

Pacific Heads of Health

Réunion des directeurs de la santé du Pacifique

COVID-19 Implications for Health Financing in the Pacific

Susan Ivatts, Ajay Tandon & Wayne Irava
Global Practice on Health, Population, Nutrition

World Bank

July 2020

Acknowledgements: Pacific Joint Incident Management Team & Australian Government Advance UHC Multi-Donor Trust Fund

Key Messages

- COVID-19: Economic and health impact expected to be substantial in Pacific, even though only a small number of reported infections

- Concerns that **health financing** for routine essential service delivery are being adversely affected.



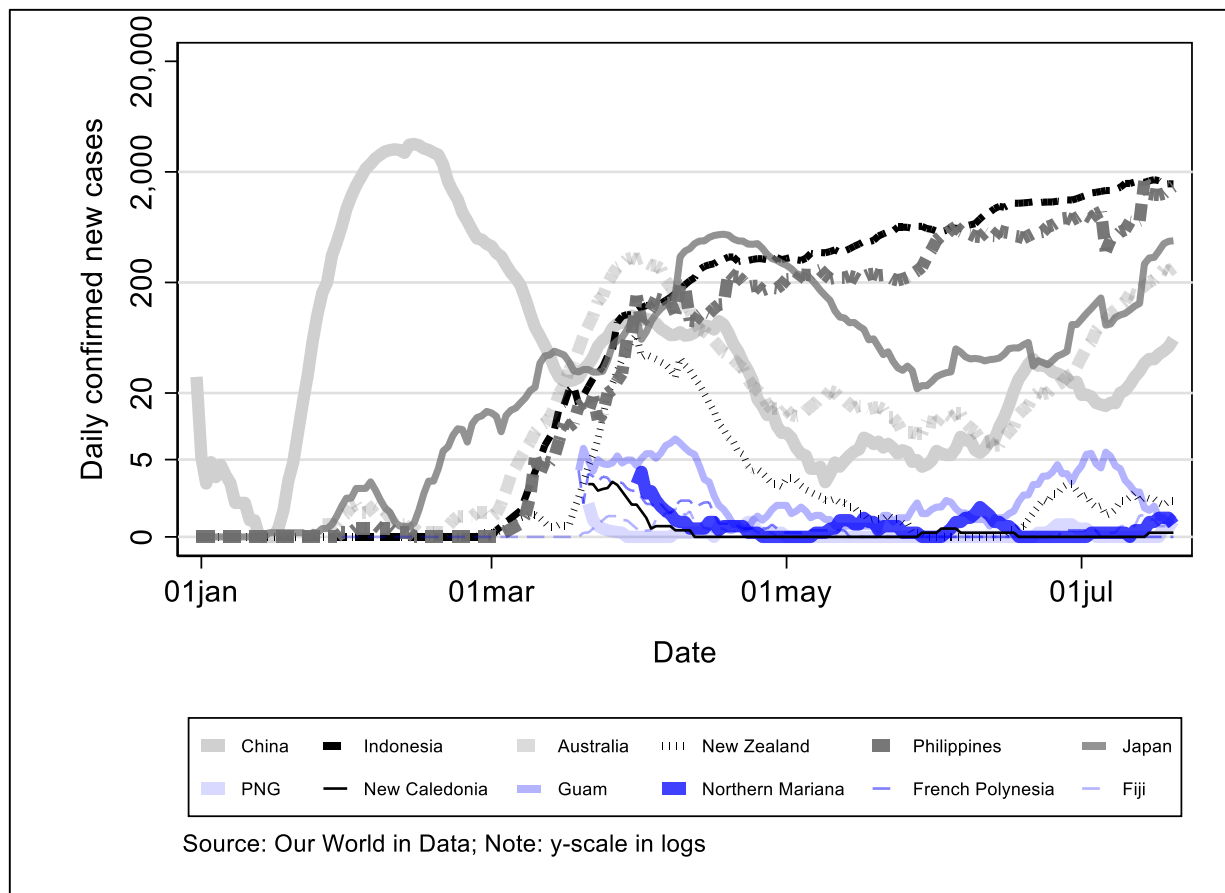
- Pacific Heads of Health have an opportunity to take strategic action to (re)prioritize and (re)allocate resources to help protect and improve population health and the delivery of essential services.

Key Message



- COVID-19: Economic and health impact expected to be substantial in Pacific, even though only a small number of reported infections
- Concerns that health financing for routine essential service delivery are being adversely affected.
- Pacific Heads of Health have an opportunity to take strategic action to (re)prioritize and (re)allocate resources to help protect and improve population health and the delivery of essential services.

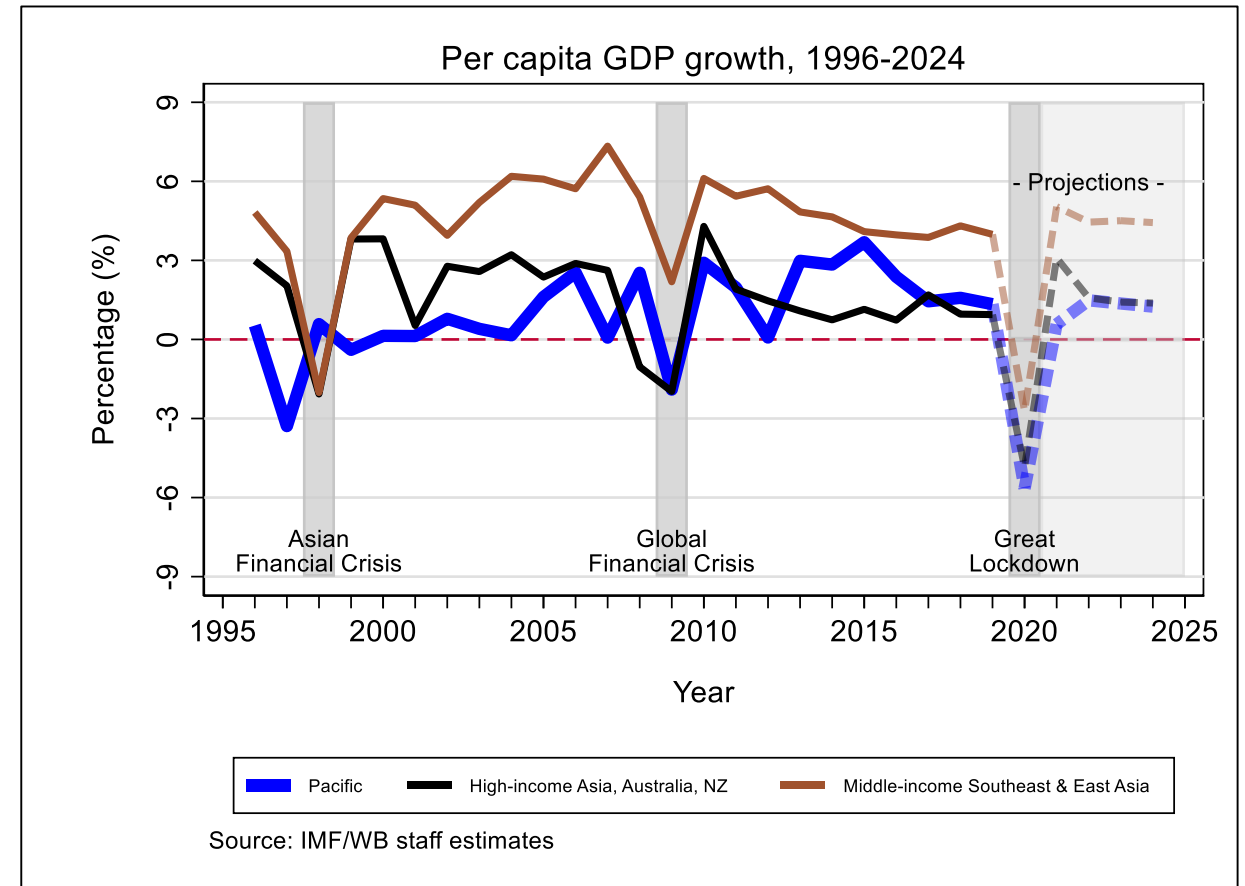
COVID-19



- Pacific has been **largely spared** the direct effects of COVID-19 in terms of morbidity and mortality.
- Several Pacific island countries remain **COVID-free**; where infections have occurred, the numbers have so far been relatively low and largely contained.
- **Collateral damage** from COVID-19: disruptions to routine health services and potential adverse impact on overall financing for health may lead to increases in preventable deaths and illnesses from other causes.

A Deep Global Economic Contraction is Occurring

- Deep contraction projected for **Pacific** countries: average **-5.7%** decline in per capita economic growth rate, larger than in previous crises.
- **Unemployment** and **poverty** rates rising; likely adverse effect on **remittances** and **household incomes**; **income inequality** increasing.
- Economic contraction **global** in nature: almost all countries expected to contract in 2020; current projections suggest economic growth may start to rebound in 2021, but this is subject to tremendous uncertainty.



