

Considering the macroeconomic issues in scaling up resources for Health

Panel discussion: Providing Resources and
Inducing Commitment: Investing in Human
Resources: Perspectives and Experiences

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What are the challenges we face?

- The good news:
 - Additional external financing
 - Acceptance of MDGs in health as important policy targets
- The challenges we face
 - Limits on external financing nevertheless
 - How to create fiscal space to finance what external financing can't finance
 - How to use aid resources effectively

Key Issues to confront

- Absorptive Capacity Constraints
 - Are there sufficient human resources to staff expanded health system? Nurses? Doctors? Laboratory technicians, etc.
 - Dealing with brain drain or other disincentives to work in the local health sector
- Uncertainty on the magnitude and duration of expanded aid flows
- Aid flows often derive from vertical initiatives: unmet needs in other parts of the health sector

- Is there a coherent plan for expanded health sector?
- Are external or domestic financial resources available to finance expanded training of health personnel?
- Are their fiscal or macroeconomic limits as to the amount of external resources that can be absorbed?
 - The so-called Dutch Disease issue
 - Remember: additional aid for other sectors as well

Implication

- Governments must address issue of staffing:
 - Additional training programs required?
 - Providing adequate incentives for workers in the medical care sector
 - Financial incentives: wages/other benefits
 - Work conditions in the health sector
 - Incentives for professional growth
- Equally, are additional external resources sufficient to both finance expanded program delivery (in various areas of the health sector) *as well as to* address manpower constraints?

Potential Sources of fiscal space

- External Resources: obvious
 - Grants: far less of a problem
 - Borrowing: How concessional? debt sustainability analysis important
- Domestic Resources
 - Raising tax rates, new taxes, and strengthening revenue administration efforts
 - Pruning unproductive expenditure
 - Domestic Borrowing (including Bank Credit): how are the limits determined? Concern for inflation
 - Enhancing effectiveness of current spending—in health and other sectors

But there are demands on potential fiscal space

- Competition from other sectors
 - Infrastructure
 - Other social sector needs
- Considering the *future* spending implications of current spending programs
- Ripple effects of policies to enhance financial incentives for medical care workers

Specific concerns: 1. Sustainability and Volatility of aid flows

- Beyond the issue of grants vs loans
- Can we count on sustained flow of funds? Particularly for HRH, we must train and employ for a long period; Can we count on donors providing resources for a long enough time period that we can make employment commitments?

2. Can we rationalize the way in which resources are used in the health sector?

- Cannot be business as usual in the health sector:
- Scaling up must address *need for tailored technologies*
 - Cost issues: what will be affordable employment structure: both in training costs and employment costs
 - Speed: need to introduce technologies that can be ramped up quickly; traditional technologies may be too costly and time consuming to produce
 - Brain drain concerns: are you training workers that are internationally mobile? Leakage concerns. Or are you training for narrower functions that can be pivotal for some work but not others

- Are you taking account of prospective leakage from morbidity and mortality?
- Vehicles for education: can range from simple programs to medical education
- Opportunity for buying training outside of country: spare capacity in India?
Caribbean, say, for medical training

3. Dealing with ripple effects; direct and indirect effects

- Direct employment of workers in health sector; costs of training in the health sector: Do you have sustainable financing to expand employment?
- Will you need to raise wage rates in the health sector in order to retain/ attract workers in the sector?
- What ripple effects on wage rates in other elements of the public sector? If these are significant, these will have budgetary effects? How will *these* be financed?
- How are you dealing with potential consequences of significant scaling up of employment in NGO sector financed by external resources?

4. Macroeconomic Ceilings? Is the IMF blocking the inflow of resources for HRH

- No
- What considerations apply?
 - Dutch Disease?
 - Imported inputs: no problem
 - Nontradeables: of which HRH spending likely to be significant element; as with much of the expansion of employment in the health sector:
 - Issue: What scale of expansion in spending on nontradeables is likely

- To date, not of sufficient scale to be an issue;
- How much expanded resources for health sector? How much else for other sectors in context of MDG campaigns?
 - Health sector alone: large vis-a-vis the health sector: not large vis-a-vis aggregate economy
 - Health sector alone not likely to create Dutch Disease issues
 - For economy as a whole, there may prove to be legitimate macroeconomic issues

Information flows critical for IMF and country

- Recent focus of IMF effort: start building bridges with Global Fund; PEPFARS; and World Bank sectoral workers
- Critical to ensure that if there is certainty on likely disbursement by donors to country for scaled up health expenditures, the timing is known and can be taken into account in macroeconomic framework
- Information flow is critical

Role of World Bank and PAHO critical

- PAHO and the World Bank can both provide a systems perspective on what are the integrated needs of the health sector
- Also a need for intersectoral perspective heightened: scaling up of employment in the health sector will have ripple effects on other sectors: attracting resources from other sectors may lead to important scarcities of workers that need to be addressed
- In terms of external actors, the Bank is the only agency that can address cross sectoral issues
- Concern about fragmentation of efforts within countries: multiple HIV/AIDS coordinating frameworks; Ministry of Planning; PRSP group; MOFinance;