

CREATING FISCAL SPACE

for

UNIVERSAL HEALTH COVERAGE

Path forward for Pakistan

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Acknowledgements:

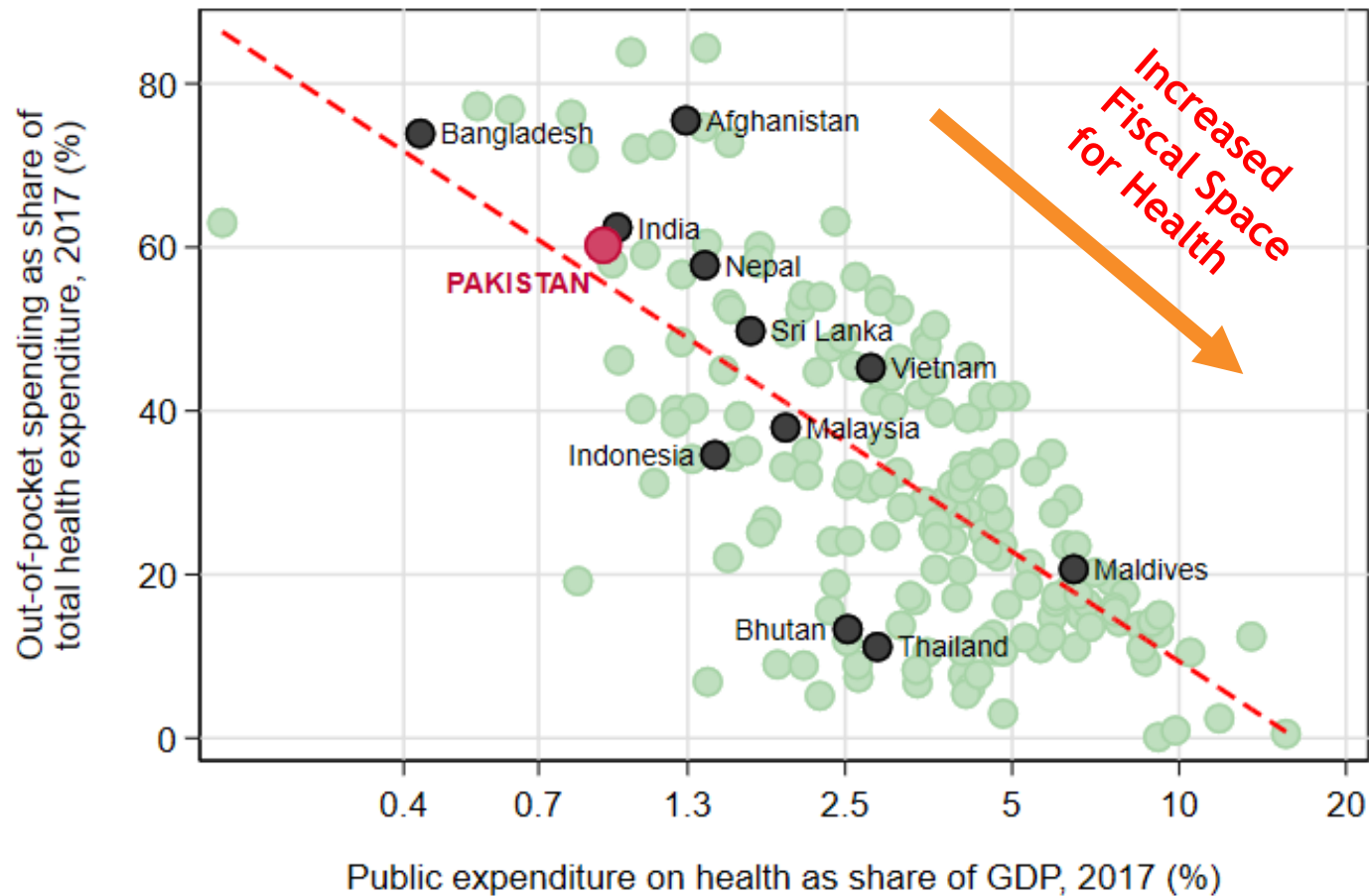
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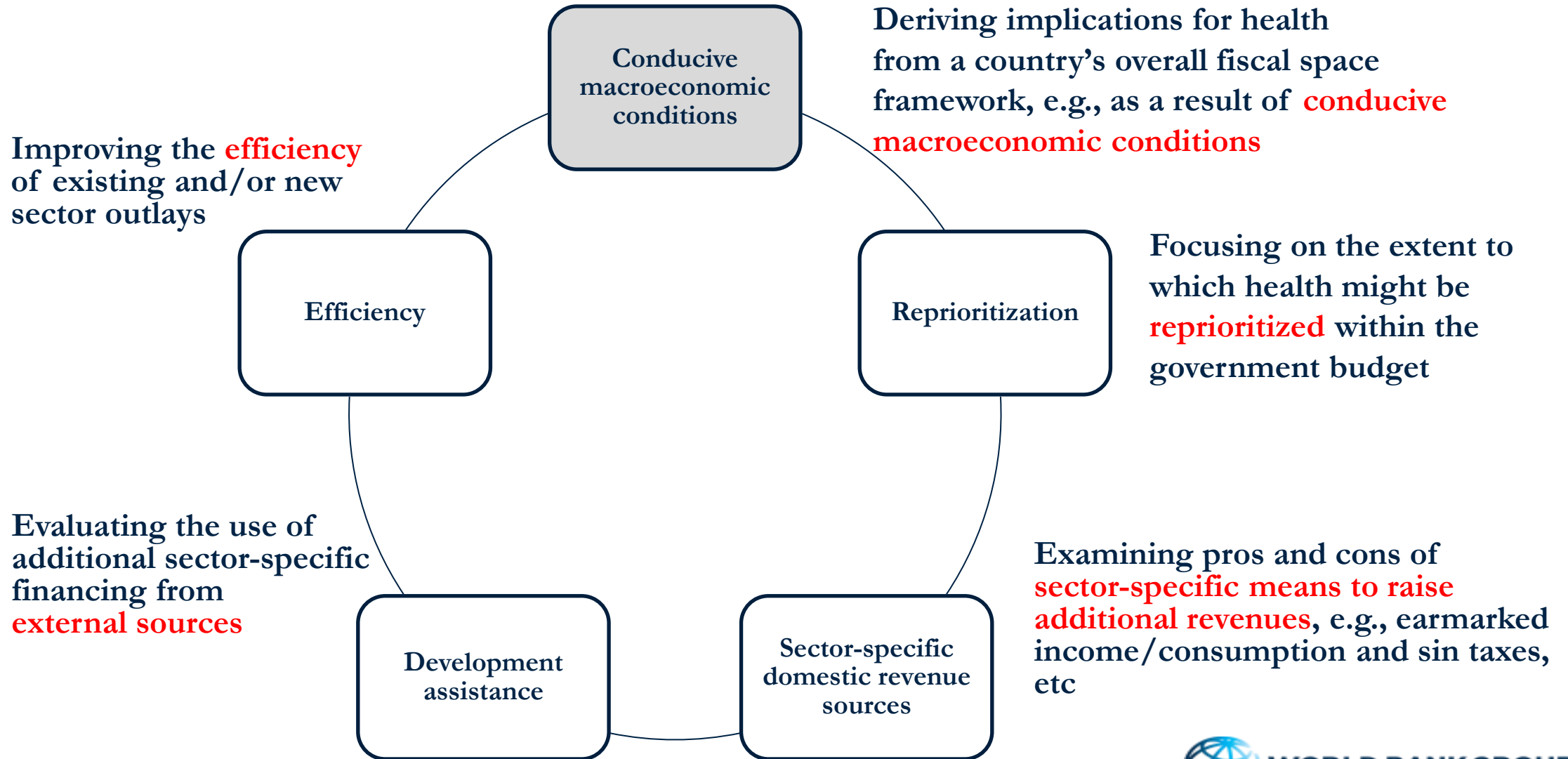
UHC implies increased fiscal space for health.



