

# FISCAL SPACE, PUBLIC FINANCIAL MANAGEMENT AND HEALTH FINANCING: SUSTAINING PROGRESS TOWARDS UHC

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## Implementation of the Collaborative Agenda

26 – 28 April 2016  
Montreux, Switzerland



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## 1. Executive Summary

### a) Background

More resources for the health sector will not support progress towards universal health coverage (UHC) if funds cannot be directed to priority populations and services, and if those funds are not used efficiently to produce service outputs and achieve outcomes. Rather, countries must work to maximize the achievement of objectives within their overall macroeconomic and fiscal realities. As a result, it is critical to align public financial management (PFM) mechanisms that determine how budgets are formulated, allocated and executed with overall health system objectives, via the formulation of health financing policy. In doing so, countries can develop and implement their health financing strategies in a manner that aims to ensure that resources are used as equitably and efficiently as possible to sustain progress towards UHC. Since a [December 2014 meeting](#), WHO and partner organizations have been working to improve the capacity of national health authorities<sup>1</sup> to engage more effectively with national finance and budgetary authorities<sup>2</sup> as part of a collaborative agenda on fiscal space, PFM and health financing. In doing so, advancements can be made on critical issues related to both the level of funds to be provided and the flexibility with which such funds can be used, while concurrently ensuring accountability for the use of these funds.

### b) Meeting Objectives

In April 2016, WHO's Department of Health Systems Governance and Financing convened [a follow-up](#) meeting to bring together representatives of national health and finance authorities, as well as other relevant government bodies, partner agencies, foundations, initiatives, and civil society organizations, to discuss key issues aimed at enhancing productive dialog as countries seek to move towards UHC. Activities under this overall Agenda on Fiscal Space, PFM and Health Financing can be characterized by two broad objectives: (1) Aligning health financing and PFM to institutionalize results-oriented reform and (2) Informing global debates and country policy dialog on financial sustainability in the health sector and transition from aid.

The aims of the meeting were to:

- 1) Present and discuss work that has been completed or is in progress as part of the jointly agreed work program on fiscal space, PFM and health financing, including country applications and experiences.
- 2) Map out priority issues to be addressed and steps to advance the ongoing collaborative agenda.

The meeting was split into three days to provide an opportunity to meaningfully engage on a number of relevant topics:

- [Day One](#): Alignment between PFM and health financing systems from finance and health perspectives, as well as instruments to facilitate dialog and implement output-oriented reforms.

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<sup>1</sup> Typically a Ministry of Health, and sometimes other agencies such as a national health insurance fund.

<sup>2</sup> Typically a Ministry of Finance and/or Treasury, and may also include a separate planning agency, such as a Ministry of Economy or Economic Planning.

- [Day Two](#): Mechanisms to inform progress on sustainability and transition planning, both related to declines in external assistance and to the mobilization, allocation, use and management of domestic resources.
- [Day Three](#): Experience with using fiscal space for health analysis to inform health financing policy dialog.

More detailed information and related work products on this overall agenda can be found at [http://www.who.int/health\\_financing/topics/public-financial-management/montreux-meeting-2016/en/](http://www.who.int/health_financing/topics/public-financial-management/montreux-meeting-2016/en/).

### c) Key Messages from the Meeting

Before presenting the key messages of the meeting day-by-day, we first provide a high-level overview of some of the overall key messages and priority issues that were identified to be taken forward as part of this agenda. Many of the ongoing programs of work will continue, as concepts and frameworks are specified and clarified and country implementation progresses. New topics and areas of focus will to serve as the basis for new lines of inquiry and work on public finance, fiscal policy and health financing.

#### KEY MESSAGES FROM THE MEETING

- Health financing and PFM systems need to be aligned if they are to meet their common objectives of equitable access to quality health services. Productive and active dialog between Ministries of Health and Finance is necessary to make progress on the UHC agenda.
- While resources for health should be consolidated and accounted for in the overall government budget, there should be flexibility for purchasing mechanisms to help ensure that priority services and interventions reach the populations that need them.
- Transition from aid and sustainable financing issues are about ensuring sufficient revenues and managing expenditures. Transition provides an opportunity for a system-wide approach to improving the efficiency with which resources are used.
- Fiscal space for health assessments should be embedded in the overall government budgeting cycle and should explicitly take into account political economy considerations.

### d) Taking the Agenda Forward

In addition to the specific outputs presented and discussed in each of the sessions, many points of consensus emerged from the meeting around how the agenda should be taken forward. These are summarized in Table 1 below, and are organized by: (1) institutionalizing results-oriented reform through aligning health financing and (2) informing global debates and country dialog on financial sustainability in the health sector and the transition from aid. The list presented in Table 1 reflects input received from meeting participants throughout the three days in Montreux, and more specifically during the breakout session on the final day.

The focus of discussions about taking this agenda forward was on key areas in need of greater conceptual clarity (e.g. decentralization and budget structures), and importantly on how to ensure that completed, ongoing and future work in these areas is productively used and applied in countries. Institutionalizing these processes and improving overall alignment were emphasized across the various topics discussed. Similarly, the importance of active engagement in policy dialog and helping to facilitate better engagement at multiple levels, including between health and finance authorities, intra-health sector, and across

development partners and country stakeholders was echoed as a theme. There was consensus that the ad hoc community of practice that has developed around public finance and health financing should be formalized to provide for regular exchange and collaboration. To avoid adding to fragmentation, forging such collaboration through current networks and partnerships was emphasized.