Economic Contagion Effects of COVID-19

Severity of economic contraction expected to vary significantly within Pacific, dependent on country vulnerabilities; Higher vulnerabilities will affect not only magnitude of adverse economic impact but also duration and uncertainty.

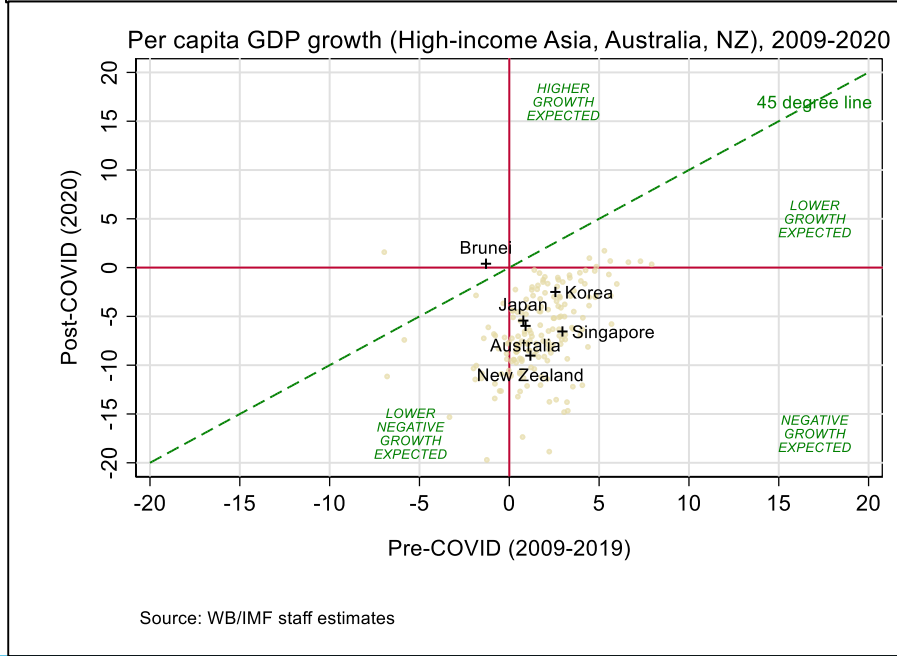
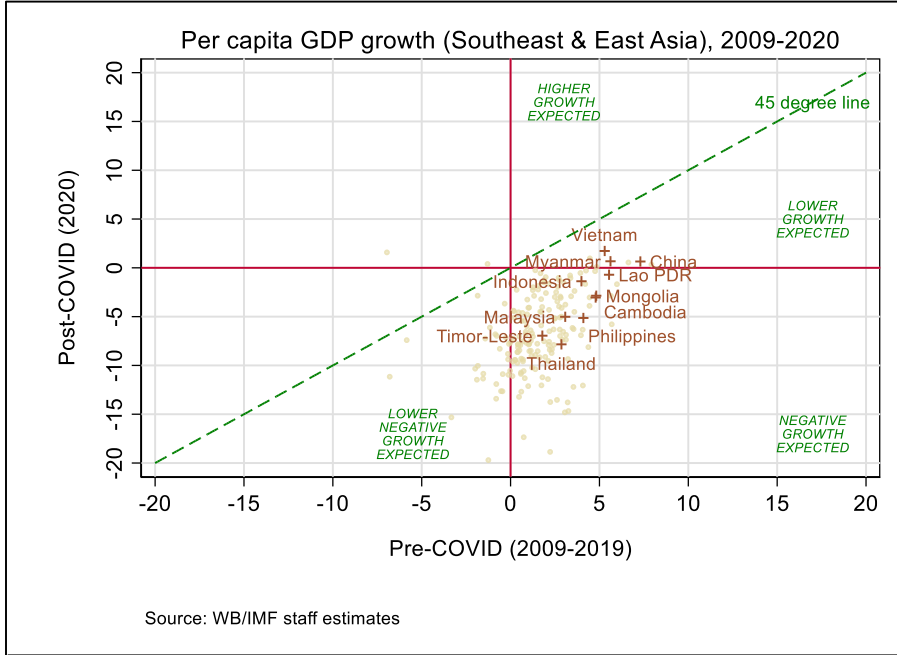
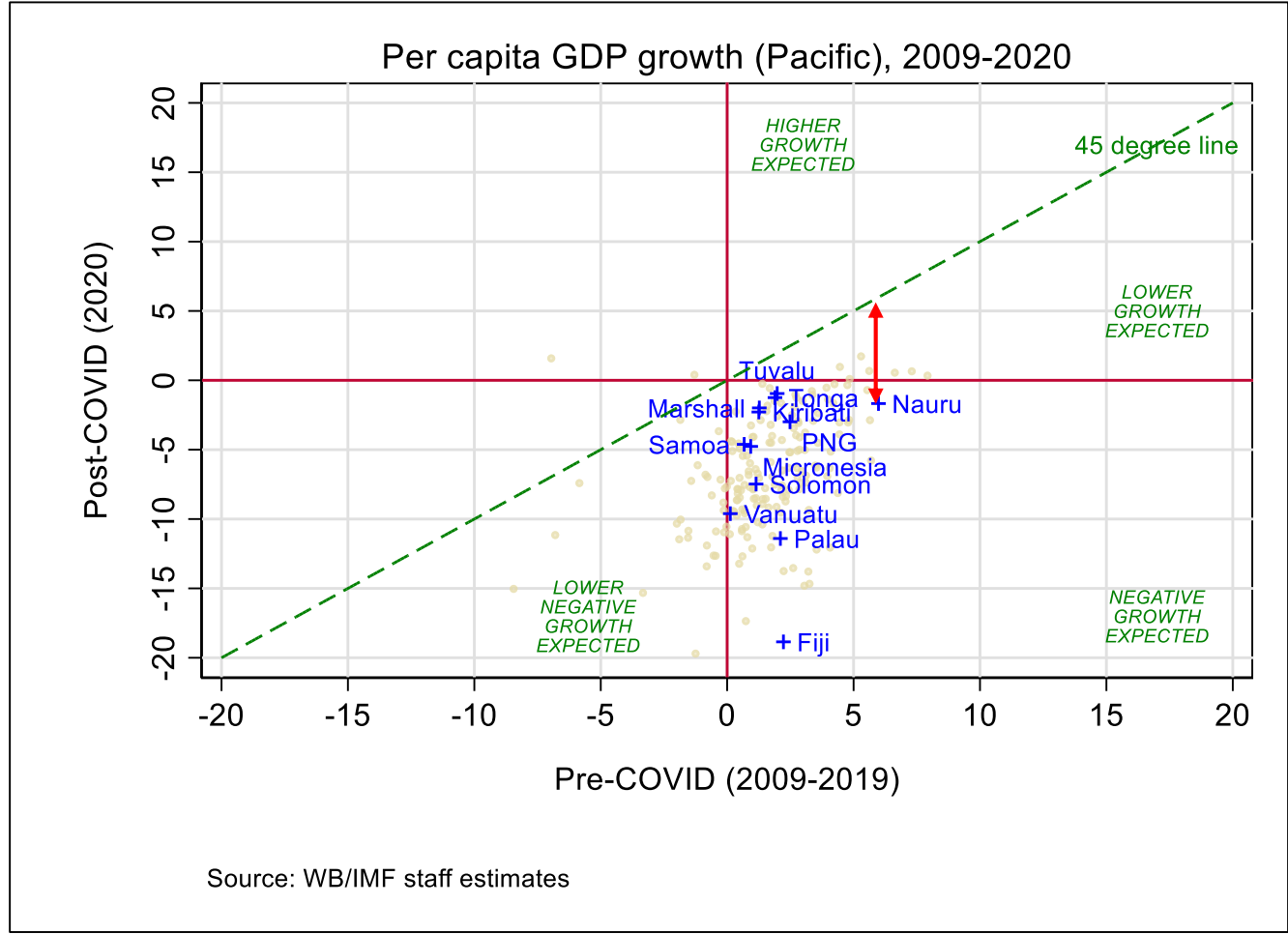
Examples of External Vulnerabilities

- **Tourism** accounts for almost 20% of GDP in Fiji.
- **Exports** as share of GDP are >50% in Fiji, Solomon Islands, Palau, Vanuatu.
- Large dependence on **commodity exports** in PNG, Solomon Islands.
- **External debt** levels are high PNG, Samoa, Tonga, Vanuatu; large **current account deficits** in PNG.
- **Remittances** as share of GDP are high in Tonga, Samoa, Marshall Islands, Tuvalu, Kiribati.

Examples of Fiscal Vulnerabilities

- Relatively high dependence on **grant revenues/development assistance**.
- **High debt service** share in overall government spending in PNG and Fiji, greater than the share going to health.
- High public debt levels and relatively **high inflation** in Nauru.