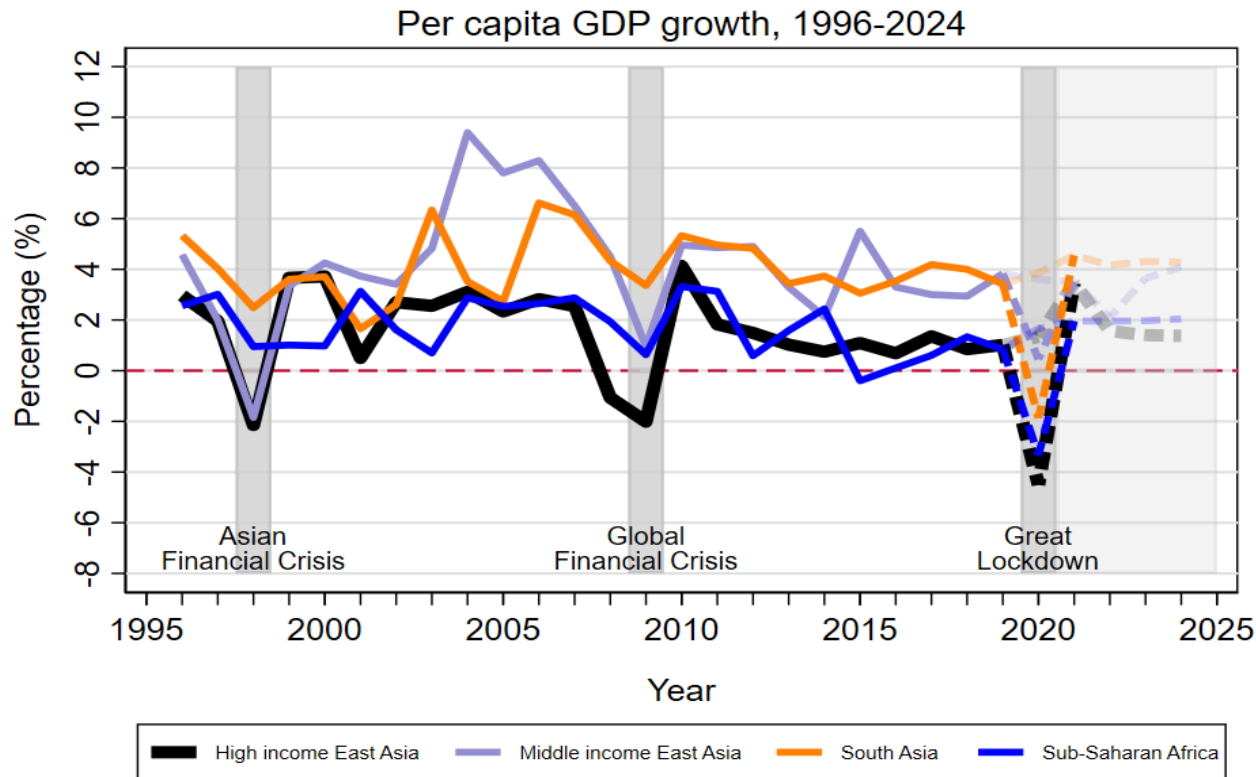
Source: WHO Global Health Expenditure Database.
Note: X-axis expressed in log scale.

