Statement of Dr. Ahmad Jan Naeem
ECOSOC Meeting on Health Care Financing Strategies – March 16-18, 2009

Dear Esteemed Colleagues,

Thank you for this opportunity to share with you the recent experience of Afghanistan in health financing and our preparations for the way forward. I greatly appreciate the interest of the United Nations Economic and Social Council Annual Ministerial Review as well as the support of my colleagues from the Afghanistan Ministry of Public Health and the International Community. We are also very interested in learning lessons at this meeting that might be applicable to the health financing situation in Afghanistan.

Today, I would like to briefly share with you key findings from a 2008 research study on health financing in Afghanistan and some important steps we are taking in developing and implementing a health care financing strategy for the country.

In 2008, a research study commissioned by the Afghanistan Ministry of Public Health and funded by the European Community was conducted to provide a comprehensive view of financial resource flow and allocation within the health sector since 2003. This study identified, as in most low income countries in South Asia, it is difficult to estimate total health expenditures because household out-of-pocket expenditures are by far the largest source of financing, representing an estimated 80 per cent of a total health spending of around 45 dollars per capita in Afghanistan. This large proportion is paid directly by patients at the point of delivery and raises serious concern in terms of equity and presents significant challenges for risk pooling.

Furthermore, this study identified the total public financing for the health sector in Afghanistan has increased by 54 percent between 2003 and 2008, from USD 163.6 million to 277.7 million. However, public spending on health in Afghanistan remains low when compared with other low income countries in the region, just under 3 percent of GDP: 2.9 percent in (2007/2008) and 2.7 percent of GDP in (2008/2009). The total per capita public expenditure on health has increased approximately from 8 to 11 US dollars between 2003 and 2008.

In addition, the external assistance has increased from USD 94 million in 2003 to 223 million in 2008. This amount includes all the major donors. The aid financing per capita has increased from 5.8 to 8.9 dollars.

The Government's budget allocation for health has increased in value, but not in percentage, with 5.1 percent of the core budget for the sector in (2005/2006), 6 percent in (2006/2007), and 4 percent in (2008/2009). Although revenue collection has increased sharply for the past 5 years from 4.7 to 8.2 per cent of GDP, it

remains one of the lowest in the world, which leaves most Government expenditures funded by external assistance. For the health sector, the total external funding is estimated at above 90 percent.

Allocation by program has been relatively stable over the years, with a large share allocated to primary health care and communicable diseases, in line with what is known of the burden of disease in the country. BPHS, the basic package of health services and the basis for primary health care in Afghanistan, has received a steady and increasing share of external assistance, from of 24 per cent in 2003 to 42 per cent in 2008. Of the 25 per cent of external funding that has been allocated to communicable diseases, 60 per cent has been spent on immunization. An estimated 16 per cent of external funding has been directed at hospital care. The supply of essential medicines is a major issue in Afghanistan, and the budget allocation for drugs and medical supplies seems largely inadequate at all levels and must be addressed. This is resulting in large out-of-pocket expenditure for households that can be considered a major financial barrier to access for the poor.

Although the priority given to primary health care is considered pro-poor, the level of equity in health care financing is low. One of the major barriers to access to health services is distance from health providers, and while some under-served provinces have indeed received larger aid allocation, there are still substantial gaps in the central and north-east regions. Another major concern is the level of private expenditure on health, which is directly funded by households in the absence of any insurance system.

Finally, limited data are currently available to guide informed decision-making within the Ministry of Public Health with regard to the economics and financing of health service provision. Studies on the cost of delivering BPHS and EPHS services and the establishment of a national health accounts for Afghanistan are critical for improving the efficiency of service delivery, maximizing the health of the population, and achieving millennium development goals within a context of limited resources.

To address many of the health care financing needs of the country, the Ministry of Public Health Afghanistan is developing a health care financing strategy. The aim of the HCF Strategy for Afghanistan is to establish the health economics and financing capacity of the Ministry of Public Health and to increase the equitable and efficient allocation of resources within the health sector in conjunction with the Health and Nutrition Sector Strategy and accordance with the health care financing policy.

There are four main components of the HCF strategy which include:

The first component is the establishment of Health Economics and Financing Capacity within the MoPH including cost-effectiveness research, public and

private health service unit costing, aid coordination, and the establishment of Afghanistan National Health Accounts.

The second component is strengthening governance processes related to health financing including MoPH level program budgeting, provincial planning and budgeting, and managing NGO health service provision contracts.

The third component is strengthening health facility financial and resource management including efficient resource use at health facilities, supporting public and private sector autonomy and financial decision-making.

The fourth component is researching and establishing appropriate alternative health care financing mechanisms for managing and pooling risk among the population and for providing more equitable and sustainable health financing in Afghanistan. Such initiatives include demand-side financing activities in some provinces and a new study on results-based financing funded by the Norwegian Government through the World Bank.

We look forward to learning more from our colleagues here in Colombo for moving health care financing forward in Afghanistan.

Thank you very much for your attention and interest and I welcome any questions you might have.