Diversity in Adverse Economic Impact Across Countries

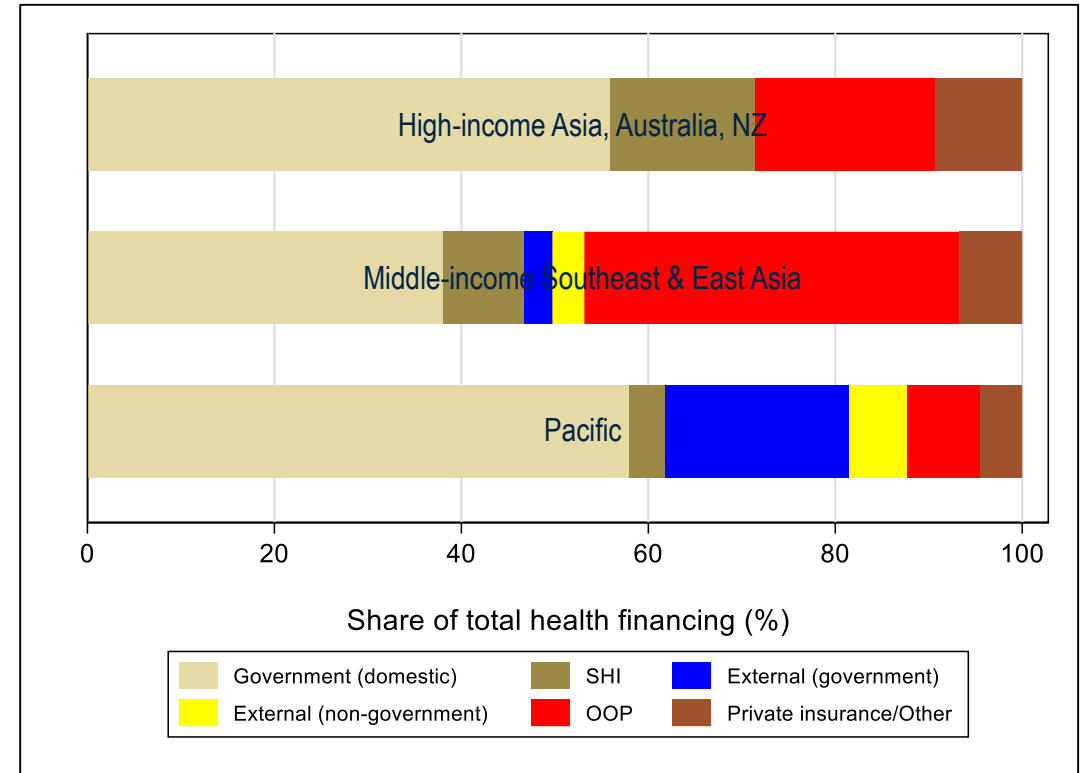
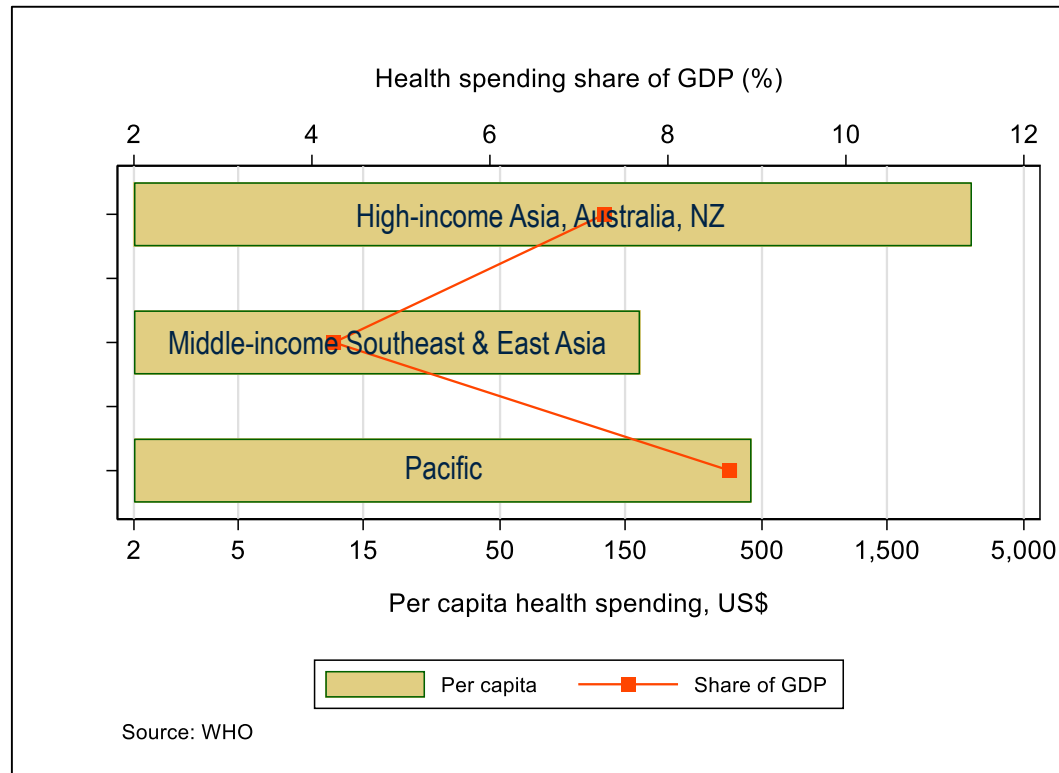


Key Message

- COVID-19: Economic and health impact expected to be substantial in Pacific, even though only a small number of reported infections
- ➔ ■ **Concerns that health financing for routine essential service delivery are being adversely affected.**
- Pacific Heads of Health have an opportunity to take strategic action to (re)prioritize and (re)allocate resources to help protect and improve population health and the delivery of essential services.

Financing for Health in Pacific: Government and External

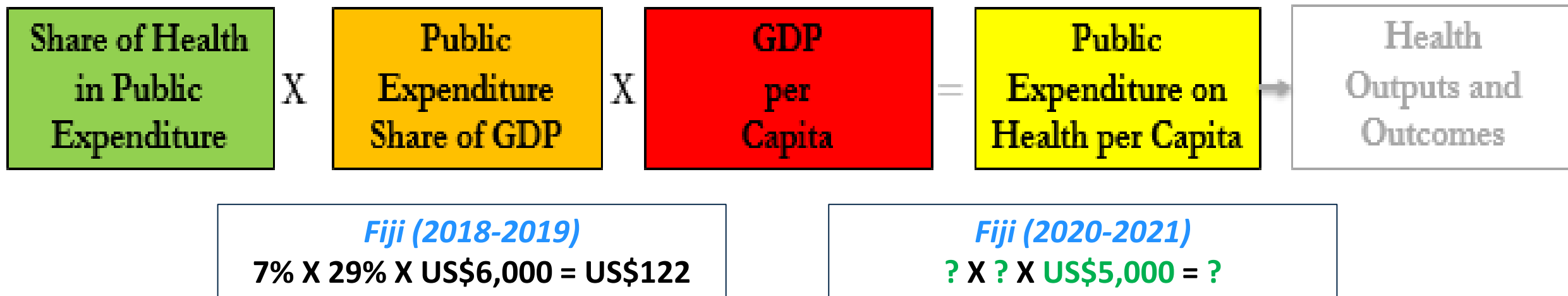
Buckets for health financing: **public** (including SHI), **out-of-pocket (OOP)**, **external**, and **private insurance/other**