“... room in a government’s budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy.”
[Heller (IMF, 2005)]

There are five sources of fiscal space.



The world faces a challenging fiscal landscape in the year ahead.

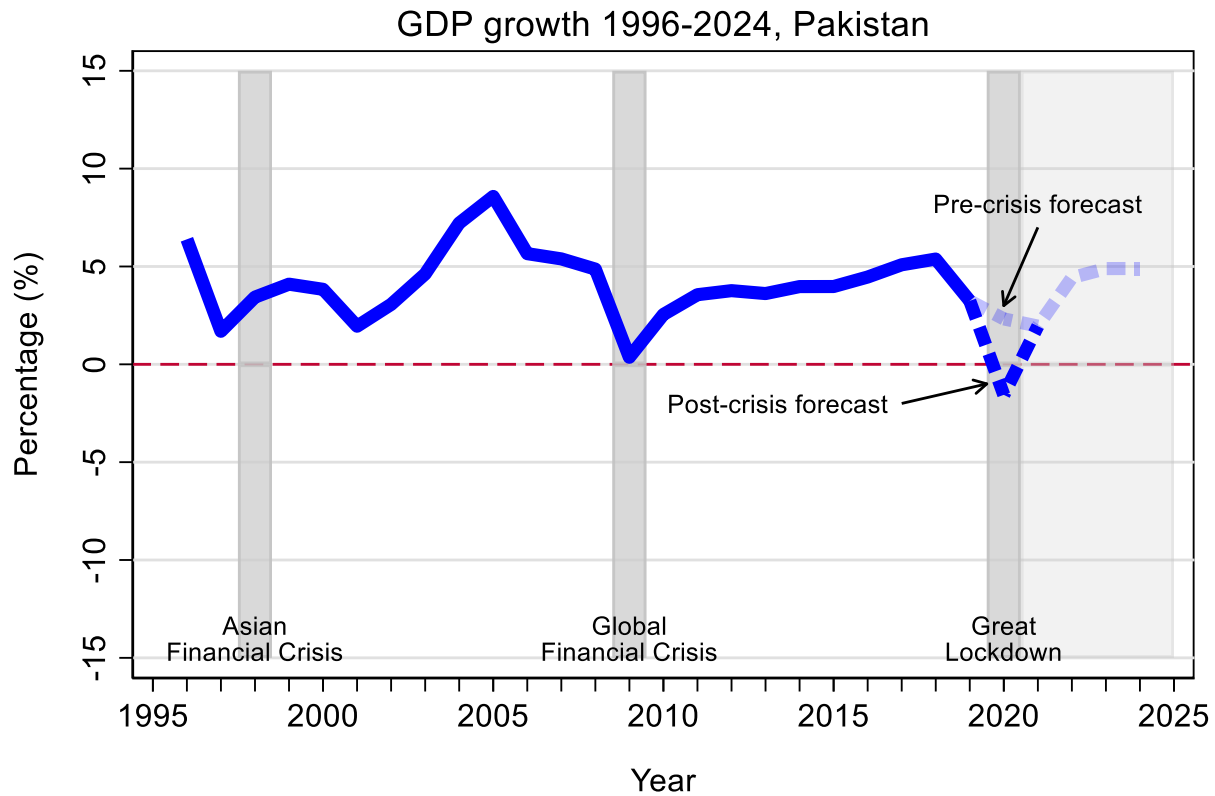


- Extent of economic distress **variable**: largely dependent on efficiency of containment and degree of external exposure (trade, tourism, remittances, etc.)
- **Mixed** prospects for **recovery**: dependent on revival of domestic economic activity, trade, tourism, investment, etc. as well as availability/delivery of effective vaccine or treatment

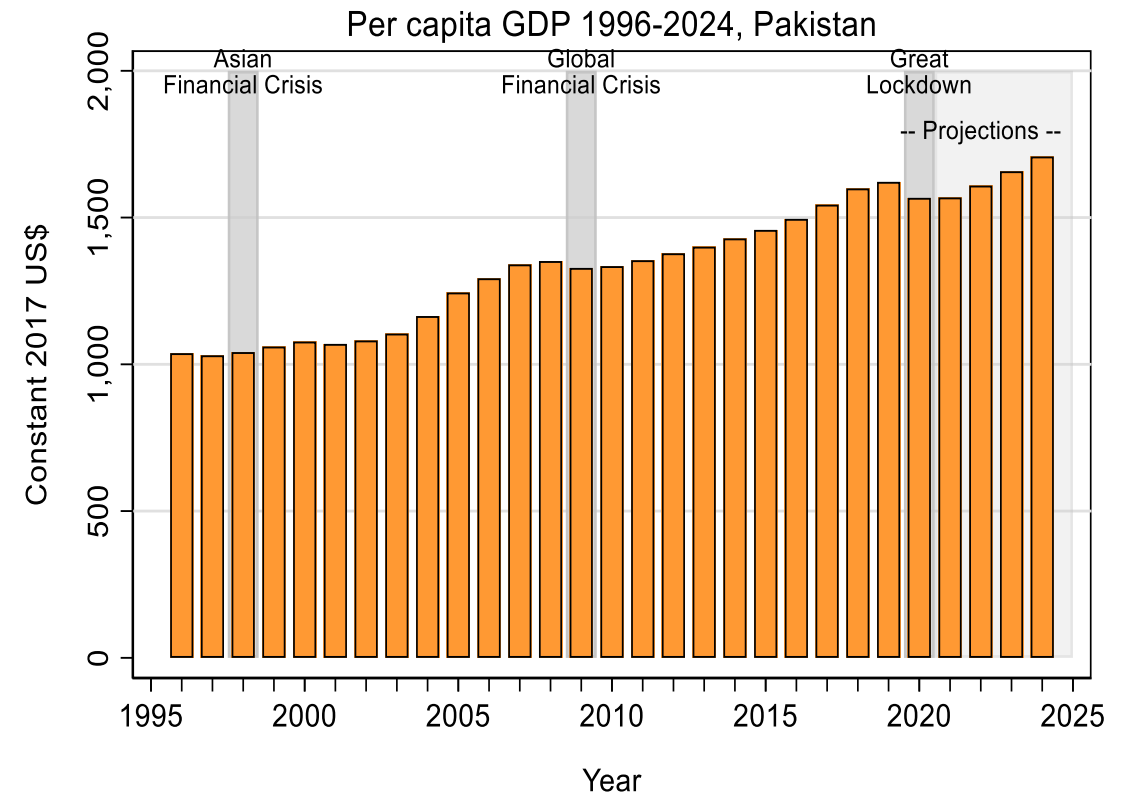
Table 1: Projected impact on per capita GDP growth, 2009-2020