Similar to the first phase of this agenda, outputs for the next phase will also include concept papers, technical frameworks, evidence/experience reviews, country case studies, country applied work, capacity strengthening, information generation, and networks/meetings. The emphasis will be on the in-country applied work to support ongoing efforts, concurrently building country-level evidence on these key issues and topics. Ways to institutionalize and align reforms as part of the engagement between health and finance authorities will continue to be a key theme of this program of work.

### **e) Participation**

A number of representatives from both health and finance authorities attended the meeting and provided critical input into issues facing their countries, including opportunities and constraints to improving health-finance dialog and the more efficient use of resources. The countries represented in the meeting included the following: Argentina, Chile, Ghana, Indonesia, Malawi, Mexico, Peru, Philippines, South Africa, Tanzania, and Vietnam. In addition to representation from WHO headquarters, regions and country offices, a number of partner agencies, foundations, and initiatives also participated in the meeting. These included the UK Department for International Development (DFID), International Monetary Fund (IMF), World Bank, Global Fund to Fight AIDS, Tuberculosis and Malaria, GAVI Alliance, Bill and Melinda Gates Foundation, the Organization for Economic Cooperation and Development (OECD), UNAIDS, Australian Department of Foreign Affairs and Trade (DFAT), Save the Children (UK), Results for Development Institute, the US Agency for International Development (USAID), Abt Associates, Oxford Policy Management, Japan International Cooperation Agency (JICA), Korea Health Insurance Review & Assessment Service (HIRA), Asian Development Bank, German Federal Ministry for Economic Cooperation and Development (BMZ), European Commission, Center for Global Development, Inter-American Development Bank, and Overseas Development Institute. The full list of participants in the meeting can be found in Appendix 1.

### **f) Acknowledgments**

Financial support from the UK Department for International Development (DFID) under the Program for Improving Countries' Health Financing Systems to Accelerate Progress towards Universal Health Coverage, and the Ministry of Health and Welfare of the Republic of Korea under the Tripartite Program on Strengthening Health Financing Systems for Universal Health Coverage. Thanks are due to participants and reviewers for their thoughtful inputs and useful comments on the overall agenda, as well as this meeting report.

Table 1: Topics for future agenda on Public Finance, Fiscal Sustainability and Health Financing

Theme	Priority issues	Indicative content areas for development
Aligning health financing and PFM to institutionalize results-oriented reform	1. Build information and evidence base for health authorities to engage with finance authorities.	<ul style="list-style-type: none"> <li>• Demystify and simplify language and semantics through glossary</li> <li>• Country level health-focused PFM assessments</li> <li>• Implementation efforts to better align PFM and health financing systems and related reforms</li> </ul>
	2. Budget structure and processes, including the role and nature of off-budget funds	<ul style="list-style-type: none"> <li>• Classification of budget structures and their implications for health financing</li> <li>• Review/issue paper to understand the continuum of off-budget funding from the perspective of integration with the budget process and PFM system</li> </ul>
	3. Matching payment to priority services	<ul style="list-style-type: none"> <li>• Review/issue paper on the role of budget structures in facilitating strategic purchasing and payment by output</li> <li>• Menu of options on alternative accountability measures</li> <li>• Guidance and technical assistance on develop and implementation of provider payment systems appropriate to country objectives and environments</li> <li>• Guidance and technical assistance to adapt funds flow to reduce fragmentation and enable output-based provider payment systems</li> </ul>
	4. Improve the predictable flow of funds	<ul style="list-style-type: none"> <li>• Guidance on strengthening the relationship between MTEF and annual budget and converting cash to accrual accounting systems</li> </ul>
	5. Decentralization	<ul style="list-style-type: none"> <li>• Guidance on how decentralization impacts health financing arrangements and possible reform</li> <li>• Review/issue paper on PFM and inter-fiscal transfer issues</li> <li>• Review/issue paper on accountability mechanisms in a decentralized environment</li> </ul>
	6. Translating health financing and PFM policy consensus and reforms into operational change	<ul style="list-style-type: none"> <li>• Options and plans to incorporate financial management improvements into the service delivery level, recognizing the need for time, space, and HR behaviour change</li> </ul>

Theme	Priority issues	Indicative content areas for development
Informing global debates and country dialog on financial sustainability in the health sector and the transition from aid.	1. How to increase, promote, and measure efficiency improvements	<ul style="list-style-type: none"> <li>• More practical information and case studies on the relationship between PFM systems and potential efficiency gains (e.g. incentive issues)</li> <li>• Measurement and quantification of efficiency gains</li> <li>• In-depth work on sources of inefficiency for the health sector <ul style="list-style-type: none"> <li>○ Related to PFM system</li> <li>○ Related to health sector (service deliver and reprioritization process)</li> </ul> </li> </ul>
	2. Fiscal space for health assessments	<ul style="list-style-type: none"> <li>• Guidance on how to incorporate budget cycle and political economy issues into overall framework</li> <li>• Institutionalization of fiscal space for health assessments into planning and budgeting processes</li> <li>• Country applications</li> </ul>
	3. Transition from aid issues	<ul style="list-style-type: none"> <li>• Guidance on how to approach transition issues and the process of engagement in countries</li> </ul>
	4. Cross-programmatic efficiency analysis	<ul style="list-style-type: none"> <li>• Synthesis of country applications to assess inefficiencies created by overlaps, misalignments and duplications across health programs with a focus on related policy options and solutions</li> </ul>

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