BUDGET STRUCTURE REFORMS AND TRANSITION TO PROGRAMME BUDGETING IN HEALTH: LESSONS FROM ARMENIA

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EXECUTIVE SUMMARY

Armenia has been implementing budget reforms since late 1990s, and emerging evidence indicates that the country has made visible progress in shifting to programme-based budgeting in health. As a result of introducing programme budgeting, by 2018, 43 activities managed by the Ministry of Health have been consolidated into eight programmes with a view to have a stronger alignment with health sector policy priorities. Budget allocations to the Basic Benefit Package of health services can be identified in the current budget structure. This is an important step in ensuring that the Government meets its commitment to the population and ensures financing of basic health services to its citizens.

As a result of these reforms, the National Assembly can now scrutinize budgets more effectively in terms of assessing the extent to which proposed budgets are consistent with public policy objectives. Also, with programme budgeting, indicators reflecting quantity, quality and timeliness of services have been developed and are actively used by the Ministry of Health, independent experts and the National Assembly to track performance of and budget allocations to specific priority services.

At the same time, the effect of this reform has been limited because of unclear links between policy priorities as expressed in existing strategic documents and budgetary programmes, weaknesses associated with performance measurement framework, continued appropriation at detailed activity level, and weak role of programme managers. The Government is making efforts to strengthen performance measurement framework. Specifically, programme indicators have been introduced in the draft 2019 budget law. This is an important step because until recent changes the programme budgets in Armenia contained a large number of activity indicators but no programme indicators. However, there are remaining concerns regarding their quality.

Appropriations at detailed activity level do not correspond to programme logic, and continue to limit flexibility in management of resources and pose an excessive burden to line ministries, including health. Thus, service providers must submit their requests for changes in budget allocations between activities to the State Health Agency under the Ministry of Health, which then has to consolidate these requests and submit these for further approval to the Ministry of Finance and then to the Government. While some argue that this is a necessary measure to avoid inappropriate use of resources, this is not in line with good practices in programme budgeting.

Also, there is a need to ensure a more systematic approach to linking sector strategies to MTEF and to the annual programme-based budget. Links among the State Targeted Health Programmes, various other national health programmes (for example, Health Promotion Strategic Programme), MTEF and annual budget programmes are not clear. It is advisable to re-examine the current structure of the various programmes to ensure they have common goals, reflecting health sector policy priorities. The current programme classification can be improved to achieve better alignment with health sector strategies and policy priorities.

MOH should clarify and strengthen the role of programme managers. Although there is no need to strictly align the organizational structure of MOH with the programme structure, it is extremely important to specify parties – programme managers – responsible for implementation of each programme and empower them.

Programme statements ("programme passports") are a key element in developing programmes and they should be developed regularly and for all programmes. Developing or revising these in health in Armenia may provide a good opportunity to also review programme content and performance indicators.

Health development partners are well placed to support the Ministry of Health in addressing several of these remaining challenges.

1. INTRODUCTION

Armenia has been implementing budget reforms since late 1990s, and emerging evidence indicates that the country has made visible progress in shifting to programme-based budgeting in health. It presents a particularly interesting case in designing budget programmes, given its experience of consolidating initially small and fragmented activities into larger and more comprehensive programmes, providing opportunities for improved transparency of the budget and better alignment of programmes with policy priorities. This step is also in line with good practices in programme budgeting.

Armenia has an interesting and perhaps unique experience when it comes to the process of transition to programme-based budgeting. Unlike Kyrgyzstan or most other LMICs, Armenia did not go from input-based line item budgeting to programme-budgeting. Instead, at least in health, it is going from a very detailed activity-based budgeting to programme-budgeting. However, it is a long road. While it is expected that full programme budgeting will be introduced in 2019, it seems that the budget will still be appropriated at the activity level, at least for level. This puts providers in a situation where if they have a higher demand for laboratory diagnostic services as compared to emergency medical care services, they cannot shift resources across these activities without approval of the MOH, which then consolidates such requests and seeks the endorsement from the MOF.

In total seven state entities receive funding under the health division of functional classification (4 ministries and 3 agencies which are either directly under the Government or under one of the ministries). The current report focuses on the budget managed by the Ministry of Health, which is 98 percent of total health budget (division 7).

This study is part of a broader WHO programme of work on budgeting for health, which includes identifying good country practices and lessons on designing and implementing budgetary programmes in the health sector. The main goals are: (i) to provide an in-depth assessment of the current health budget structure, including the treatment of immunization in budget, (ii) analyze the effectiveness of the transition