Classification	N	Average 2009-2019	Projected 2020	Difference
High-income East Asia	6	1.2%	-4.3%	-5.5%
Middle-income East Asia	11	4.5%	-1.6%	-6.1%
South Asia	8	4.1%	-1.8%	-5.9%
Sub-Saharan Africa	47	1.4%	-3.2%	-4.7%

... and Pakistan is no exception.

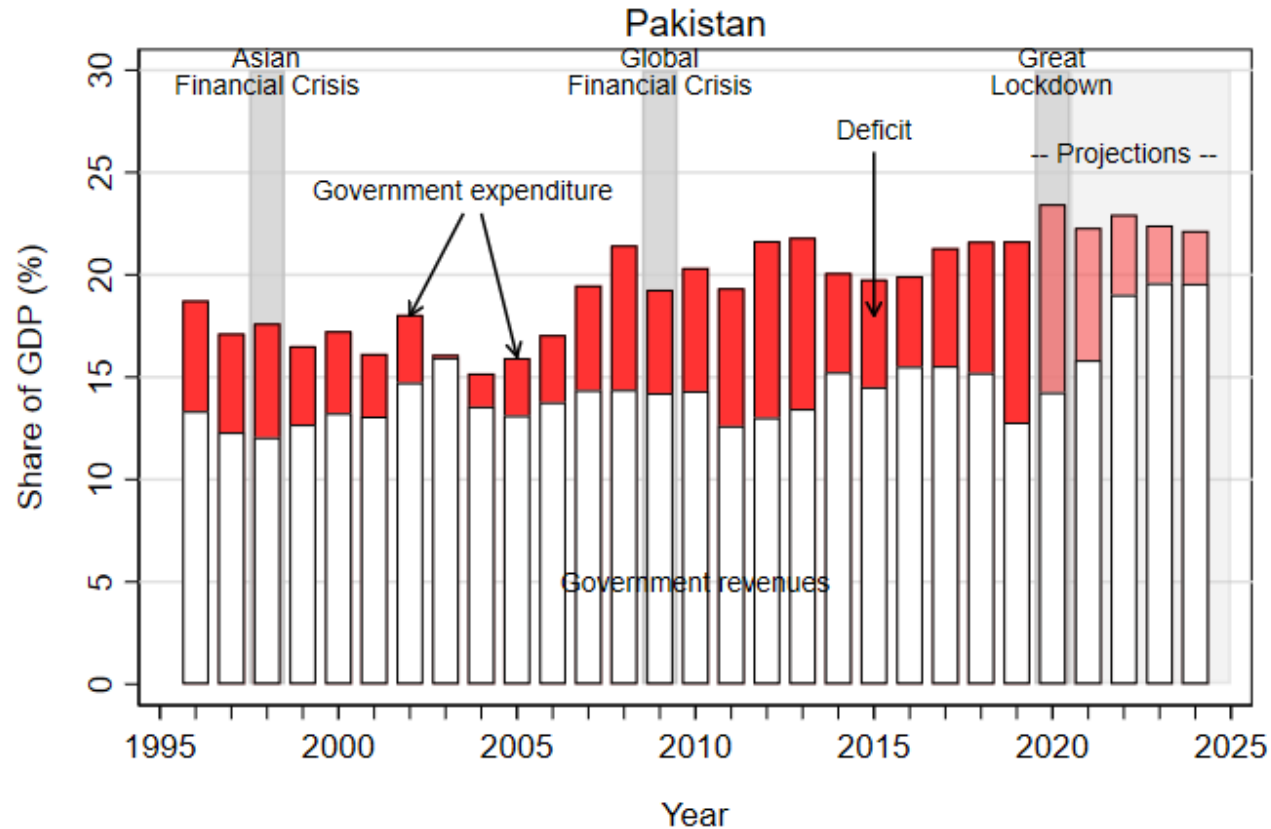


Source: IMF/WB



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The public finance impact will be higher deficits/debt.



