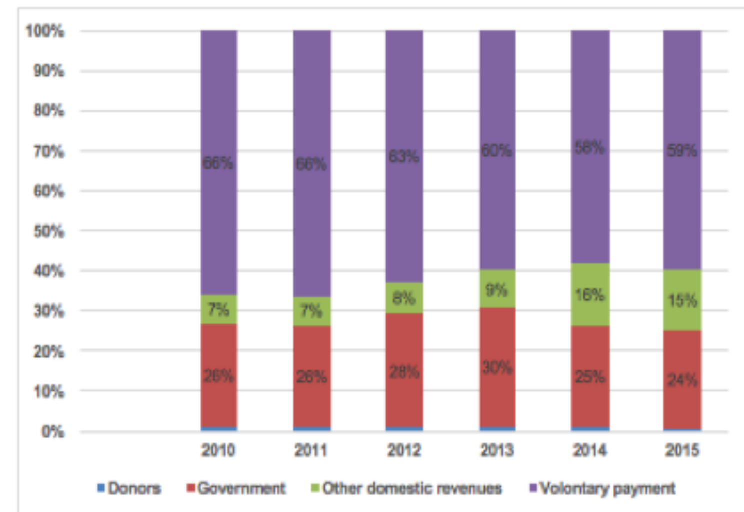

Source: WHO GHED (2017)

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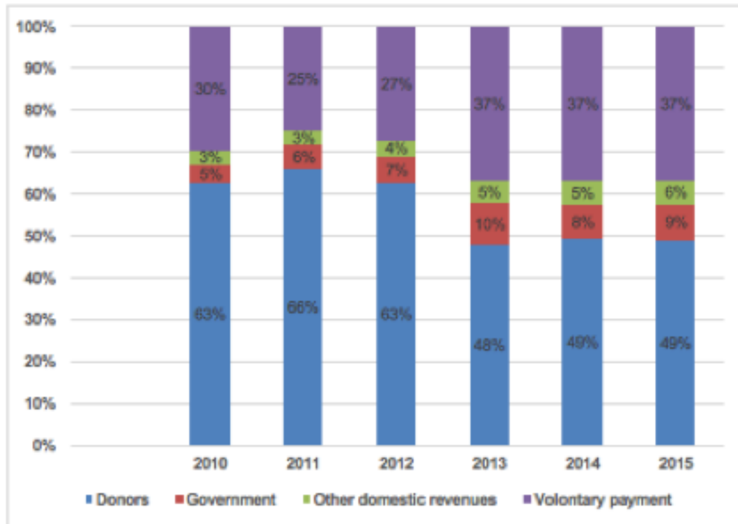
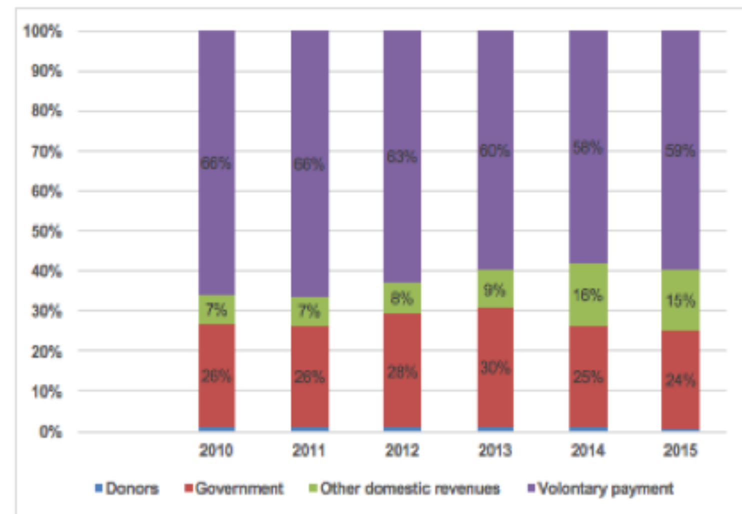
Potential for DRM in your Country

Haiti



Source: WHO GHED (2017)

Indonesia



Source: WHO GHED (2017)

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Where might there be room to increase the public budget? – 5 minute discussion in your table

- Raise more government revenue?
- Allocate more of the government budget to health?
- Ask people to contribute?
- Get more health out of the existing resources?

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Reforms that Prioritize Health in the Budget

- DLIs or funded activities in GFF/World Bank IDA projects linked to maintaining and increasing share of government budget allocated to health:
  - Mozambique: Domestic health expenditures as a percentage of total domestic government expenditures (stable first 3 years, then increasing).
  - Tanzania: Recipients have achieved all of the Program annual 6 results in institutional strengthening at all levels (national, regional, LGA and facilities).
    - Share of health in total government budget
  - Kenya: Counties receive resources from the project if the share of the county budget allocation (for Year 2) and expenditure (for Years 3–5) for health (excluding conditional grants for health) is higher than the previous year, but no less than 20 percent.
- Use of buy-down resources for health:
  - Guatemala: Government doubling buy-down amount (US$9M) and committed to invest this amount (US$18M) in Conditional Cash Transfer program

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Strategic Planning

- Development of health financing strategies and implementation plans:
  - Cameroon
  - Senegal
  - Kenya
  - Uganda
  - Ethiopia (including customized regional versions)
  - Myanmar
  - Sierra Leone

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