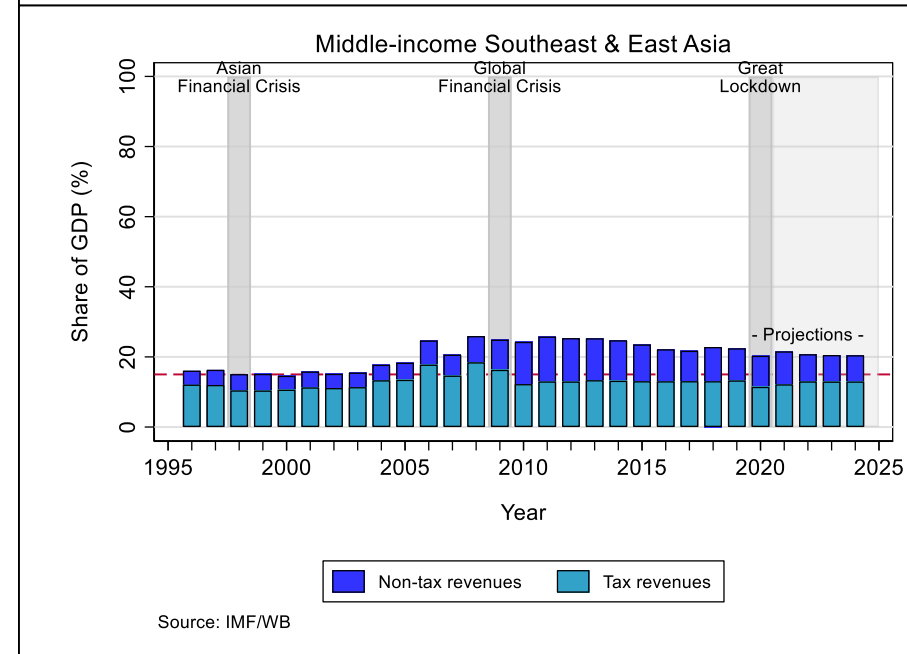
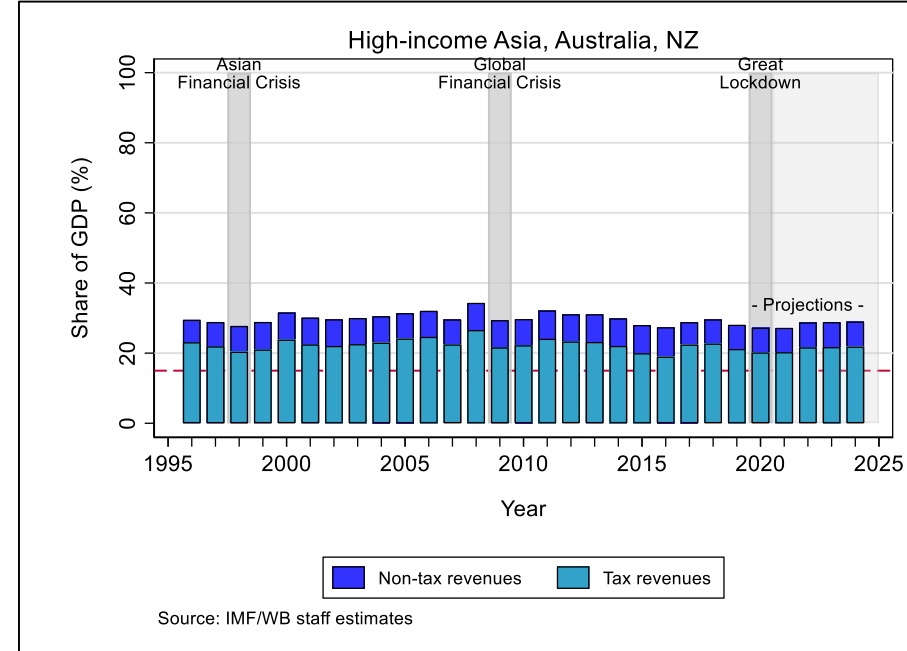
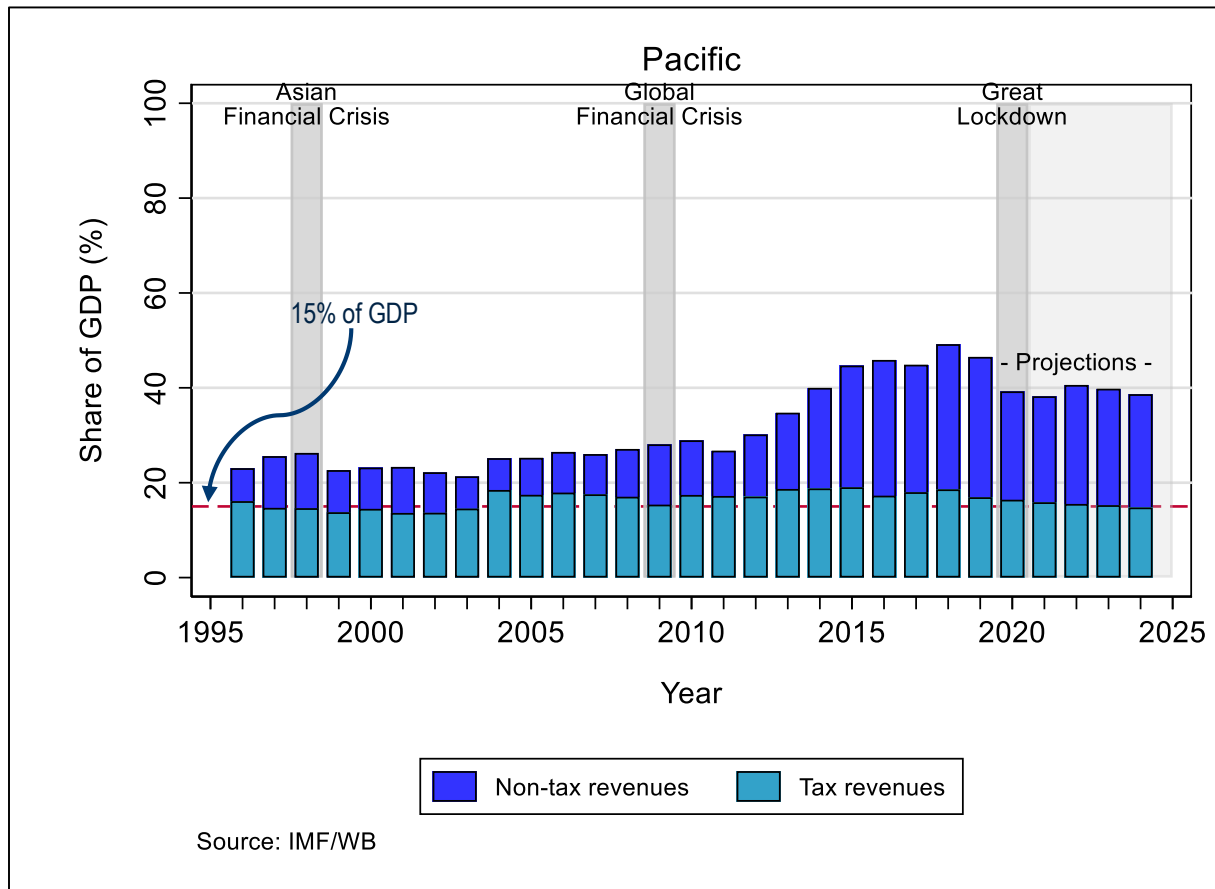
Biggest buckets in Pacific: **general government revenue financing**, **external financing**; other sources marginal role

Impact on Public Financing for Health...