Source: IMF/WB

- **Public revenues** are expected to **decline** as a result of economic slowdown, prompting many countries, including Pakistan, to implement **counter-cyclical** fiscal policies
- The latter implies increasing public expenditures to finance surge capacity in health as well as to finance stimulus and support programs in other sectors
- By **increasing deficits** (and **debt** levels), some adverse economic effects in the short-term may be mitigated, the consequences of which may be felt down the road

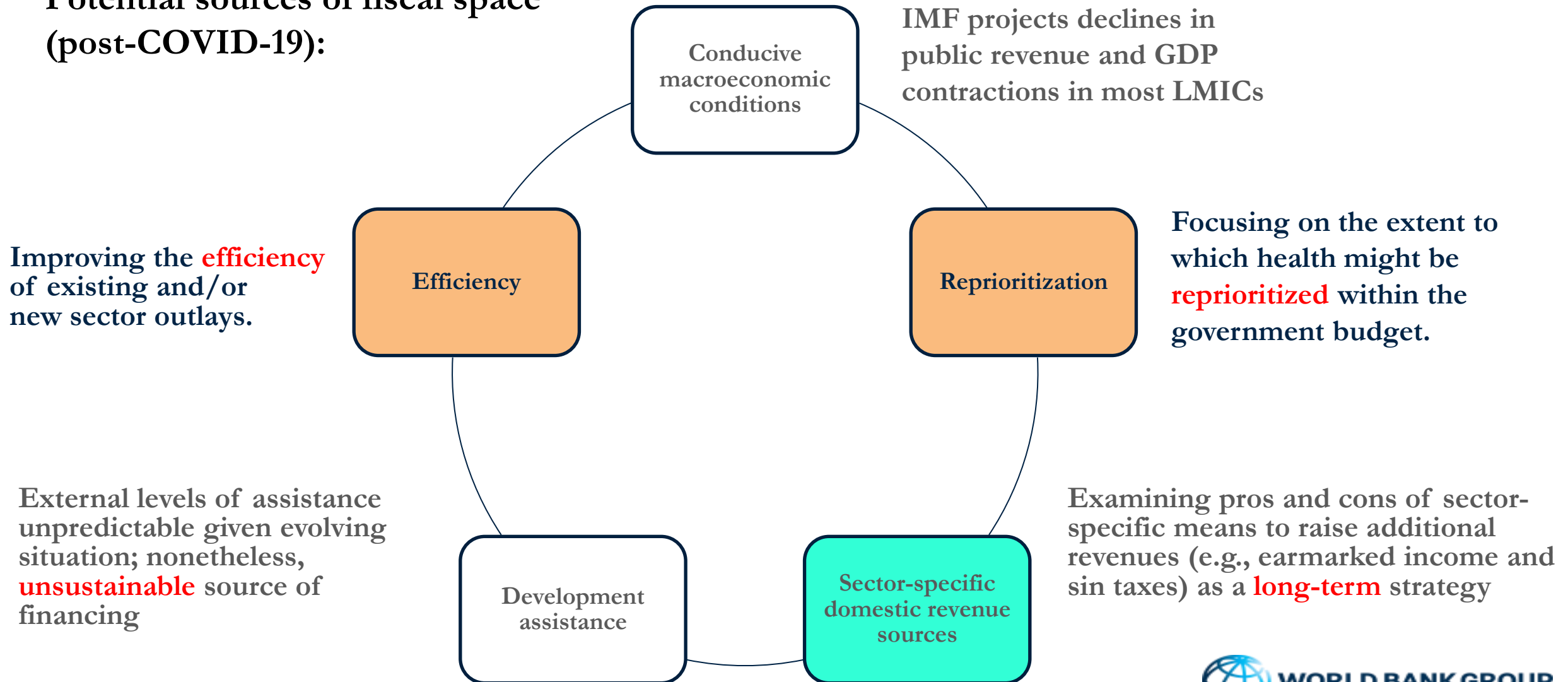
At the same time, public spending on health in Pakistan is relatively low.

Share of Government Expenditures by Sector

	Health (2017)	Education	Military
Afghanistan	5%	13%	4%
Bangladesh	3%	14%	11%
Bhutan	8%	26%	--
India	3%	14%	9%
Maldives	22%	13%	--
Nepal	5%	17%	6%
Pakistan	4%	13%	18%
Sri Lanka	9%	11%	11%
<i>SAR avg</i>	8%	15%	10%

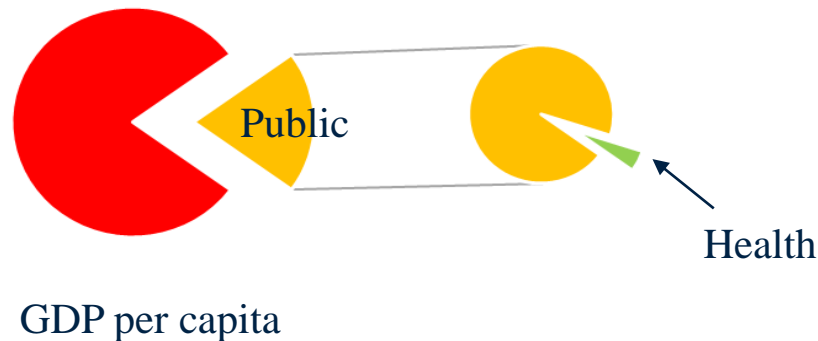
Thus, re-prioritization and efficiency comprise a key approach.

Potential sources of fiscal space (post-COVID-19):



Without re-prioritization, public spending on health will remain low.

The mathematics of public spending on health:



Pakistan in 2017 (in constant 2017 US\$):

$$4\% \times 21\% \times \text{US\$}1538 = \text{US\$}14$$

Pakistan by 2021 (pre-COVID):

$$4\% \times 23\% \times \text{US\$}1647 = \text{US\$}17$$

*May reflect stimulus spending.

*Hypothetical.

