



ISSUES PAPER

2009 ECOSOC HIGH-LEVEL SEGMENT THEMATIC DEBATE

Dialogue 2: “Trends in aid and aid effectiveness in the health sector”

Thursday, 9 July 2009 3:00 – 5:35 p.m.

This interactive panel discussion will address recent trends in aid and aid effectiveness in the health sector. Against the backdrop of the financial and economic crisis, it will give the opportunity to discuss concrete examples of the role of aid in financing health systems, major challenges with regard to health care financing, alignment and predictability as well as scaling-up successful initiatives to make aid more effective in the health sector.

Background

The 2009 AMR preparations have emphasized that promoting global public health is essential to the overall development agenda: good health is a critical precondition for human security, social development and economic growth. However, in many regions, people lack access to primary health care and countries face multiple challenges in achieving the international goals and commitments in the area of global public health. The rise in food prices and malnutrition particularly undermine progress in this regard.

While there has been a continuous rise of Development Assistance for Health (DAH), many national health systems are characterized by severe under-funding. In addition, developing countries are disproportionately hard hit by the financial and economic crisis and its effects on development funding and health care. Various inter-related health challenges, including growing demand due to demographic changes, the rapid growth of non-communicable diseases and injuries, the shortage of health care workers and the lack of health knowledge and literacy call for difficult trade-offs by decision-makers and more external assistance.

Aside from the funding gap, the current crisis has made more evident the need to explore further ways to provide more and better aid for health as well as to build effective partnerships to deliver affordable health services and support preventive measures.

The assessment of what works and what did not work in making aid more effective in the health sector sheds light on the implementation of the aid effectiveness agenda overall as defined in the 2005 Paris Declaration on Aid Effectiveness and in the 2008 Accra Agenda for Action.

The panel will discuss challenges in three areas:

- (i) How to guarantee more external financing for health care;
- (ii) How to enhance the effectiveness and efficacy of funding to the health sector, notably through predictable, consistent, untied and unconditional ODA and private flows;
- (iii) How to ensure effective coordination among numerous players in the health sector at global and national level, with a view to ensuring coherent and multi-sectoral solutions.

Part 1: More sustainable Health Care Financing

The reduction of health inequalities and universal and free access to primary health care are long-standing global objectives.

Yet, especially in Lower and Middle Income Countries with insufficient health insurance systems, many vulnerable groups have limited or no access to health care services. Least-developed countries are exceptionally prone to suffer from both the global economic slowdown and the growing pressure on aid budgets in donor countries.

Given the current decline of foreign direct investment and remittances, falling export earnings and the credit squeeze, the gap in health funding is expected to increase, following a period when aid for health more than doubled during 2000-2006.¹ This results in a slowdown of investment in public health infrastructure as well as in funding for urgently needed health care workers and the purchase of technical equipment and pharmaceuticals. It also curtails patients' ability to pay for hospital and medical bills as well as urgently needed medicines. This trend may also have an unforeseeable impact on countries emerging from conflict where the health sector plays a central role in getting back on track for long term recovery.

Much of recent health results are due to increased funding by foundations and global funds, most notably the Global Alliance for Vaccines and Immunizations (GAVI) and the Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFATM). Despite the vital contributions of these and other global health partnerships, many of them related to communicable diseases, the large funding gap in global public health, especially in health care systems remains.

Against this backdrop, where there is a crying need for more ODA, health spending needs to be scaled up. Greater priority must be placed on health by public and private donors, including philanthropic organizations and vertical funds, based on national health priorities and the most pressing health sector shortages. Follow-up mechanisms should be established to monitor implementation, such as of the Toyako Framework for Action on Global Health. Additional sources of funding and Innovative Financing Mechanisms must be mobilized.

Key questions for Panellists and participants will include:

- How can domestic and external financing for global public health be sustained and increased in the context of the current financial and economic crisis?
- How can predictable funding be ensured through vertical funds and similar funding tools?
- What are potential new sources of external health care financing, including through South-South cooperation?

Part 2: More effective aid to national health systems

As long as many developing countries rely heavily on external public and private financing for their health sectors, the question of improving the quantity and quality of such financing, and in particular ODA, remains urgent. It is, however, also critical to make better use of aid to strengthen domestic capacities to generate more in-country revenues to finance universal health care with a view to reducing aid dependency.

Investments in the health sector need to show results in order to gain traction. In the Paris Declaration and the Accra Agenda for Action, as well as in other processes including the 2008 Development Cooperation Forum (DCF) and the 2008 Doha Review Conference for Financing for Development, key development cooperation actors have agreed to implement a series of principles to increase the effectiveness of aid. Many of those are of direct relevance to the health sector. They need to be translated into concrete action in supporting the health agenda.²

(i) *Strengthen the capacity of developing countries in a demand-driven manner:*

Many countries still lack the capacity to coordinate and absorb aid through robust health management systems. A coordinated effort is needed to develop their capacity in a sustainable way.

¹ According to the 2008 Global Monitoring Report, total development assistance to health, including private non-profit organizations, reached US\$ 16.7 billion in 2006, up from 6.8 billion in 2000. According to a WHO study, the DAH-share of ODA increased from 4.6% in 1990 to close to 13% in 2005 (WHO/HSS/healthsystems/2007.2, Working Paper No. 9).

² This has been shown in the preparatory events for this year's AMR High-level Meeting.