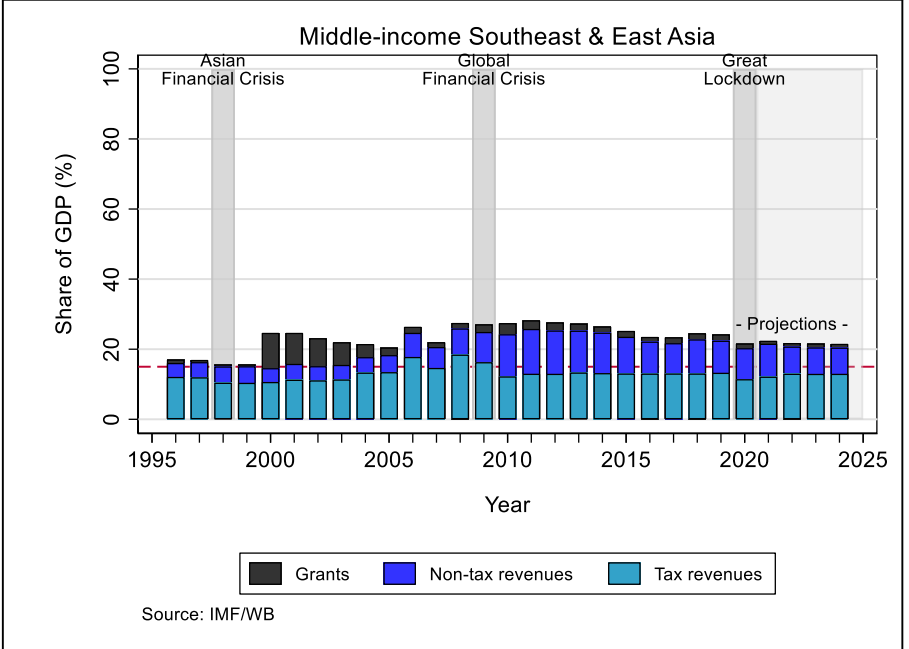
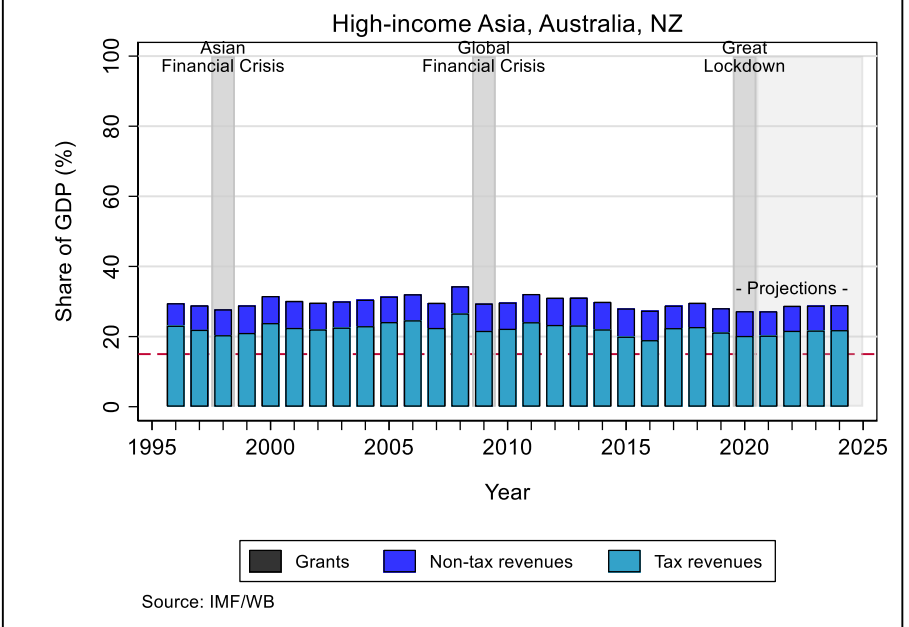
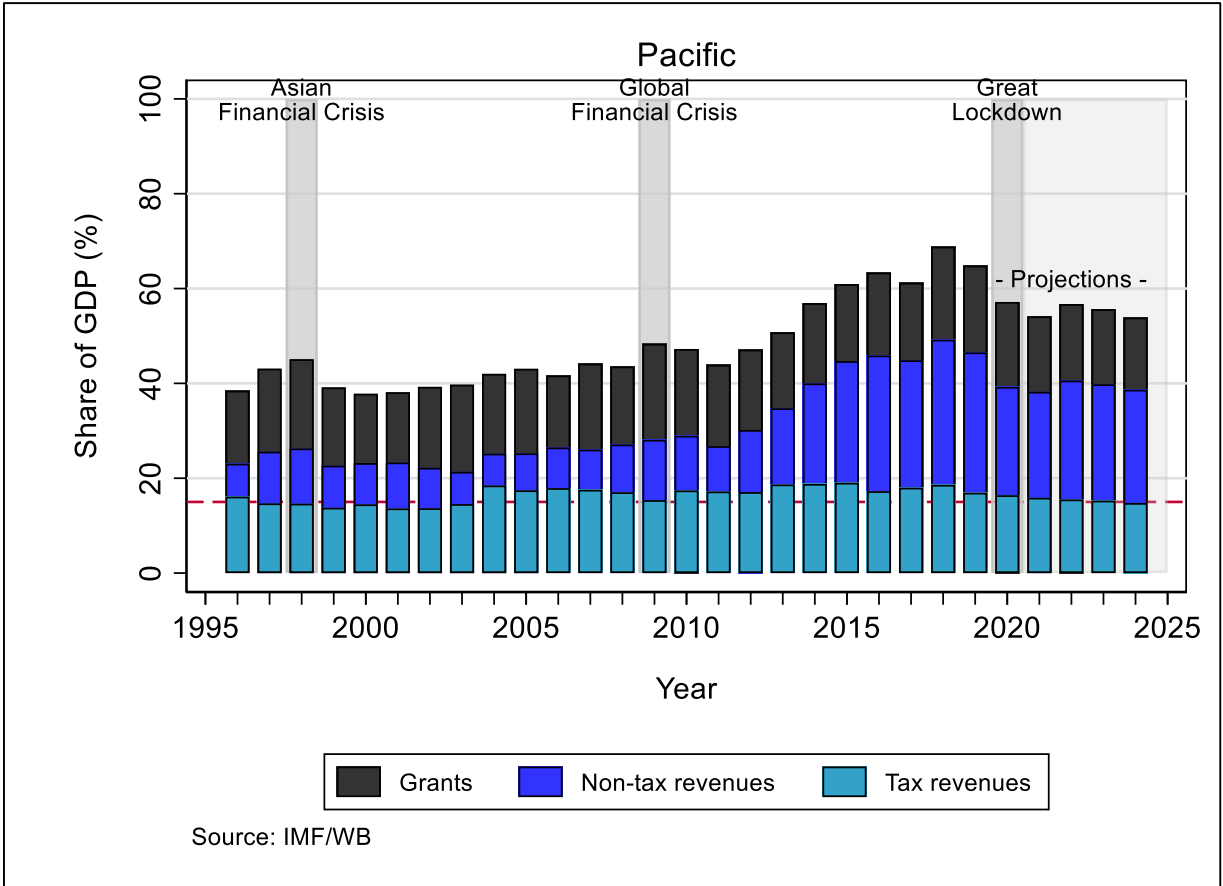
...depends not only on what happens to economic growth, but also on ability of countries to implement countercyclical fiscal and monetary policies and to changes in priority for health in government budgets



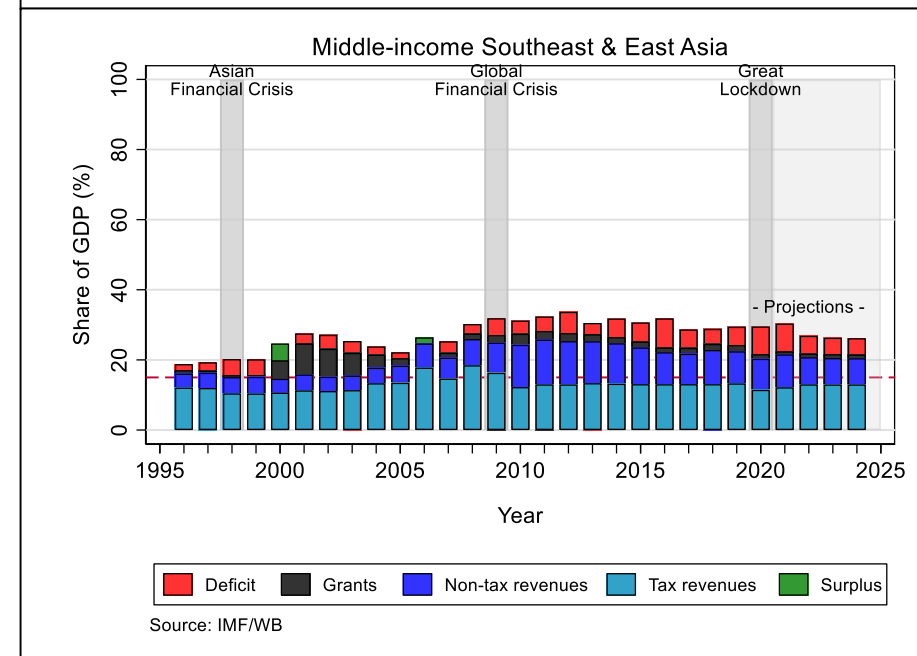
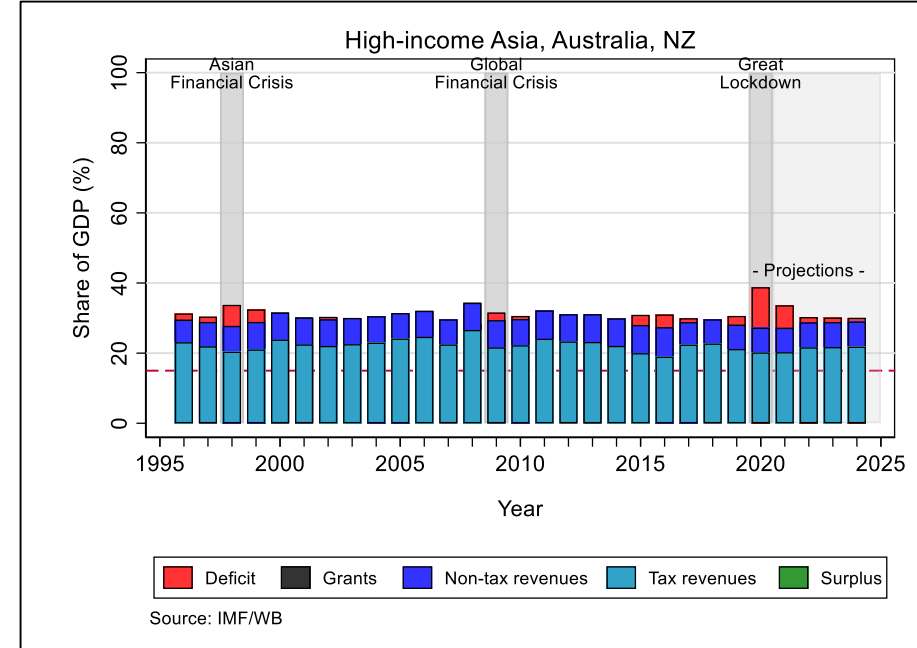
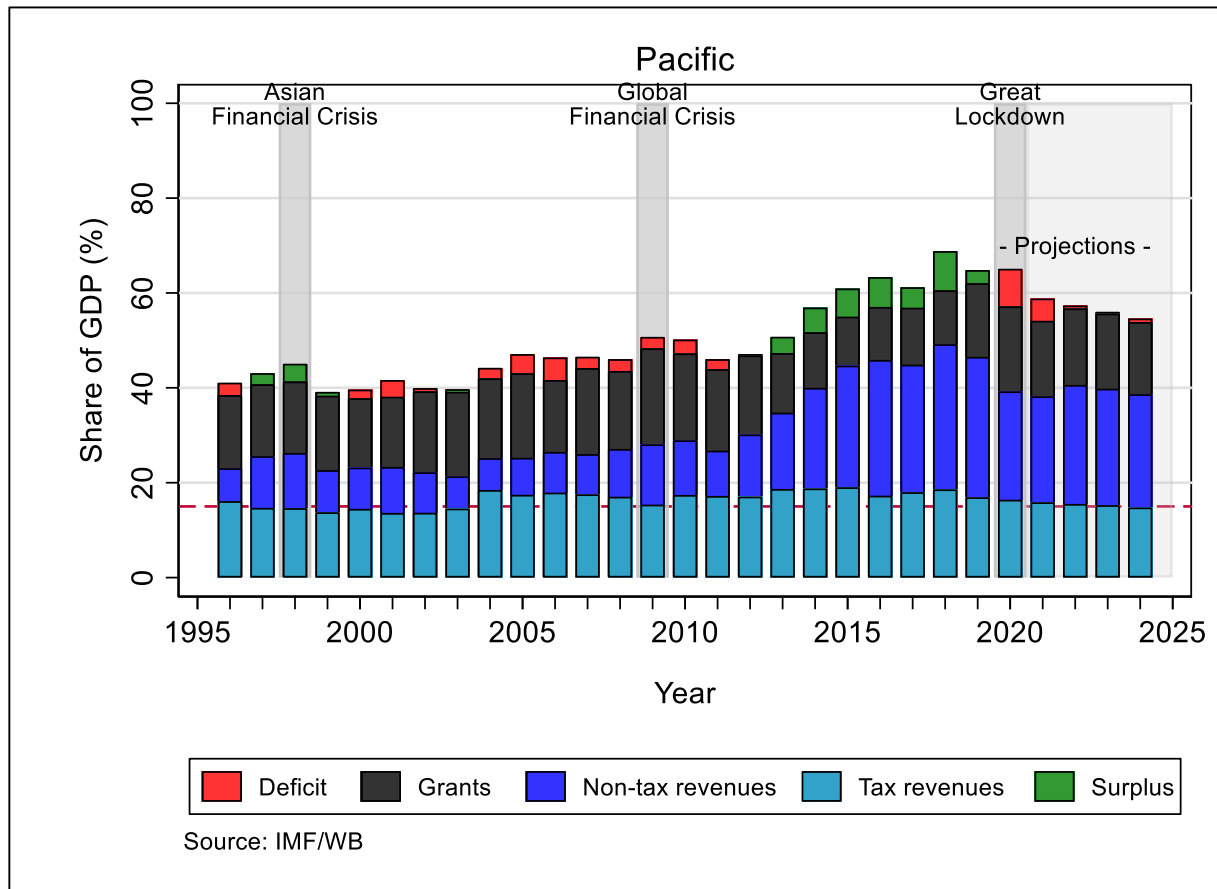
In Addition
to Decline in
GDP, Tax
and Non-Tax
Government
Revenue
Shares of
GDP
Expected to
Decline