Pakistan by 2021 (post-COVID):

$$4\% \times 22\%^* \times \text{US\$}1569 = \text{US\$}15$$

$$5\%^* \times 22\%^* \times \text{US\$}1569 = \text{US\$}17$$

$$6\%^* \times 22\%^* \times \text{US\$}1569 = \text{US\$}21$$

Source: IMF/WB staff estimates

- Economic growth is **not** the only determinant of public expenditure on health
- Reliance on public expenditure from deficit financing/borrowing is **not** enough to offset the falls in GDP per capita and in government revenues

Looking back: Pakistan...



Example from Pakistan

2000:

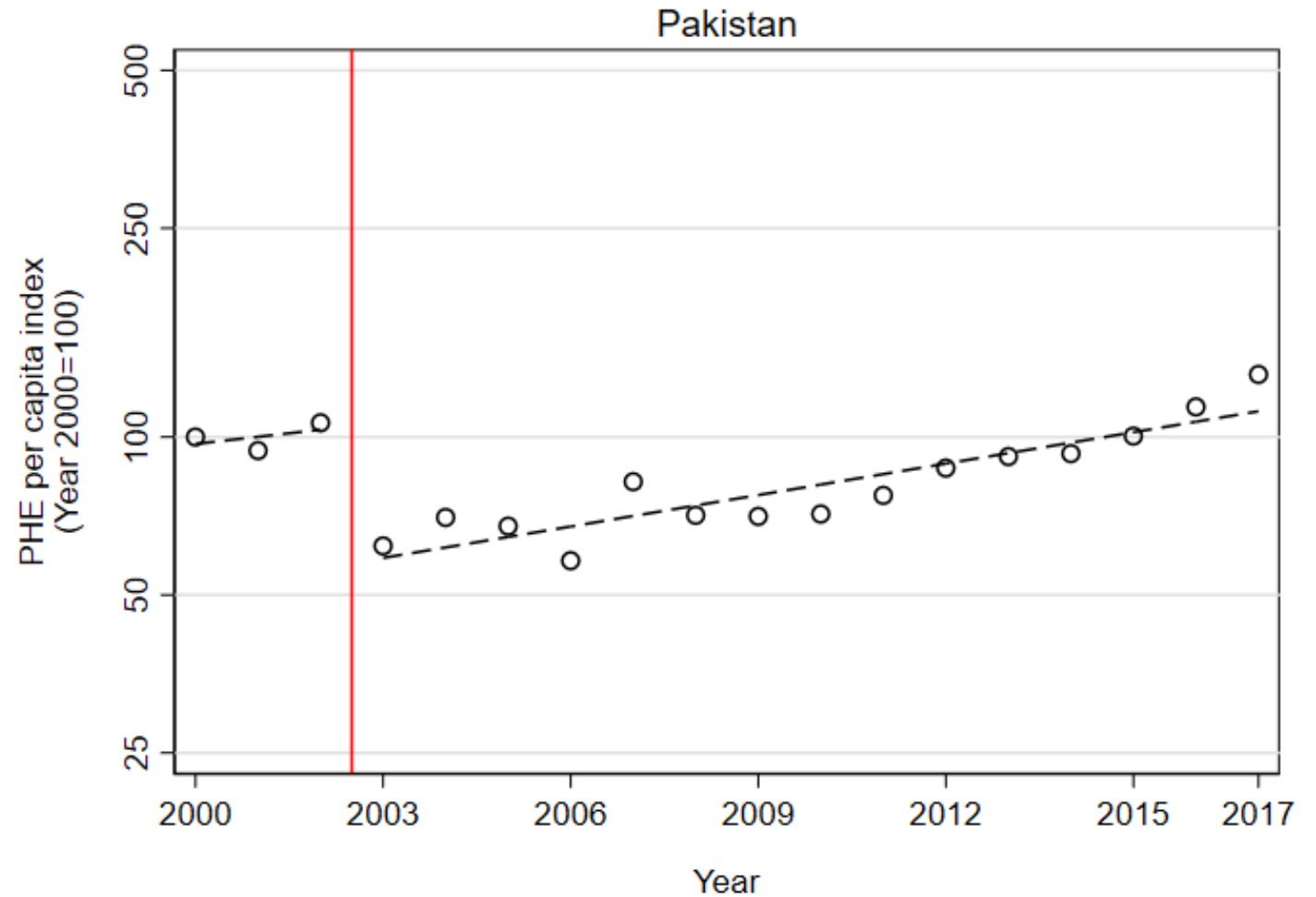
$$6\% \times 17\% \times \text{US\$1,056} = \text{US\$11}$$



Example from Pakistan

2017:

$$4\% \times 21\% \times \text{US\$1,538} = \text{US\$14}$$



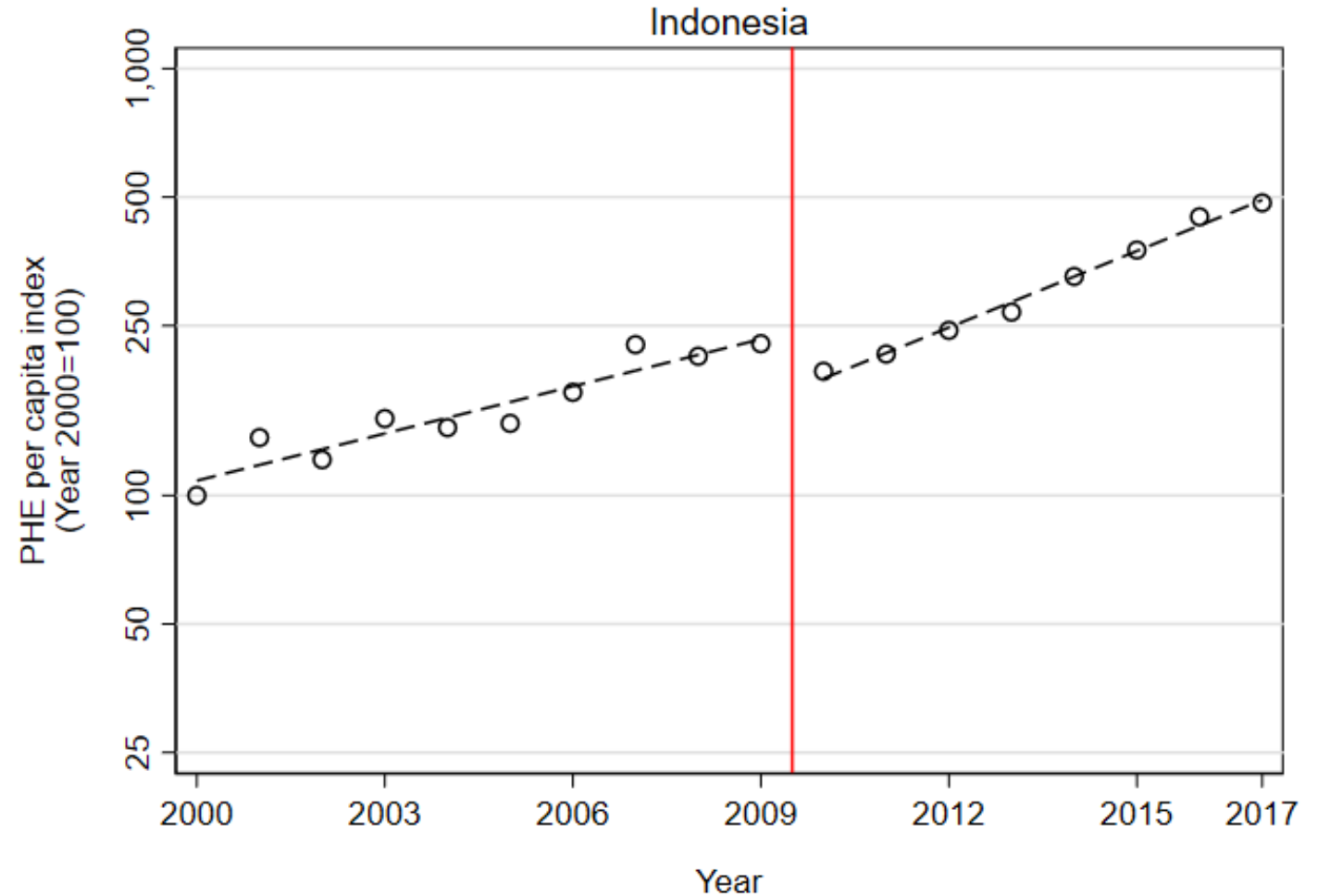
...versus Indonesia.