- (ii) *Support country-driven, pro-poor development strategies and align with priorities of recipient countries to enhance ownership / leadership:*

Progress in developing pro-poor inclusive national health plans responsive to the internationally-agreed development goals has been remarkable in some cases.³ Alignment by donor countries to such policies, however, requires reliable national capacity as well as transparent and results-oriented planning procedures.

- (iii) *Enhance the predictability of aid:*

Health aid can be very short-term and volatile. Progress in health is highly vulnerable to changes or disruptions in donor support. Health care requires long-term commitments.

- (iv) *Reduce fragmentation of aid through harmonization:*

National and community ownership could be strengthened if donors made greater use of unearmarked budget support and pool/basket funding. This can contribute to, inter alia, a reduction of transaction costs, untying of aid (for e.g., medical equipment and services, medication), and the use of national systems in the health sector (Public Financial Management, audit, procurement, M&E etc.). At the same time, the use of general budget support may not necessarily lead to increased spending in the health sector.

- (v) *Enhance transparency in aid allocation practices:*

A key challenge is to make aid flows more traceable. The aid landscape in health should also be more transparent and information on aid allocation should be easily accessible to the numerous players in the sector, in particular to civil society and parliamentarians. More transparency in aid allocation can help to address the problem of donor orphans and darlings.

- (vi) *Use of transparent aid monitoring and evaluation systems:*

The establishment of mutual assessment reviews and the development of country compacts to strengthen mutual accountability would also strengthen accountability to the general public for results in the health sector. Particular emphasis should be placed on most recent initiatives at the global level.⁴

- (vii) *Agree on some conditionalities aimed at reinforcing country ownership:*

A critical concern in the health sector continues to be the conditionalities. Some are related to reform towards privatization and rationalization of health facilities and focus heavily on performance rather than on medical coverage of poor and vulnerable populations. At the same time, some conditionalities related to aid for health, such as those banning user fees for maternal and child health services or encouraging free services to the poorest, could be used more often.

- (viii) *Adapt aid policies for fragile countries:*

In post-conflict and fragile state environments, health care is key to promote economic growth, labour productivity and social well-being. But trade-offs have to be made between the achievement of immediate results and the building of long-term capacity. While urgent measures are necessary to achieve concrete health outcomes, support should be provided to developing country-owned health reform plans and capacities for public sector management to rebuild collapsed health systems with the help of aligned donor activities. Priority should also be given to ensure institutional strength with a focus on gender equality in the delivery of health services and policy making and capacity building for civil society as well as to work against malnutrition and nutritional deficiencies as a preventive measure.

To make best use of and attract more external health care funding, aid effectiveness challenges have to be understood by all relevant actors. An ongoing and inclusive dialogue process about this complex and inter-related set of principles underpinning aid effectiveness is the backbone of swift results.

³ In several countries the International Health Partnership was of great support in developing single national health plans and results frameworks.

⁴ These include the International Aid Transparency Initiative (IATI) and efforts in the context of the Development Cooperation Forum (DCF) to develop global indicators for mutual accountability and aid transparency.

Key questions for Panellists and participants will include:

- What incentives can be provided to the national and local levels to develop single health strategies in line with well-assessed national priorities and the global aid effectiveness agenda?
- What systemic changes are required in the aid management system of both donors and programme countries to guarantee multi-year commitments and high absorption rate of aid in the health sector?
- How can the use of aid for health care be better monitored?
- How can a more balanced aid allocation among countries and various health challenges respectively be promoted?
- What are current conflicts with regard to conditionalities in health care and how could they be resolved?
- What are key challenges to promote the health agenda in fragile countries in accordance with aid effectiveness principles?

3. Multi-sectoral approach in health coordination

A large number of actors provide support to the health sector. Non-state actors play a substantial role but are often absent from the aid effectiveness and scaling up agenda. The number and diversity of stakeholders active in global public health and the inter-linkages of the health sector with areas such as food security and nutrition, poverty, water and sanitation, education, family, transportation, energy, the media, make the building of partnerships both a challenge and a necessity. The need to build more effective partnerships for development is also underscored in the Paris Declaration on Aid Effectiveness.

Many diverse partnerships exist in the health sector, including in the area of advocacy and healthcare financing. Examples include the GFATM and GAVI. They play an important role to increase coordination and cooperation. They also provide new solutions for health care delivery. This includes better integrating the work of the private sector, scientific research, and civil society organizations delivering services on the ground. Despite their success, however, the impact of such partnerships on national health systems is unclear and the concern has been raised that they increase the focus of health funding on specific diseases and interventions, and pay insufficient attention to health systems and national priorities. There should be more information-sharing, greater transparency and monitoring to better understand the impact of global health partnerships.

In defining national priorities and strategies, Governments collaborate with many different development partners. It would be important to develop a clear division of labour as part of an integrated approach at international, national and local level among development partners under the leadership of the national authorities to support national strategies and increase the effectiveness of aid for health care. Civil society, parliamentarians and local governments should be part of this process. Any collaborative framework needs to be based on the respective competitive advantages of the various actors with respect to major health challenges.

Development cooperation should also promote platforms to share best practices in cross-sectoral collaboration that can be scaled up. It should also promote South-South cooperation, notably in the area of research and of training, to counter-act the shortage of health care workers.

Key questions for Panellists and participants will include:

- How can it be ensured that emerging global partnerships and vertical funds are aligned with national and global priorities?
- How can development cooperation accelerate progress towards integrated nationally-led and long-term health solutions, in particular to strengthen primary health care in under-provided areas?
- How can developing countries and non-state actors be given a greater voice in the aid effectiveness agenda?