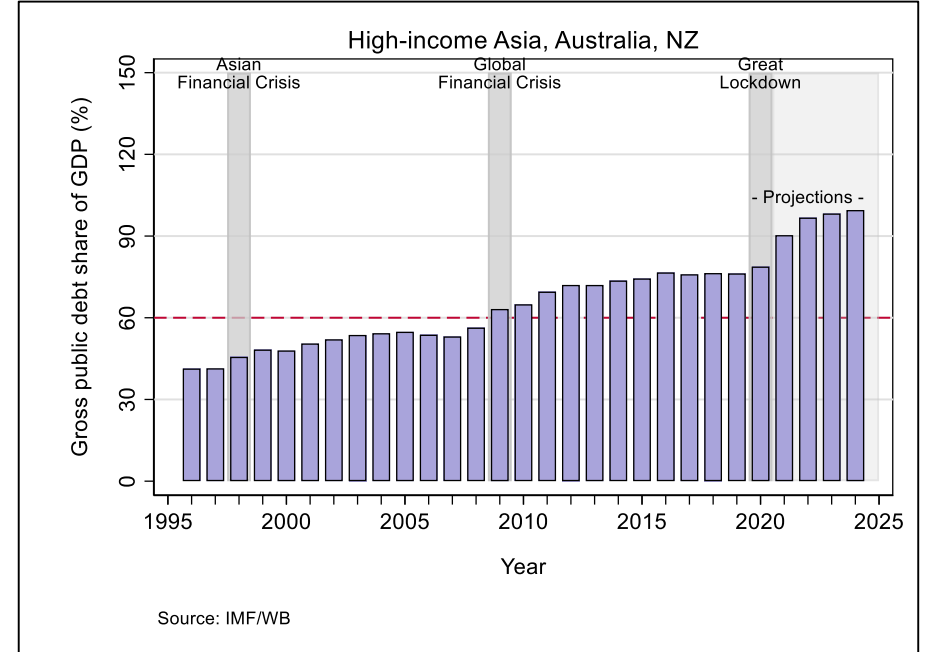
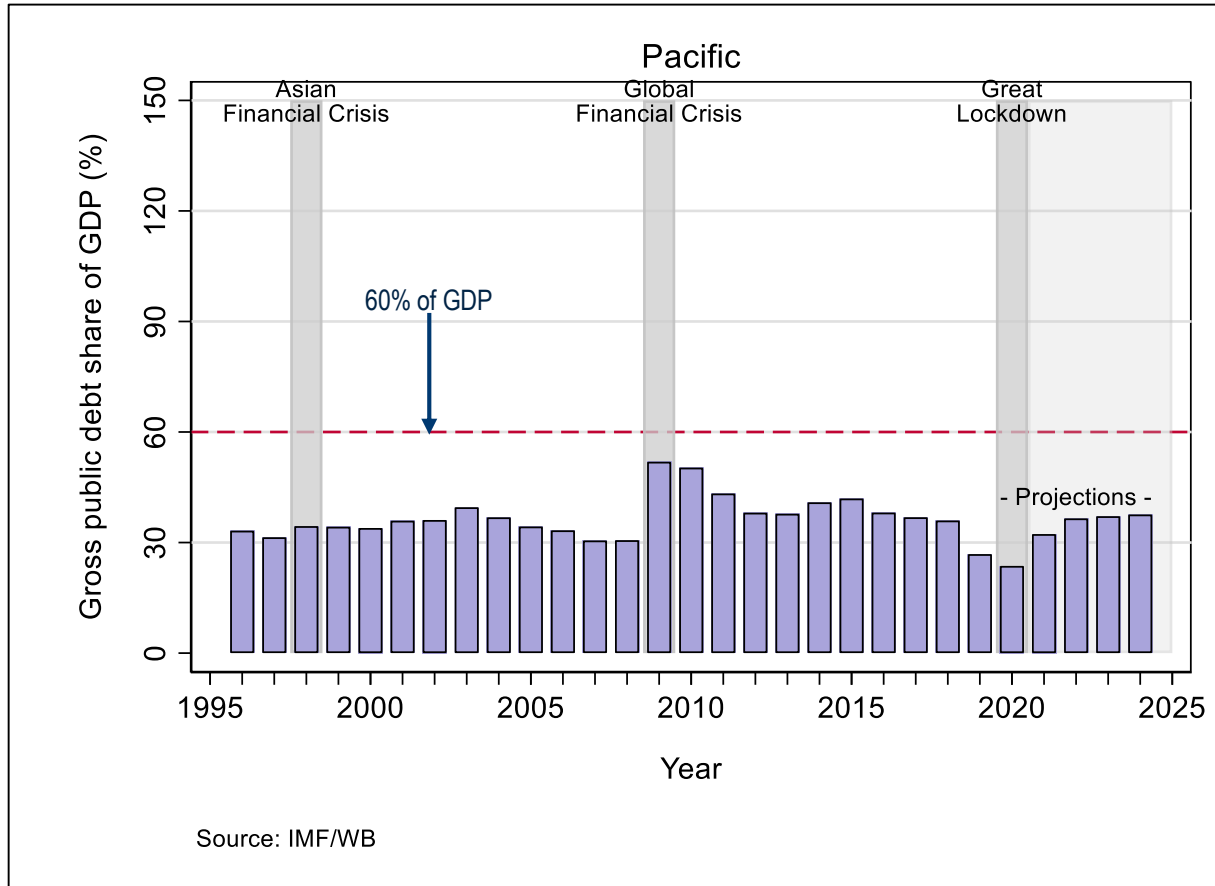
As of Now,
Grant
Financing
Share of
GDP
Expected to
Remain
Largely
Unchanged

