

**Ensuring there is “fiscal space”
to finance immunization and
vaccination programs:
What are the key issues?**

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Fiscal Space for a government is created from

- The capacity of government to **increase domestic revenues:**
 - Through economic growth
 - Reform of tax policy or new taxes
 - Strengthened tax administration
 - Pursuit of supportive macroeconomic policies
- The capacity of Government to **sustain existing external resource flows** and to **mobilize new sources**
- Capacity of Government to **cut unproductive expenditures and rationalize productive expenditures by seeking efficiency gains, recognizing tradeoffs, and considering the relative cost effectiveness of alternative expenditures**
- Sustainability is key: Want programs to be financed over the medium to long run

Creating new fiscal space is critical because

- **Countries want to improve the quantity, quality, and coverage of existing expenditure programs as well as respond to new policy challenges:**
 - Expand health and education programs
 - Provision of new infrastructure and R&D supportive of growth
 - Respond to population growth and urbanization
 - Responding to technological change, climate change

And because there may be an erosion of previous sources of fiscal space

- **Slowing global growth** will adversely affect economic growth prospects of LICs and
- **Slowing growth in external assistance**—even possibly cutbacks--likely for many low and middle income country recipients in coming years

These factors certainly apply at the level of the government in general

- **Underscores the pressures bearing on the Minister of Finance** in terms of judging the availability of budgetary resources to allocate to different ministries
- **MOF must balance the competing demands of the different ministries** in terms of
 - **their relative importance in meeting a country's national policy objectives** looking forward, and
 - taking account of the **relative cost effectiveness** of alternative spending
- **Has implications for what must be demonstrated by a Minister of Health in making the case to the MOF**

These fiscal space issues are mirrored in the health sector: the MOH must make the case for more *domestic* budgetary resources

- An increase in govt tax revenues does **not** automatically mean an increase in revenues flowing to MOH
 - Justifies efforts to earmark new taxes to health
- MOHs must
 - demonstrate the importance of existing programs and its capacity to run a tight ship
 - justify the cost effectiveness of its programs,
 - Justify expansion of health services
 - Justify **additionality**: why there should not be **substitutability between external and domestic financing**
 - Emphasize the links between government's own spending on health and the availability of external resources
 - Example: co-financing requirement of GAVI

Can the MOH ensure the sustainability of its current external resource flow and expand new sources of external financing?

- Some donors and external agencies are cutting back on aid flows
 - Particularly a challenge in health sector, given large share of external aid going to health and high share of aid used to finance recurrent programs
 - Will cuts in assistance to NGOs result force government to finance these programs from the budget?
- Others, such as GAVI, expect countries to increase their co-financing as development proceeds

Moreover, there are increasing demands for fiscal space in health

- Unmet needs in the coverage of many programs
- New vaccination and immunization possibilities
- Epidemiological transition creates new demands as growth occurs—non-communicable diseases increasingly important for many LICs
- Dealing with any cutbacks to NGO programs
- Pressures arising from new technologies, drugs, procedures

Policy tradeoffs within the health sector are not easy calls and make prioritization critical

- The MOH needs to judge
 - The relative importance of programs in MCH, immunization and vaccinations, reproductive health, HIV/AIDS, TB, Malaria, main line health system
 - The relative cost-effectiveness of programs in each of these subsectors
- The search for efficiency, reduced waste, and program rationalization must be continuous!
- Even though immunization programs are not a large share of the MOH's budget, when fiscal space is tight, the case for these resources must still be strong

Sustainability over the medium-term must always be a key issue in formulating health sector policies

- For a Ministry of health, once a health services program has begun and attracted popular support, it is difficult to retrench
 - Cutting back on the work force is difficult
 - Public expectations of service delivery are important, particularly for immunization programs
 - Moral challenges in cutting life-sustaining programs
- Underscores the importance of considering the ultimate need to graduate from external assistance
- Will the fiscal space for domestic financing be available over the long term?