Example from Indonesia
2000
4% X 15% X US\$1,965 = US\$12

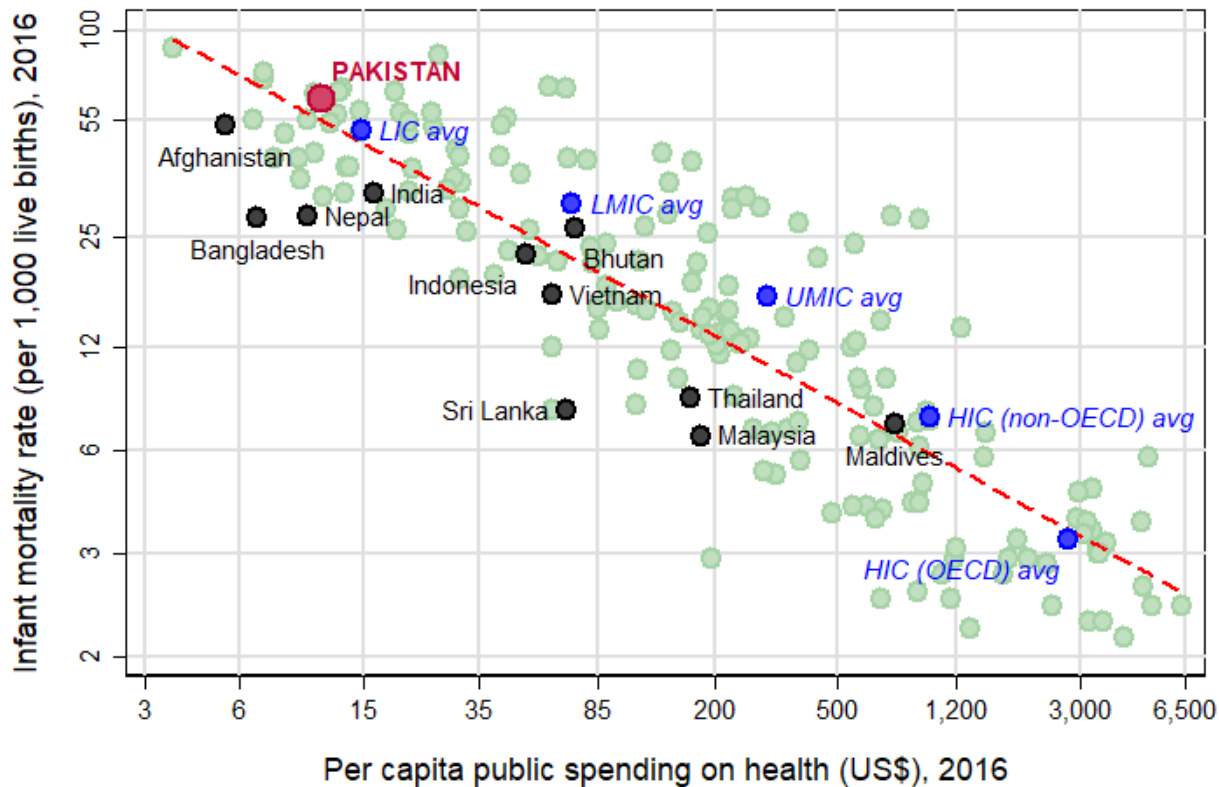


Example from Indonesia
2017
9% X 17% X US\$3,846 = US\$56



Efficiency goes “hand-in-hand” with re-prioritization.

High infant mortality vs. public health spending in Pakistan



Source: World Development Indicators; WHO Global Health Expenditure Database.
Note: Both x- and y-axes expressed in log scale.

- Improving **efficiency** is key, as it is a means of improving fiscal space – and because population health outcomes are poor relative to national income
- However, **low levels of public spending on health are also a source of inefficiency**; hence, the need to improve re-prioritization and efficiency go “hand-in-hand”
- Efficiency gains will help build a foundation for increased budget allocation and generate positive signals to the MoF

Key takeaways and next steps

1. Unfavorable macro-fiscal context anticipated due to COVID-19; 4% public budget towards health is low
2. Re-prioritization of public spending towards health and efficiency gains are **both key** to creating fiscal space

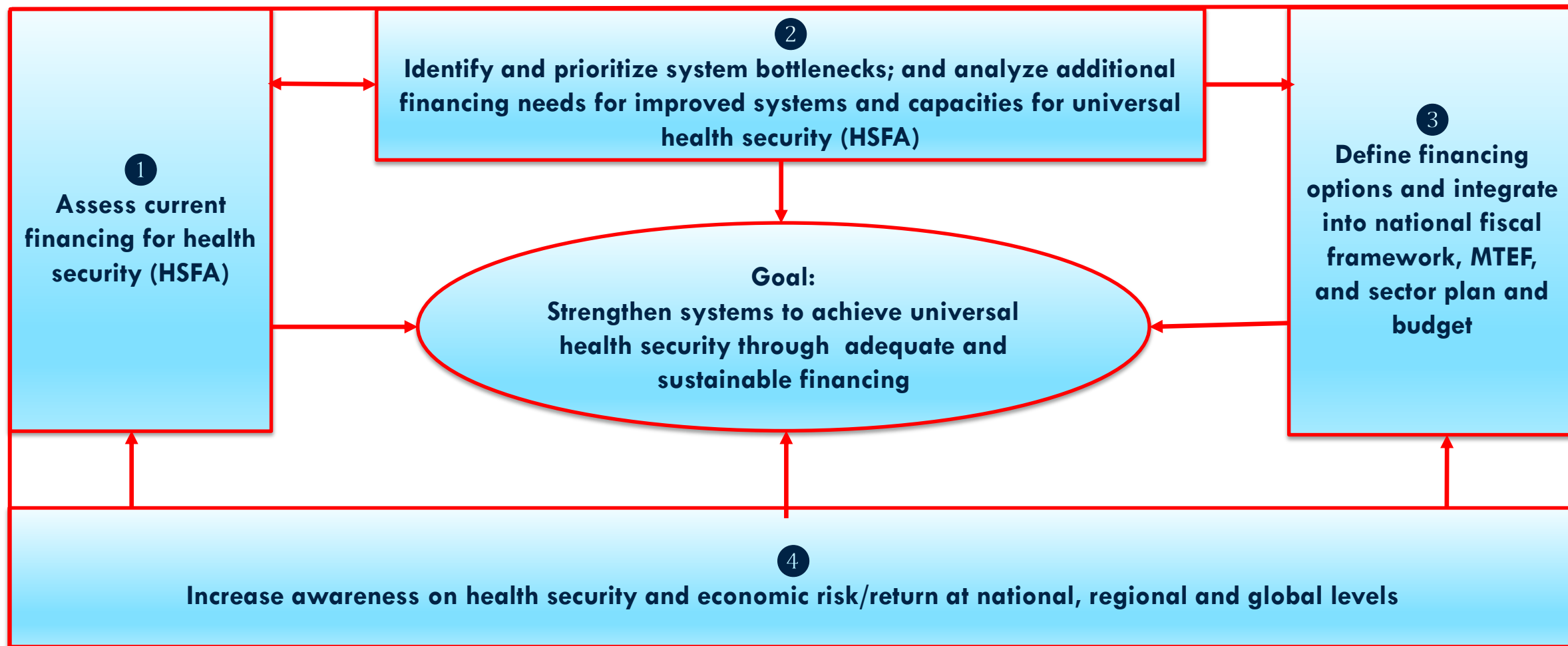
Recommendations:

1. Prioritize **public spending on health** to address the pandemic, including a potential second wave
2. Prioritize **health in the public budget**, including via debt relief, health taxes, etc.
3. Improve **value for money** in health and enhance both pro-poor targeting and coverage
4. Initiate **multi-stakeholder** dialogue to develop a national **health financing strategy**

Potential World Bank services to facilitate sustained dialogue in health financing:

- Assessment of COVID-19 crisis on health financing
- Health Financing Systems Assessment and/or Health Security Assessment
- Policy briefs on select priority health financing topics
- Updated fiscal space analyses

Example: Health Security Assessment



Thank you.