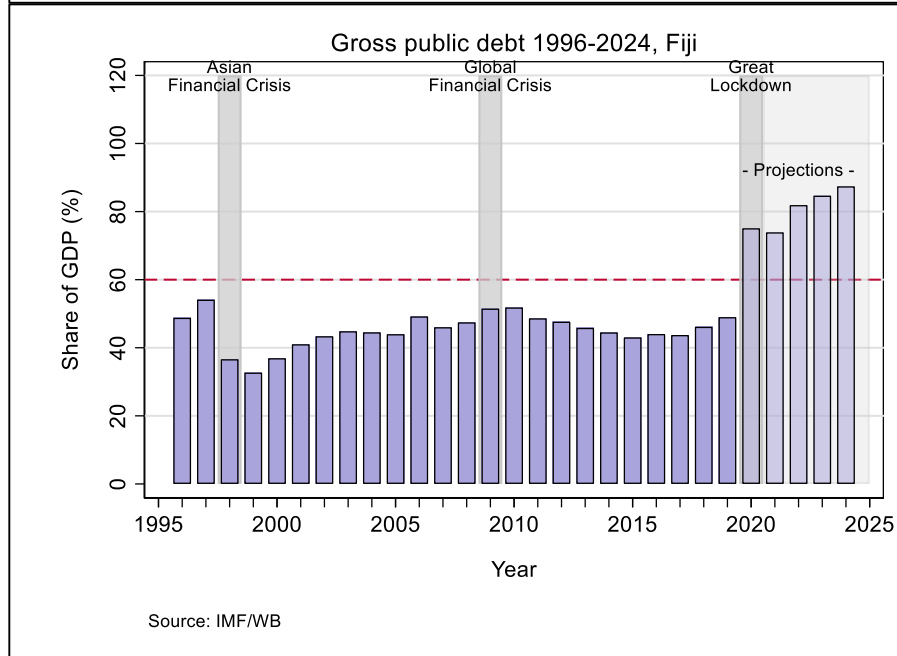
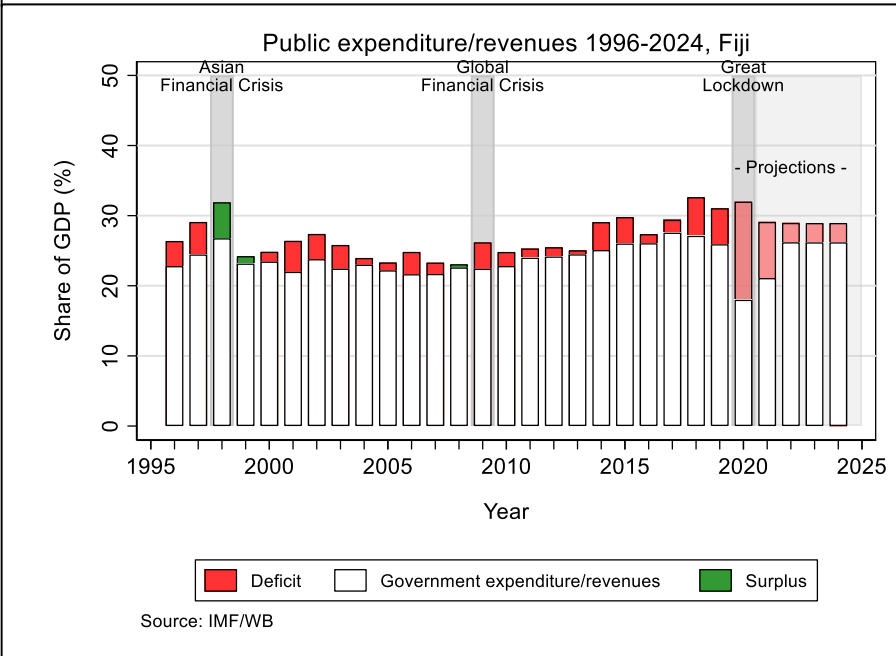
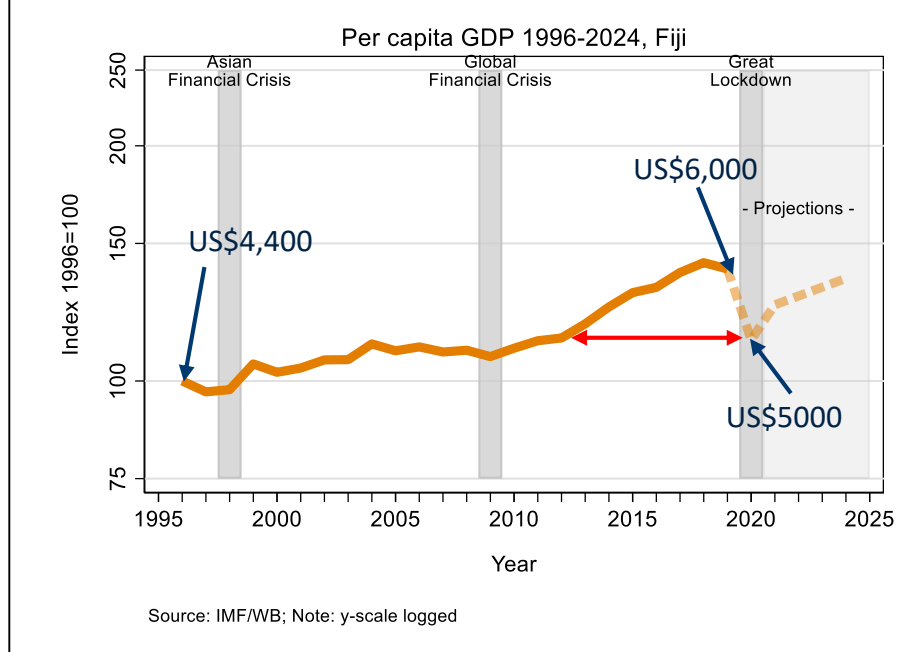
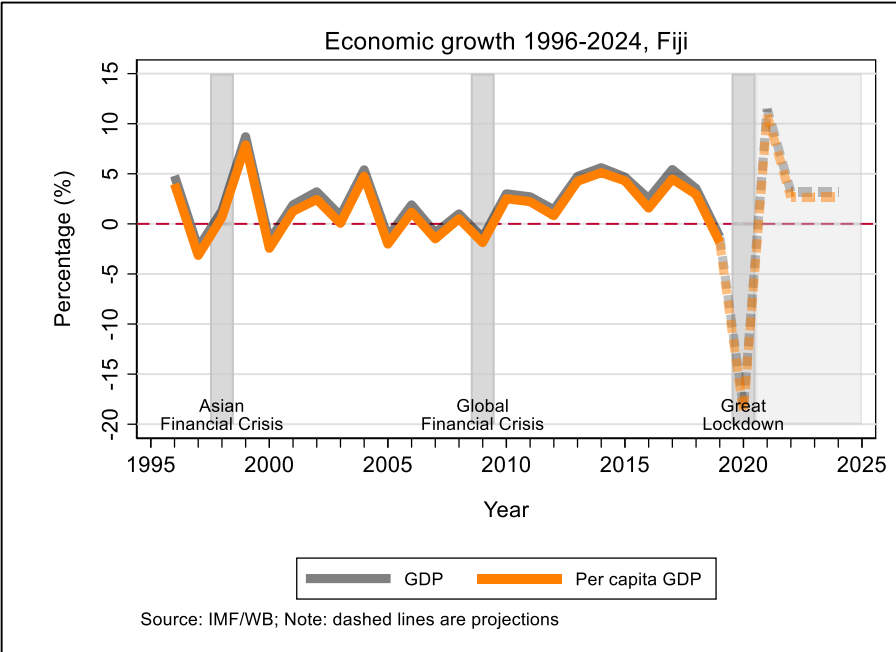


Borrowing is Expected to Increase



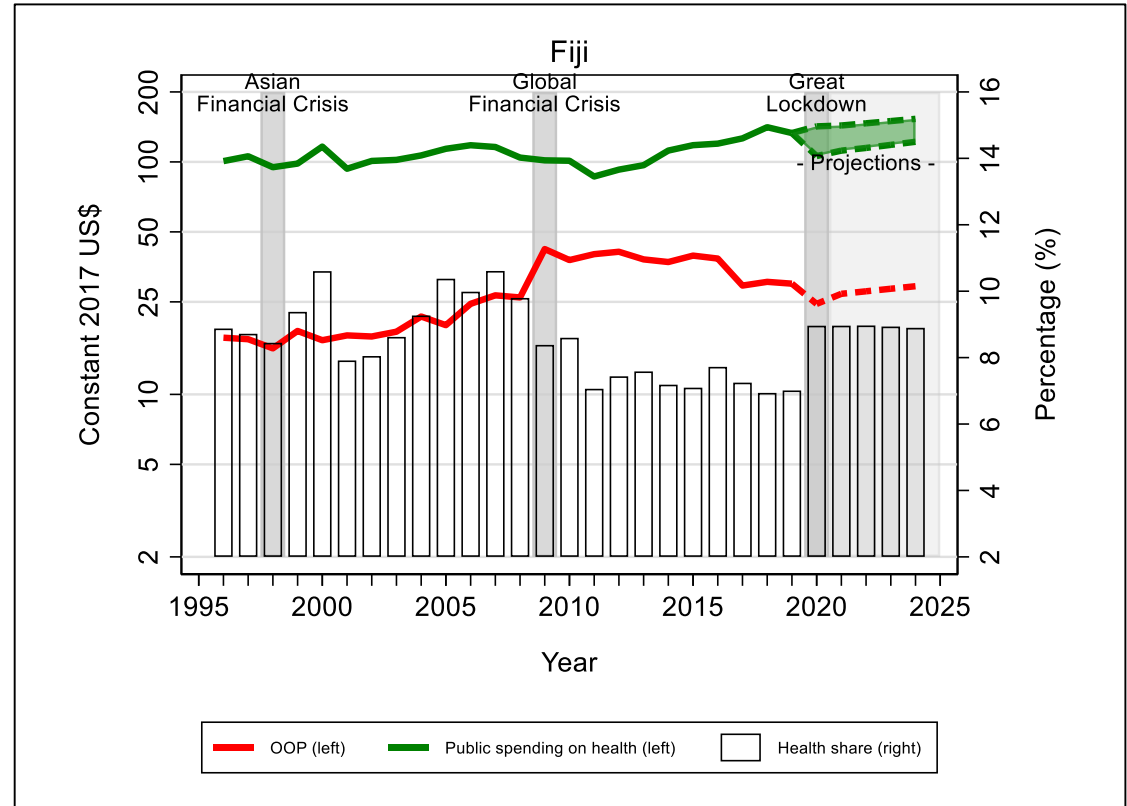
Public Debt Levels Projected to Rise



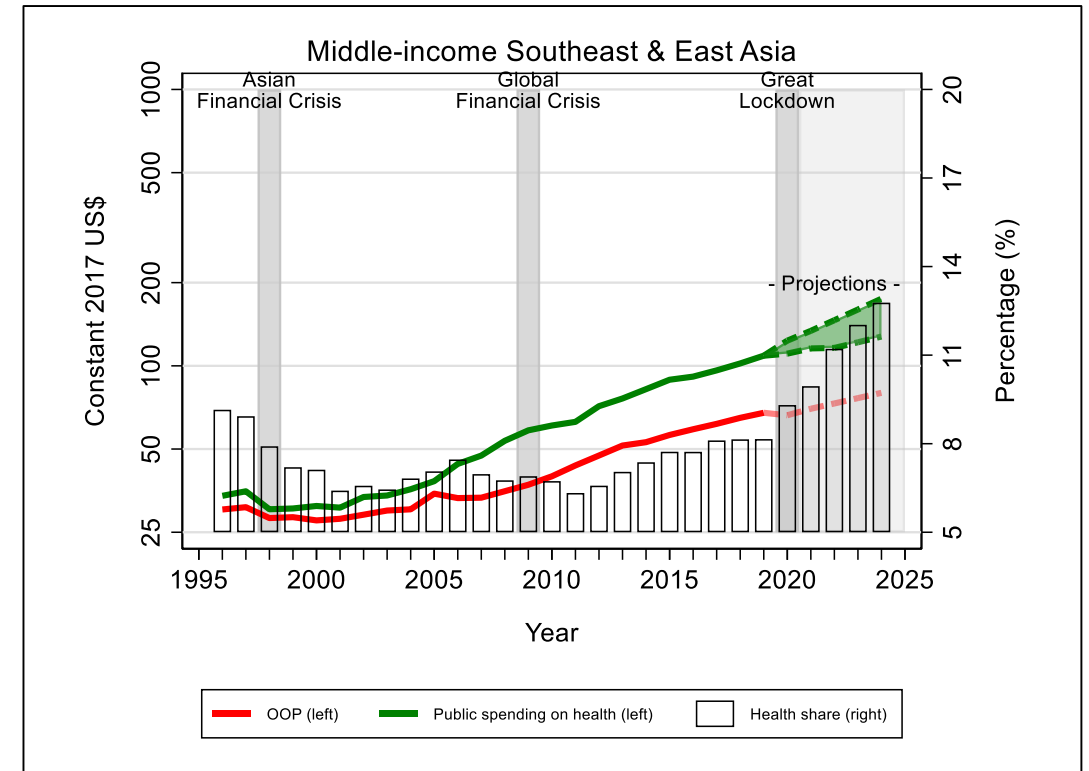
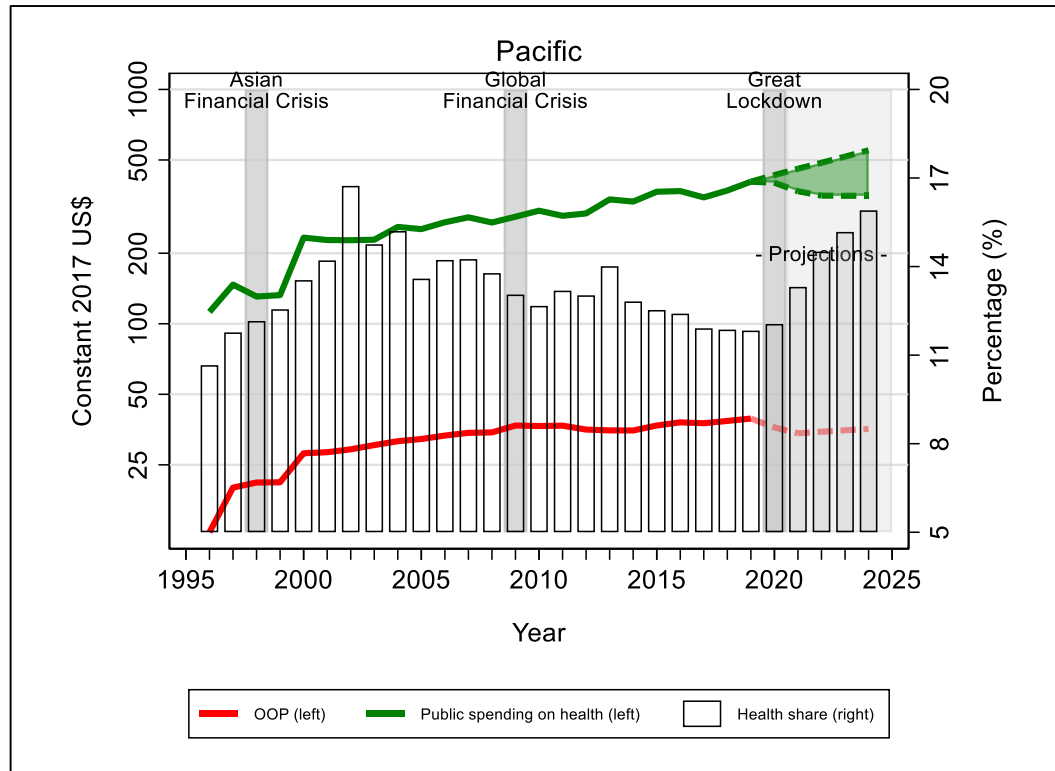




- Even with countercyclical increase in total government spending share of GDP by increasing borrowing and rising debt, **per capita total government spending is expected to decline** in Fiji.
- ... **without reprioritization, public spending on health is also expected to decline.**
- Higher debt → greater debt servicing in future; **fiscal tightening may continue** for several years beyond end of current crisis.



Public Financing for Health Will Be Tight



Health's share of public spending will need to increase to preserve previous trend growth rates and to offset likely declines in OOP spending; cutting waste and improving efficiency will be critical as well

Time for Action is Now

- COVID-19: Economic and health impact expected to be substantial in Pacific, even though only a small number of reported infections
- Concerns that health financing for routine essential service delivery are being adversely affected.
- ➔ ■ Pacific Heads of Health have an opportunity to take strategic action to (re)prioritize and (re)allocate resources to help protect and improve population health and the delivery of essential services.

Discussion Points for Pacific Heads of Health

- Fiscal tightening means that health sector in each country will need to make a **strong and clear case for continued investments** to maintain or increase allocations during annual budget submissions.
- Budget submissions will need to be **realistic and sustainable** and require some demonstration of **reallocation** and **reprioritization** with health within agreed strategies to address priorities and improve overall population health.
- Reprioritization and reallocation of resources needs to be informed by lessons from COVID-19 preparation: **strengthening of weak systems that underpin delivery of quality essential health services** for all.

Questions for Pacific Heads of Health include:

- Are your health services ready to isolate and manage people with C19 infections?
- What is your ministry doing to improve **governance and accountability** for resources? Is timely and accurate information available in order to make decisions on (re)prioritization and (re)allocation?
- What can be done to improve **value for money** in health?
- How can **whole-of-government** approach be used to prepare, coordinate, and respond to dual health and economic threats such as those posed by COVID-19?
- How is your ministry working with finance and others to examine options for **mobilizing adequate domestic resources**, including via use of **pro-health fiscal policy** efforts?
- Are there specific areas your ministry needs assistance with from development partners? If so, how do you propose this be provided for maximum effectiveness given the current situation with travel restrictions etc.?